CITY OF MILLEDGEVILLE, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2012

Prepared by:

Finance Department

CITY OF MILLEDGEVILLE, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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INTRODUCTORY SECTION

MAYOR
Richard A. Bentley

ALDERMEN
M. Stephen Chambers
Phillip Joiner
Collinda J. Lee
Richard Mullins, Jr.
Denese R. Shinholster
Jeanette H. Walden

The City of Milledgeville

CITY MANAGER
Barry Jarrett

November 30, 2012

To the Honorable Mayor, Members of Council
And the Citizens of the City of Milledgeville

The Comprehensive Annual Financial Report (CAFR) of the City of Milledgeville for the fiscal year ended June 30, 2012, is hereby submitted in accordance with the Official Code of Georgia 36-81-7.

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the City of Milledgeville. To provide a reasonable basis for making these presentations, the City has established internal control procedures designed to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in accordance with generally accepted accounting principles (GAAP). Because the cost of internal control should not outweigh their benefits, the objective is to present reasonable rather than absolute assurance that the financial statements are free of material misstatement. We believe the data, as presented, are accurate in all material respects and are presented in a manner designed to help the reader understand the financial operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

Mauldin & Jenkins, LLC, Certified Public Accountants, have issued an unqualified opinion on the City of Milledgeville's financial statements for the fiscal year ended June 30, 2012. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

Known as Georgia's Antebellum Capital, the City of Milledgeville was founded in 1803 by an Act of the General Assembly of Georgia and was named for the Honorable John Milledge, Governor of Georgia. Milledgeville served as Georgia's fourth capital from 1804-1868. In 1868, the state capital was moved to Atlanta. Milledgeville owns the distinction of being one of only two planned capital cities in the United States, the other being Washington, D. C. The City occupies 20.79 square miles and is the county seat for Baldwin County. Milledgeville is located 79 miles southeast of Atlanta and 30 miles northeast of Macon.

Milledgeville is governed by a mayor and six (6) council members elected by the citizens. The Mayor is elected at large serving a four (4) year term and presides over all meetings of the City, signs all official contracts, ordinances, and resolutions adopted by council. Members of the City Council are elected from districts and serve four year concurrent terms. Council members are responsible for passing ordinances, adopting the budget, establishing tax rates, appointing committees and hiring both the city's manager and attorney. The City has operated under a council-manager form of government since May, 2003 when the City's charter was changed. The City Manager advises the mayor and council, prepares the budget, appoints department heads, supervises all employees and is responsible for day-to-day operations of the City.

The City provides a full range of service to approximately 18,000 residents. These services include general administration, police and fire protection, the construction and maintenance of bridges, streets, and other infrastructure, culture and recreation, and planning and development services. Water and sewer, in addition to sanitation collection services, are also provided.

The City is financially accountable for three legally separate component units. These component units include: The Mary Vinson Library (Twin Lakes Library System) the Milledgeville-Baldwin County Allied Arts and the Downtown Development Authority. These components are reported separately within the City of Milledgeville's financial statements. Additional information for these programs may be found in the Notes to Financial Statements.

The annual budget serves as the foundation for the City of Milledgeville's financial planning and control. The budget process begins with departments and outside agencies submitting budget requests to the finance director in mid February. The finance director uses these requests as the starting point for developing a proposed budget. A draft budget is submitted to the city manager for consideration and approval. The city manager then submits the budget to the Council for review in early May. Public hearings are required to be held before final adoption of the budget, with final adoption no later than June 30, the end of the fiscal year as required by law. Activities of the general fund, special revenue funds, the capital project funds, and the enterprise funds are included in the annual appropriated budget. The appropriated budget is prepared by fund and department. The City Manager may make transfers of appropriations within a department. Transfer of

appropriations between departments, and increases or decreases in appropriations require the special approval of the City Council.

FACTORS AFFECTING FINANCIAL CONDITION

Local Economy

The Industrial Development Authority and the Chamber of Commerce continue to work diligently to attract new business and industry into the area as well as offering support to existing business and industry. Milledgeville works with the County on attracting potential businesses to a modern 500 acre industrial park strategically located on Georgia Highway 22. A highly educated local work force is provided by the Georgia College and State University and Georgia Military College, both located in downtown Milledgeville. These institutions provide both opportunities for potential employers and provide a consumer population for local businesses.

The State of Georgia's Central State Hospital, a district facility to provide mental health care, is located in the City. These properties are exempted from the property tax digest but provide a large number of employment opportunities for the local economy as well as generation of sales taxes to the City's treasury.

Long Term Financial Planning

The City of Milledgeville is working towards increasing reserves and a pay as you go strategy to avoid future long term debt. This will provide strength to the City's financial position as well as some protection from fluctuations in the economy, or unforeseen natural disasters.

Major Initiatives

The City of Milledgeville continues to work diligently to improve the quality of life of its citizens as we continue to develop our City. Even with the downturn in the economy, the City continues to extend utilities to expand our number of retail and wholesale customers. The City has also developed a close partnership with the Milledgeville-Baldwin County Development Authority to more aggressively recruit new and expanded industry and high paying jobs to Milledgeville so as to strengthen and expand our tax and employment base.

The City has developed a partnership with the Oconee River Greenway Authority with the goal to construct a series of parks along the Oconee River and to connect the parks with walking and biking trails. The initial park has been constructed in Milledgeville immediately south of the Hancock Street Bridge and extends to the Fishing Creek Bridge.

The concept development phase to extend Greene Street to the parks is complete and awaiting approval from the Department of Transportation.

The City of Milledgeville was awarded state funding to enable the City to become a "wireless" community. In October 2009 the City's wireless service in a partnership with Sprint was launched to customers and the City's public safety service.

The City adopted an enterprise zone in conjunction with the State's opportunity zone designation for providing tax incentives to new and existing business in the central business district. New CDBG and other grant programs have assisted with some revitalization of the area.

The City is currently working with the State of Georgia, Georgia College and State University, local community leaders and our Federal Delegation on the redevelopment of the Campus of Central State Hospital on the south side of the City. This opportunity can breathe new life into not only the City of Milledgeville but also Baldwin County and the surrounding region. With a philosophy and techniques used similar to that of the Department of Defense BRAC (Base Realignment & Closure) Commission, this landmark property would be repurposed beginning with the Center of Excellence in Rural Healthcare Delivery as envisioned by the leadership of Georgia College and State University. It is hoped that this program with its concentration on Technology and Health Care Delivery would become the economic catalyst for the entire campus. We all anxiously await the implementation of this program. During fiscal year 2012, the State of Georgia enacted legislation to establish the Central State Hospital Local Redevelopment Authority. This Authority has been charged with overseeing the efforts previously mentioned. The Authority consists of members who represent a broad faction of interest from education, business and healthcare.

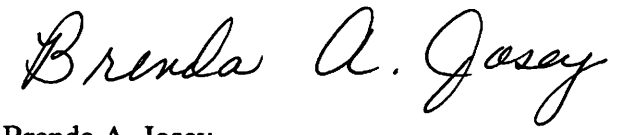
AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Milledgeville for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011. This is the twenty-sixth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report that satisfies both generally accepted accounting principles and applicable legal requirements.

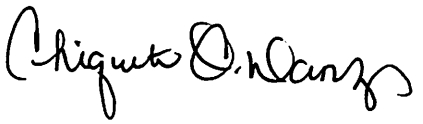
A Certificate of Achievement is valid for a period of one year only. We believe our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certification.

The preparation of the Comprehensive Annual Financial Report was made possible by the dedicated services of the entire staff of the Finance Department. In addition, we wish to express our sincere appreciation to the Mayor and Council for their support and to the City Manager and all City department heads and employees for their positive attitudes toward budgetary responsibility.

Respectfully submitted,



Brenda A. Josey
Accounting Manager
Enterprise, Internal Service & Agency Funds



Chiquita O. Danzy
Accounting Manager
Governmental Funds

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Milledgeville
Georgia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Davidson

President

Jeffrey L. Esser

Executive Director

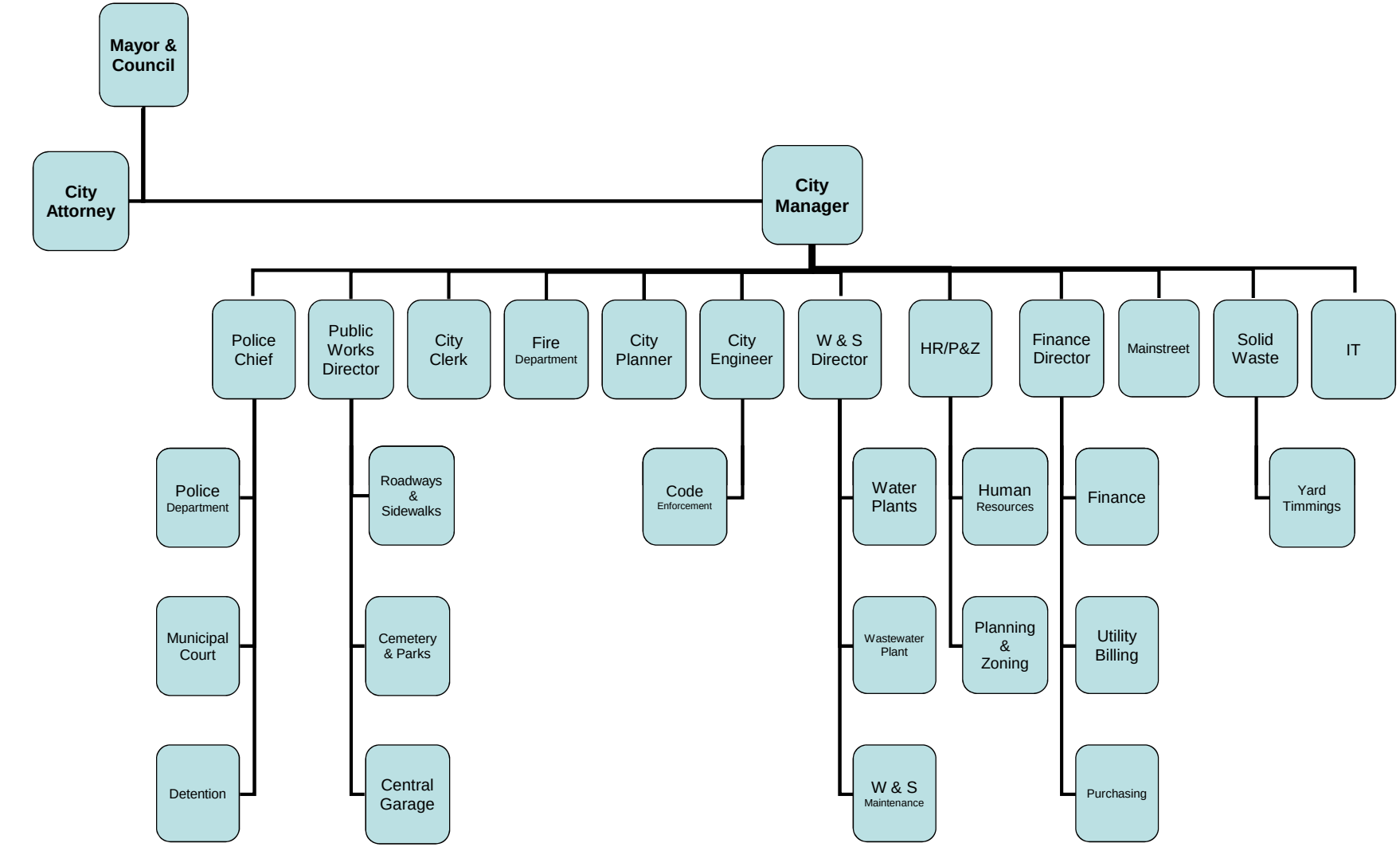
CITY OF MILLEDGEVILLE, GEORGIA

LIST OF PRINCIPAL OFFICIALS
JUNE 30, 2012

Mayor	Richard A. Bentley
Mayor Pro-Tem	Denese R. Shinholster
Council	Dr. Collinda J. Lee Jeanette H. Walden Denese R. Shinholster Phillip Joiner Richard Mullins, Jr. Stephen Chambers
City Manager	Barry Jarrett
City Attorney	James D. Jordan
City Clerk	Bo Danuser
City Engineer	Mark Patrick
City Planner	W. Michael Couch
Accounting Manager – Governmental Funds	Chiquita O. Danzy
Accounting Manager – Enterprise, Internal Service and Agency Funds	Brenda Josey
Customer Service Manager – Utility Billing, Taxes & Business Licenses	Patti Rushin
Interim Chief of Police	Acer D. Swicord
Fire Chief	J. Tom Dietrich
Public Works Director	Vacant
Public Utilities Director	Barry Jarrett
Human Resources Director / Planning & Zoning Administrator	Mervin G. Graham
Mainstreet Director	Carlee Schulte

CITY OF MILLEDGEVILLE, GEORGIA

ORGANIZATIONAL CHART



July 2011

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FINANCIAL SECTION

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Milledgeville, Georgia
Milledgeville, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **City of Milledgeville, Georgia** as of and for the year ended June 30, 2012, which collectively comprise the City of Milledgeville, Georgia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Milledgeville, Georgia's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Milledgeville, Georgia as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the Schedule of Funding Progress on pages 4 through 15 and 65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Milledgeville Georgia's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, statistical section, and continuing disclosure information are presented for purposes of additional analysis and are not a required part of the financial statements. The schedules of expenditures of special purpose local option sales tax proceeds are presented for purposes of additional analysis as required by the Official Code of Georgia Annotated 48-8-121, and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is also presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133 and is also not a required part of the financial statements of the City of Milledgeville, Georgia. The combining and individual nonmajor fund financial statements and schedules, the schedules of expenditures of special purpose local option sales tax proceeds, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections and the continuing disclosure information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Mauldin & Jenkins, LLC

Macon, Georgia
December 11, 2012

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis provides a narrative overview and analysis of the financial activities of the City of Milledgeville (the "City") for the fiscal year ended June 30, 2012. We encourage readers to consider information presented here in conjunction with the letter of transmittal at the front of this report and the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City of Milledgeville's assets exceeded its liabilities at June 30, 2012 by $58,692,442; of this amount, $30,210,525 is invested in capital assets (net of depreciation and related debt). Total unrestricted assets are $16,951,490 and may be used to meet the City's ongoing obligations. Unrestricted net assets from the governmental activities are $2,802,036.

- As of June 30, 2012, Milledgeville's governmental funds reported combined ending fund balances of $11,447,197. Approximately 24% of this total amount, $2,733,122, is available for spending at the City Council's discretion, (unassigned fund balance). The governmental funds combined fund balance decreased by $207,537 from fiscal year ending June 30, 2011.

- The total liabilities of the City's governmental-type and business-type funds outstanding at June 30, 2012 are $1,994,135 and $10,694,934, respectively. $10,150,324 of the total $12,689,069 represents liabilities that are due in one year or more, such as long-term debt and compensated absences. This is a decrease of $4,175,264 for the governmental-type funds and a decrease of $1,260,773 for the business-type activities from fiscal year ending June 30, 2011. These significant decreases are due primarily to the settlement of claims payable and the retirement of GEFA debt.

- No new debt was incurred this fiscal year for the City's governmental fund. The Water Sewer Fund incurred no new debt during fiscal year 2012.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Discussion and Analysis narrative is intended to serve as an introduction to the City of Milledgeville's basic financial statements. The basic financial statements are composed of three elements: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. In addition to the basic statements, this report also contains other supplementary information including combining statements of non-major funds, and a statistical section.

Government-wide Financial Statements The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private sector business.

The City's government-wide financial statements include the Statement of Net Assets and the Statement of Activities. These two statements report information about the City of Milledgeville using the *accrual basis* of accounting, which is similar to the accounting method used by most private-sector businesses. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The purpose of the ***Statement of Net Assets*** (pages 12 and 13) is an attempt to report all of the assets held and liabilities owed by the City. The City reports all of its assets when it acquires ownership over the assets and reports all of its liabilities when they are incurred. The difference between total assets and total liabilities is labeled *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the City's financial position is improving or deteriorating.

The ***Statement of Activities*** (page 18) on the other hand, presents revenues and expenses of the City. Under the accrual basis of accounting mentioned earlier, revenues are recognized when earned and expenses when incurred in this statement. Thus, revenues are reported even when they may not be collected for several weeks after the accounting period and expenses are recorded even though they may not have used cash during the current period. The difference is described as *changes in net assets*. The primary focus of the Statement of Activities is on *net costs* of various activities provided by the City and identifies the extent to which each function of the City draws from general revenues or is self-financing through fees, grants or other sources.

In the Statement of Net Assets and the Statement of Activities, the City of Milledgeville is divided into three basic types of activities:

- ***Governmental Activities*** – Most of the City's basic services are reported under this category, including police, fire, public works and general administration. Sales tax, property taxes and intergovernmental revenues finance most of these services.

- ***Business-type Activities –*** The City charges fees to customers to assist in covering all or most of the costs for certain services it provides. The City's water and sewer system fees and refuse collection fees are reported in this category.

- ***Discretely Presented Component Unit*** – Component Units are legally separate organizations for which the elected officials of the City are financially accountable. The City has three component units – Mary Vinson Memorial Library, Allied Arts, and the Downtown Development Authority.

The City's government-wide financial statements are presented on pages 16 - 18.

Fund Financial Statements

The focus of fund financial statements is directed to specific activities of the City and its most significant funds, not the City as a whole. A fund is an entity with a self-balancing set of accounts that the City uses to track specific resources and expenditures, either for management purposes or because of legal mandates. In addition to the major funds, individual fund data for the City's non-major funds can be found beginning on page 67. The City's funds are divided into three broad categories – governmental, proprietary, and fiduciary – and use different accounting approaches.

- ***Governmental Funds –*** These funds account for essentially the same functions reported as governmental activities in the government-wide financial statements; however, governmental fund financial statements focus on the short-term view of the City's general government operations and the basic services it provides. Governmental funds are reported using an accounting method called *modified accrual accounting*, which measures cash and all other financial assets that can be readily converted to cash.

  Because the focus of the governmental fund financial statements is narrower than that of the government-wide financial statements and because of the different accounting methods used to prepare them, there are often significant differences between the totals presented in these financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The City's basic governmental fund financial statements are presented on pages 19 - 25 of this report.

  The City of Milledgeville maintains seven (7) individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund and SPLOST Fund which are considered major funds. Data for the other five (5) governmental funds are combined in a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements on pages 67 and 68 of this report.

- ***Proprietary Funds –*** When the City charges customers for the services it provides – whether to outside customers or to other departments of the City – these services are generally reported in proprietary funds. The City maintains two (2) different types of proprietary funds: Enterprise funds and Internal Service funds. These proprietary funds are prepared using the same accounting basis as the government-wide financial statements.

  Enterprise fund statements report the same functions presented in the business-type activities columns of the government-wide financial statements. The City of Milledgeville uses the enterprise fund to account for the Water and Sewer system and Solid Waste system.

  Internal service funds are an accounting device to account for services provided and billed on an internal basis. The City utilizes the internal service fund for the Risk Management Fund. Because of the nature of the City's internal service funds, they are allocated to both governmental activities and business-type activities on the government-wide statement.

  The City's proprietary fund financial statements are presented on pages 26 - 32.

- ***Fiduciary Funds –*** Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Milledgeville's own programs. The accounting for fiduciary funds is much like that used for proprietary funds.

  The City acts as trustee or fiduciary for its employee pension plan. It is also responsible for other assets that, because of the nature of the trust or agency arrangement, can be used only for the trust or agent beneficiaries.

  Fiduciary funds are presented in the fund financial statements but are not reported in the government-wide financial statements.

  The City's fiduciary fund financial statements are presented on pages 33 and 34.

Budgetary Comparisons

The City of Milledgeville adopts an annual appropriated budget for its General Fund and the non-major Special Revenue Funds. The budgetary comparison statements have been provided for each of these funds to demonstrate compliance with the budget. The General Fund budgetary comparison statements can be found on pages 23 - 25. The non-major Special Revenue Fund budgetary comparison statements can be found on pages 69 - 73.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 35 - 64 of this report.

Other Supplementary Information

Other supplementary information includes combining financial statements for non-major governmental, proprietary and fiduciary funds. These funds are added together by fund type and presented together in single columns in the basic financial statements but are not reported individually, as with major funds, on the government-wide financial statements. The combining and individual fund statements and schedules are presented following the notes to the financial statements and can be found on pages 67 - 81 of this report.

The report includes two (2) schedules (pages 20 and 22) which reconcile the amounts on the governmental fund financial statements (modified accrual basis of accounting) with the governmental activities reported on the government-wide financial statements (accrual basis of accounting).

GOVERNMENT WIDE FINANCIAL ANALYSIS

The City's overall financial position and operations for the fiscal year is summarized in Table 1 below based on the information included in the government-wide financial statements (see pages 16 - 18).

City of Milledgeville Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	$ 13,465,941	$ 12,819,686	$ 17,901,731	$ 15,640,506	$31,367,672	$ 28,460,192
Capital Assets	12,531,494	13,893,161	27,482,345	28,295,337	40,013,839	42,188,498
Total Assets	25,997,435	26,712,847	45,384,076	43,935,843	71,381,511	70,648,690
Long-term debt outstanding	970,415	4,849,604	9,179,909	10,343,437	10,150,324	15,193,041
Other Liabilities	1,023,720	1,319,795	1,515,025	1,612,270	2,538,745	2,932,065
Total Liabilities	1,994,135	6,169,399	10,694,934	11,955,707	12,689,069	18,125,106
Net Assets						
Invested in Capital assets, net of related debt	12,531,494	13,364,194	17,679,031	17,288,728	30,210,525	30,652,922
Restricted	8,669,770	7,527,182	2,860,657	2,587,344	11,530,427	10,114,526
Unrestricted	2,802,036	(347,928)	14,149,454	12,104,064	16,951,490	11,756,136
Total Net Assets	$ 24,003,300	$ 20,543,448	$ 34,689,142	$ 31,980,136	$58,692,442	$ 52,523,584

Net Assets – As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. As of June 30, 2012, assets exceeded liabilities by $58.7 million. However, much of those net assets are either restricted as to purpose for which they can be used, or are invested in capital assets.

The largest portion of the City's net assets, $30,210,525, represents investments in capital assets. The investment in capital assets includes land, buildings, machinery and equipment, as well as infrastructure acquired in past years. These capital assets are used to provide services to citizens; consequently, they are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional $11,530,427 of the City's net assets represents resources that are subject to external restrictions on how they are to be used. The remaining balance of unrestricted net assets of $16,951,491 (28%) may be used to meet the government's ongoing obligations to citizens and creditors.

Although the net assets of our business-type activities represent 60% ($34,689,142) of total net assets, these resources cannot be used to add to the net asset surplus in governmental activities. The City generally can only use these net assets to finance the continuing operations of the business-type activities. The significant changes in the distribution of fund balance presented in the financial statements for the year ending June 30, 2012 from prior years are due to the reclassification of fund balance due to the implementation of GASB Statement No. 54 which redefines the distinction of fund balances for governmental funds.

Changes in Net Assets – Governmental and business-type activities increased the City's net assets by $6,168,860 in fiscal year 2012. The following table indicates the changes in net assets for the government and business-type activities in fiscal year 2012.

City of Milledgeville Changes in Net Assets

	Governmental Activities		Business-type Activities		Total Primary Government	
Revenues:	2012	2011	2012	2011	2012	2011
Program Revenues:						
Charges for services	$ 926,595	$ 947,453	$9,410,127	$9,133,216	$10,336,722	$10,080,669
Operating grants and contributions	34,005	290,553			34,005	290,553
Capital grants and contributions	2,499,914	2,382,085		32,377	2,499,914	2,414,462
General Revenues:						
Property taxes	2,831,319	2,931,647			2,831,319	2,931,647
Sales taxes	2,582,539	2,464,375			2,582,539	2,464,375
Other taxes	3,676,317	3,863,768			3,676,317	3,863,768
Investment earnings	92,635	122,072	260,807	97,346	353,442	219,418
Total revenues	12,643,324	13,001,953	9,670,934	9,262,939	22,314,258	22,064,892
Expenses:						
General government	1,495,140	1,583,367			1,495,140	1,583,367
Judicial	146,991	160,324			146,991	160,324
Public safety	3,045,049	6,255,838			3,045,049	6,255,838
Public works	2,043,706	2,708,035			2,043,706	2,708,035
Housing and development	958,338	1,135,551			958,338	1,135,551
Culture/recreation	791,132	753,213			791,132	753,213
Interest on long term debt						
Water and sewer			6,154,110	5,879,449	6,154,110	5,879,449
Solid Waste			1,510,933	1,645,373	1,510,933	1,645,373
Total expenses	8,480,356	12,596,328	7,665,043	7,523,822	16,145,399	20,121,150
Increase (decrease) in net assets Before transfers						
Transfers	(703,115)	(387,127)	703,115	387.127	0	0
Change in net assets	3,459,853	18,516	2,709,006	2,126,244	6,168,859	2,144,760
Net assets, beginning of year	20,543,447	20,524,932	31,980,136	29,853,892	52,523,583	50,378,824
Net assets, end of year	$24,003,300	$20,543,448	$34,689,142	$31,980,136	$58,692,442	$52,523,584

Governmental Activities – Governmental activities increased the City's net assets by $3,459,853 in fiscal year 2012. Key elements of this increase are as follows:

- Revenues were $12.6 million. Approximately 7% of the City's revenues came from fees charged for services, 20% from sales taxes, 22% from property taxes and 29% from other taxes. Investment earnings decreased by 24% during the year compared to an increase of 13% in 2011. Capital grants and contributions increased due to the award of several grant funded projects.
- Expenses totaled $8.5 million. Approximately 36% of the City's expenses go to public safety, 24% to public works, 18% to general government and the remaining 22% to housing and development, judicial activities, and culture and recreation. Public safety expenditures dramatically decreased due to the settlement of an outstanding workers' compensation claim. The City maintains an internal service fund for risk management that included workers' compensation and general liability.

Business-Type Activities – The City's major business-type activities, the Water and Sewer Revenue Fund and Solid Waste Fund, increased net assets by $2,709,006 in fiscal year 2012. The City implemented a five year program to increase water rates by 3% per year effective July 1. July 1, 2009 began the initial year of this program.

Financial Analysis of the City Funds

As noted earlier, the City of Milledgeville uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds – The focus of the City of Milledgeville's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. GASB Statement No. 54 recognizes the following designations for fund balances for governmental funds: Non-spendable, Restricted, Committed, Assigned and Unassigned.

At the end of fiscal year 2012, the combined ending fund balance of the City's governmental funds was $11,447,197, a decrease of 2% from fiscal year 2011. Approximately $2.7 million (24%) of combined fund balance consists of unassigned fund balance, which is available working capital for current spending in accordance with the purpose of the specific funds. The unassigned fund balance decreased by $706,036. Expenses were 13% lower than the previous year while revenues decreased by 12%. The remainder of fund balance is duly designed to indicate that it is not available for new spending because it is committed to the following purposes: non-spendable for inventories, prepaid items and encumbrances ($37,241), restricted for the employee health fair, SPLOST, other Governmental Funds ($8,609,100); restricted for public safety ($67,139); assigned ($595); and unassigned ($2,733,122).

The City has two major governmental funds, which are the General Fund and the SPLOST Fund.

1. *General Fund* – This is the primary operating fund of the City of Milledgeville government. It accounts for many of the City's core services such as law enforcement, fire protection, roads and streets, culture and recreation and administration. At the end of the current fiscal year, unassigned fund balance of the General Fund was $2,733,297, while total fund balance was $2,847,542. As a measure of the General Fund's liquidity, it may be useful

to compare both unassigned fund balance and total fund balance to total expenditures. Unassigned fund balance represents 29% of total fiscal year 2012 expenditures, while total fund balance is 30% of that same amount.

2. *SPLOST Fund* – This fund is a capital project fund accounting for the City's negotiated share of the special purpose local option sales taxes. This tax is voted by referendum to collect a penny on sales that occur within Baldwin County. The tax must be used for specific capital expenditures. The total fund balance of $7,533,651 is restricted and will be used to fund major capital projects.

Proprietary Funds – The City's proprietary fund statements provide the same type of information found on the government-wide statements, but in more detail.

Unrestricted assets of the City's major proprietary fund, the Water and Sewer Fund, totaled $12,833,918. This amount has been adjusted by $237,226 to reflect consolidation of internal service fund activities related to the enterprise fund. The total net assets increased by $2,272,786. An increase of approximately 7% is attributable with the efficiency of the operation of the Water and Sewer Fund.

Unrestricted assets of the City's other proprietary fund, Solid Waste Fund, totaled $1,078,310 which demonstrates continued improvement in the operation of the Solid Waste Fund. Solid Waste fees were restructured effective July 1, 2009 and this has positively impacted revenue for this fund. In addition, on January 1, 2012, the City entered into a new contract with Advanced Waste Disposal. This new contract implemented a reduction in the costs of providing solid waste collection services to the customers of the Solid Waste Fund. The Solid Waste Fund continues to operate with a positive margin.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City's budget is prepared according to the Georgia statutes and the City of Milledgeville Code. The most significant budgeted fund is the General Fund.

In May 2011, the City Council appropriated $11.2 million for general fund expenditures.

City of Milledgeville 2012 General Fund Budget

	Original Budget	Amendments	Final Budget	Actual
Revenues and other financing sources	$11,205,196		$11,205,196	$ 9,424,131
Expenditures and other financing uses	$11,205,196		$11,205,196	$10,126,522

Budgetary amendments were approved by the City Council as required by state law and the City of Milledgeville code.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – The City of Milledgeville has invested $40,013,839 in capital assets (net of accumulated depreciation). Capital assets include infrastructure, land, land improvements, buildings and machinery and equipment. Approximately 69% of this investment is related to business-type activities while only 31% is related to governmental activities.

Capital assets held by the City at the end of the current fiscal year are summarized as followed:

City of Milledgeville Capital Assets
(net of accumulated depreciation)

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	$ 2,468,098	$ 2,468,098	$ 181,310	$ 181,310	$ 2,649,408	$ 2,649,409
Land improvements	71,014	85,780	35,641	43,411	106,655	129,191
Infrastructure	6,900,466	6,195,629	10,196,072	9,189,385	17,096,538	15,385,014
Buildings	1,500,044	1,624,100	14,880,671	15,299,862	16,380,715	16,923,962
Machinery and equipment	1,457,010	1,878,851	2,093,874	2,384,749	3,550,884	4,263,600
Construction in progress	134,862	1,111,740	94,777	1,196,620	229,639	2,308,360
Total Net Capital Assets	$ 12,531,494	$ 13,364,198	$ 27,482,345	$ 28,295,337	$ 40,013,839	$ 41,659,535

The City elected to implement the general provisions of GASB Statement No. 34 in fiscal year 2003 and fully implemented the retroactive infrastructure provisions in fiscal year June 30, 2007.

Major capital asset expenditures during the current fiscal year for governmental activities included the following:

- Advanced Walkie-Talkie – Fire Department - $17,092
- Vehicles – Police Department - $29,940
- Remodel Communication/Control Room – Police Department - $3,960
- Laptop Computers – Police Vehicles - $11,165
- Omega Mapping Project – Cemetery - $37,941
- Vehicles – Public Works - $32,246
- Christmas Lights - $8,795
- Construction in Progress - $198,843

Major capital asset purchases during the current fiscal year for the business-type activities included the following:

- 2013 Ford Explorer – Water Plant #1 - $23,408
- Fluoride Feeder – Water Plant # 1 - $24,500
- Raise Manholes & Valve boxes - $50,680
- Water Line Upgrade – Green/Wayne Street - $6,300
- Water Main – Doles/Baldwin - $41,000
- Boiler Up-grade - Waste Treatment Plant - $38,894
- Construction in Progress - $3,000

Additional information on the City of Milledgeville's capital assets can be found in Note 5 on pages 51 - 53 of this report.

Long-term debt – At June 30, 2012, the City of Milledgeville had $9,585,595 in bonds and notes payable outstanding, a decrease of $1,171,549 over last year representing payments made to reduce bonds and notes outstanding.

State statutes limit the amount of general obligation debt a governmental entity may issue to ten percent (10%) of its total assessed valuation. The current debt limitation for the City of Milledgeville is $36 million.

Additional information on the City's long-term debt can be found in Note 6 on pages 54 - 56 of this report.

City of Milledgeville Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenue Bonds	$ -	$ -	$ 9,245,000	$ 9,910,000	$ 9,245,000	$ 9,910,000
Notes payable	-	-	340,595	847,144	340,595	847,144
Total	$ -	$ -	$ 9,585,595	$ 10,757,144	$ 9,585,595	$ 10,757,144

Economic Factors and Next Year's Budget

The City of Milledgeville ended the fiscal year with an excess of revenues over expenses/expenditures in all funds. The City adopted a Council-Manager form of government in 2003 and changed its fiscal year from December 31 to June 30. The following factors are expected to have an effect on the City's financial position of operations and were taken into account in developing the FY 2013 Budget.

The General Fund property taxes are expected to be static due to the slow down of growth in the area. Electric franchise taxes are expected to increase due to the rising cost of fuel oils.

Utility revenues are anticipated to increase due to a yearly increase in the water and sewer rates of 3%, and raising water rates to wholesale customers. Sewer revenues have increased for Baldwin County and Central State Hospital due to a new flow study performed during fiscal year 2008, however, the closure of facilities located within the Central State Hospital campus have resulted in a reduction of utilization at that site. In addition, the City of Milledgeville reached an agreement with Baldwin County to bill for garbage service on behalf of the County for those customers who receive their water from the City. The City receives a $1 administration fee for each account billed each month. This administration fee represents approximately $18,000 annually in additional revenue for the Solid Waste Fund. In addition, as the initiative to realign and establish Central State Hospital as a viable operation that will serve multiple purposes for the City, Baldwin County and surrounding areas, we anticipate increased utilization for the City's water, sewer and solid waste services. We also anticipate growth in this area that will not only generate sales taxes as businesses open in the area but also the opportunity for assessment and collection of other tax revenues.

These actions are anticipated to:

- Improve the fiscal health of the City by strengthening the enterprise funds.
- These increases will allow the City to once again meet its debt service coverage and start a more active repair and replacement program for the City's infrastructure.
- To continue the implementation of a pay as you go budget to reduce the dependency on borrowed funds.

Growth in the City-wide gross taxable values is projected to remain constant with little or no growth in the value of a mill.

The City continues to have retail business locating in the City limits and growth in the water and sewer system with new residential housing locating in Milledgeville and Baldwin County, however, the effects of the slow economy and the closure of key employers and state run facilities have significantly slowed the growth rate.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City of Milledgeville's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this or additional financial information should be addressed to the Finance Department, P. O. Box 1900, Milledgeville, GA 31059-1900.

CITY OF MILLEDGEVILLE, GEORGIA

STATEMENT OF NET ASSETS
JUNE 30, 2012

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Allied Arts	Mary Vinson Memorial Library	Downtown Development Authority
ASSETS						
Cash	$ 13,565,276	$ 6,834,111	$ 20,399,387	$ 127,945	$ 242,868	$ 95,503
Investments	2,104,288	1,300,000	3,404,288	25,097	-	15,196
Taxes receivable	539,889	-	539,889	-	-	-
Accounts receivable, net of allowances	41,022	1,167,129	1,208,151	-	50	3,500
Notes receivable	295,909	-	295,909	-	-	51,540
Due from other governments	1,371,152	-	1,371,152	270	-	-
Internal balances	(5,218,257)	5,218,257	-	-	-	-
Inventories	37,241	192,698	229,939	-	-	-
Restricted assets, cash	-	1,501,955	1,501,955	-	-	-
Restricted assets, investments	-	1,358,702	1,358,702	-	-	-
Bond issuance costs, unamortized balance	-	328,879	328,879	-	-	-
Capital assets, non-depreciable	2,602,960	276,087	2,879,047	-	20,000	-
Capital assets, depreciable, net of accumulated depreciation	9,928,534	27,206,258	37,134,792	-	39,002	-
Other noncurrent asset	619,624	-	619,624	-	-	-
Total assets	25,997,436	45,384,076	71,381,512	153,312	301,920	165,739

(Continued)

CITY OF MILLEDGEVILLE, GEORGIA

STATEMENT OF NET ASSETS
JUNE 30, 2012

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Allied Arts	Mary Vinson Memorial Library	Downtown Development Authority
LIABILITIES						
Accounts payable	$ 284,207	$ 265,749	$ 549,956	$ -	$ 4,750	$ -
Accrued liabilities	255,634	97,795	353,429	3,331	13,403	-
Unearned revenues	3,836	-	3,836	-	-	-
Liabilities payable from restricted assets	-	1,068,459	1,068,459	-	-	-
Claims payable due within one year	300,000	-	300,000	-	-	-
Claims payable due in more than one year	766,256	-	766,256	-	-	-
Compensated absences due within one year	180,043	63,847	243,890	8,612	16,548	-
Compensated absences due in more than one year	204,159	95,770	299,929	-	-	-
Notes payable due within one year	-	19,175	19,175	-	-	-
Notes payable due in more than one year	-	321,420	321,420	-	-	-
Bonds payable due in more than one year	-	8,762,719	8,762,719	-	-	-
Total liabilities	1,994,135	10,694,934	12,689,069	11,943	34,701	-
NET ASSETS						
Invested in capital assets, net of related debt	12,531,495	17,679,031	30,210,526	-	39,002	-
Restricted for debt service	-	2,806,117	2,806,117	-	-	-
Restricted for bond renewal and replacement	-	54,540	54,540	-	-	-
Restricted for capital projects	7,527,182	-	7,527,182	-	-	-
Restricted for public safety	77,915	-	77,915	-	-	-
Restricted for tourism	249,665	-	249,665	-	-	-
Restricted for housing and development	815,008	-	815,008	-	-	-
Unrestricted	2,802,036	14,149,454	16,951,490	141,369	228,217	165,739
Total net assets	$ 24,003,301	$ 34,689,142	$ 58,692,443	$ 141,369	$ 267,219	$ 165,739

The accompanying notes are an integral part of these financial statements.

CITY OF MILLEDGEVILLE, GEORGIA

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets: Governmental Activities	Business-type Activities	Total	Component Units: Allied Arts	Component Units: Mary Vinson Memorial Library	Component Units: Downtown Development Authority
Primary government:										
Governmental activities:										
General government	$ 1,495,140	$ 450,552	$ 34,005	$ 254,188	$ (756,395)	$ -	$ (756,395)	$ -	$ -	$ -
Judicial	146,991	-	-	-	(146,991)	-	(146,991)	-	-	-
Public safety	3,045,049	476,043	-	169,459	(2,399,547)	-	(2,399,547)	-	-	-
Public works	2,043,705	-	-	1,539,615	(504,090)	-	(504,090)	-	-	-
Culture and recreation	791,132	-	-	-	(791,132)	-	(791,132)	-	-	-
Housing and development	958,338	-	-	536,652	(421,686)	-	(421,686)	-	-	-
Total governmental activities	8,480,355	926,595	34,005	2,499,914	(5,019,841)	-	(5,019,841)	-	-	-
Business-type activities:										
Water and sewer	6,154,110	7,476,414	-	-	-	1,322,304	1,322,304	-	-	-
Solid waste	1,510,933	1,933,713	-	-	-	422,780	422,780	-	-	-
Total business-type activities	7,665,043	9,410,127	-	-	-	1,745,084	1,745,084	-	-	-
Total primary government	$ 16,145,398	$ 10,336,722	$ 34,005	$ 2,499,914	$ (5,019,841)	$ 1,745,084	$ (3,274,757)	$ -	$ -	$ -
Component units:										
Allied Arts	$ 193,511	$ 34,508	$ 160,700	$ -	$ -	$ -	$ -	$ 1,697	$ -	$ -
Mary Vinson Memorial Library	688,458	43,819	665,133	-	-	-	-	-	20,494	-
Downtown Development Authority	146,796	133,582	-	-	-	-	-	-	-	(13,214)
Total component units	$ 1,028,765	$ 211,909	$ 825,833	$ -	$ -	$ -	$ -	$ 1,697	$ 20,494	$ (13,214)
		General revenues:								
		Property taxes			$ 2,831,319	$ -	$ 2,831,319	$ -	$ -	$ -
		Sales taxes			2,582,539	-	2,582,539	-	-	-
		Hotel/motel taxes			468,985	-	468,985	-	-	-
		Franchise taxes			1,287,559	-	1,287,559	-	-	-
		Insurance premium taxes			830,908	-	830,908	-	-	-
		Alcoholic beverage taxes			471,834	-	471,834	-	-	-
		Business and occupation taxes			562,008	-	562,008	-	-	-
		Other taxes			55,023	-	55,023	-	-	-
		Unrestricted investment earnings			92,635	260,807	353,442	103	283	3,952
		Transfers			(703,115)	703,115	-	-	-	-
		Total general revenues and transfers			8,479,695	963,922	9,443,617	103	283	3,952
		Change in net assets			3,459,854	2,709,006	6,168,860	1,800	20,777	(9,262)
		Net assets, beginning of year			20,543,447	31,980,136	52,523,583	139,569	246,442	175,001
		Net assets, end of year			$ 24,003,301	$ 34,689,142	$ 58,692,443	$ 141,369	$ 267,219	$ 165,739

The accompanying notes are an integral part of these financial statements.

CITY OF MILLEDGEVILLE, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

ASSETS	General	SPLOST	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	$ 2,849,357	$ 7,222,493	$ 688,453	$ 10,760,303
Investments	-	100,607	-	100,607
Taxes receivable, net of allowance	500,471	-	39,418	539,889
Accounts receivable, net of allowances	41,022	-	-	41,022
Grant receivable	-	-	109,798	109,798
Note receivable	-	-	295,909	295,909
Due from other governments	204,820	1,164,094	-	1,368,914
Due from other funds	46,200	-	-	46,200
Inventories	37,241	-	-	37,241
Total assets	$ 3,679,111	$ 8,487,194	$ 1,133,578	$ 13,299,883
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 141,027	$ 24,738	$ 61,795	$ 227,560
Accrued liabilities	255,634	-	-	255,634
Deferred revenues	434,908	903,517	3,836	1,342,261
Due to other funds	-	25,288	1,943	27,231
Total liabilities	831,569	953,543	67,574	1,852,686

(Continued)

CITY OF MILLEDGEVILLE, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

FUND BALANCES	General	SPLOST	Other Governmental Funds	Total Governmental Funds
Fund balances:				
Nonspendable - inventory	$ 37,241	$ -	$ -	$ 37,241
Restricted for:				
Capital projects	-	7,533,651		7,533,651
Promotion of tourism	-	-	249,665	249,665
Housing and development programs	-	-	815,008	815,008
Public safety programs	65,633	-	1,506	67,139
Health/welfare programs	10,776	-	-	10,776
Assigned for park improvements	595	-	-	595
Unassigned	2,733,297	-	(175)	2,733,122
Total fund balances	2,847,542	7,533,651	1,066,004	11,447,197
Total liabilities and fund balances	$ 3,679,111	$ 8,487,194	$ 1,133,578	

Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	12,531,495
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,338,424
Internal service funds are used by management to charge the costs of property and health insurance and administrative costs to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	(1,549,237)
Long-term liabilities (compensated absences) are not due and payable in the current period and, therefore, are not reported in the funds.	(384,202)
Net pension asset used in governmental activities is not a financial resource and, therefore, is not reported in the funds.	619,624
Net assets of governmental activities	$ 24,003,301

The accompanying notes are an integral part of these financial statements.

CITY OF MILLEDGEVILLE, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	General	SPLOST	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	$ 8,425,414	$ -	$ 468,985	$ 8,894,399
Licenses and permits	224,119	-	-	224,119
Intergovernmental	31,425	1,000,027	536,652	1,568,104
Fines and forfeitures	476,007	-	36	476,043
Charges for services	8,859	-	-	8,859
Interest income	40,733	59,090	2,586	102,409
Other revenues	217,574	2,580	628	220,782
Total revenues	9,424,131	1,061,697	1,008,887	11,494,715
Expenditures				
Current:				
General government	1,466,667	-	-	1,466,667
Judicial	168,463	-	-	168,463
Public safety	5,702,640	-	10,980	5,713,620
Public works	1,578,008	-	-	1,578,008
Culture and recreation	752,410	-	-	752,410
Housing and development	458,334	-	509,522	967,856
Capital outlay	-	620,172	-	620,172
Total expenditures	10,126,522	620,172	520,502	11,267,196
Excess (deficiency) of revenues over (under) expenditures	(702,391)	441,525	488,385	227,519
Other financing uses - transfers out	-	(435,056)	-	(435,056)
Net change in fund balance	(702,391)	6,469	488,385	(207,537)
Fund balances, July 1	3,549,933	7,527,182	577,619	11,654,734
Fund balances, June 30	$ 2,847,542	$ 7,533,651	$ 1,066,004	$ 11,447,197

The accompanying notes are an integral part of these financial statements.

CITY OF MILLEDGEVILLE, GEORGIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds	$	(207,537)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		
Capital outlay		435,933
Depreciation		(1,268,633)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		1,099,293
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in compensated absences		65,906
Change in net pension asset		90,657
Internal service funds are used by management to charge the costs of workers' compensation and general liability insurance and administrative costs to individual funds.		3,244,235
	$	3,459,854

The accompanying notes are an integral part of these financial statements.

CITY OF MILLEDGEVILLE, GEORGIA

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Property taxes	$ 2,604,000	$ 2,604,000	$ 2,635,543	$ 31,543
Sales tax	2,400,000	2,400,000	2,582,539	182,539
Other taxes	3,388,000	3,388,000	3,207,332	(180,668)
Licenses and permits	192,450	192,450	224,119	31,669
Intergovernmental	23,000	23,000	31,425	8,425
Charges for services	9,000	9,000	8,859	(141)
Fines and forfeitures	711,500	711,500	476,007	(235,493)
Interest revenue	50,000	50,000	40,733	(9,267)
Other revenue	1,354,073	1,354,073	217,574	(1,136,499)
Total revenues	10,732,023	10,732,023	9,424,131	(1,307,892)
Expenditures:				
Current:				
General government:				
Legislative	269,680	269,680	192,676	77,004
Executive	394,479	351,779	317,955	33,824
Elections	1,250	1,250	-	1,250
Finance	585,823	561,023	461,379	99,644
Legal	84,820	84,820	81,517	3,303
Human resources	149,680	149,830	129,563	20,267
General government buildings and grounds	136,685	136,685	121,075	15,610
General engineering	115,204	115,154	110,138	5,016
General administration fees	58,360	58,360	52,364	5,996
Total general government	1,795,981	1,728,581	1,466,667	261,914
Judicial:				
Municipal court	171,590	171,590	168,463	3,127
Total judicial	171,590	171,590	168,463	3,127

(Continued)

CITY OF MILLEDGEVILLE, GEORGIA

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Budget			Variance With
	Original	Final	Actual	Final Budget
Expenditures: (Continued)				
Current: (Continued)				
Public safety:				
Police	$ 3,574,936	$ 3,574,936	$ 3,383,301	$ 191,635
Detention center	322,228	318,358	274,289	44,069
Police department buildings and grounds	114,511	118,381	115,422	2,959
Fire	2,066,056	2,066,056	1,907,029	159,027
Fire department buildings and grounds	46,500	46,500	22,599	23,901
Total public safety	6,124,231	6,124,231	5,702,640	421,591
Public works:				
Public works administration	219,069	219,069	141,629	77,440
Roadways and walkways	604,735	604,735	592,110	12,625
Storm drainage	11,000	11,000	1,902	9,098
Street lighting	265,000	332,500	332,487	13
Traffic engineering	50,000	50,000	32,807	17,193
Maintenance and shop	292,063	291,963	264,970	26,993
Cemetery	361,965	361,965	212,103	149,862
Total public works	1,803,832	1,871,232	1,578,008	293,224
Culture and recreation:				
Recreation	228,360	228,360	228,111	249
Parks	288,554	288,554	270,399	18,155
Twin Lakes Library	253,900	253,900	253,900	-
Total culture and recreation	770,814	770,814	752,410	18,404

(Continued)

CITY OF MILLEDGEVILLE, GEORGIA

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Budget			Variance With
	Original	Final	Actual	Final Budget
Expenditures: (Continued)				
Current: (Continued)				
Housing and development				
Inspections	$ 166,244	$ 166,244	$ 130,134	$ 36,110
Planning and zoning	146,551	146,551	111,844	34,707
Mainstreet	94,605	94,605	90,767	3,838
Economic development	131,348	131,348	125,589	5,759
Total housing and development	538,748	538,748	458,334	80,414
Total expenditures	11,205,196	11,205,196	10,126,522	1,078,674
(Deficiency) of revenues over expenditures	(473,173)	(473,173)	(702,391)	(229,218)
Other financing sources:				
Transfers in	473,173	473,173	-	(473,173)
Total other financing sources	473,173	473,173	-	(473,173)
Net change in fund balance	-	-	(702,391)	(702,391)
Fund balances, July 1	3,583,669	3,583,669	3,549,933	(33,736)
Fund balances, June 30	$ 3,583,669	$ 3,583,669	$ 2,847,542	$ (736,127)

The accompanying notes are an integral part of these financial statements.

CITY OF MILLEDGEVILLE, GEORGIA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

ASSETS	Business-type Activities - Enterprise Funds			Governmental Activities
	Water and Sewer Fund	Solid Waste Fund	Totals	Internal Service Fund
CURRENT ASSETS				
Cash	$ 5,806,314	$ 1,027,797	$ 6,834,111	$ 2,804,973
Investments	1,300,000	-	1,300,000	2,003,681
Accounts receivable	982,868	184,261	1,167,129	2,238
Due from other funds	5,000,000	11,074	5,011,074	-
Inventories	192,698	-	192,698	-
Restricted assets				
Cash	1,501,955	-	1,501,955	-
Investments	1,358,702	-	1,358,702	-
Total current assets	16,142,537	1,223,132	17,365,669	4,810,892
NONCURRENT ASSETS				
Capital assets				
Land	181,310	-	181,310	-
Buildings	21,259,086	-	21,259,086	-
Site improvements	94,044	-	94,044	-
Machinery and equipment	4,091,111	-	4,091,111	-
Infrastructure	18,229,953	-	18,229,953	-
Construction in progress	94,777	-	94,777	-
	43,950,281	-	43,950,281	-
Less accumulated depreciation	(16,467,936)	-	(16,467,936)	-
Total capital assets (net of accumulated depreciation)	27,482,345	-	27,482,345	-
Bond issuance costs (unamortized balance)	328,879	-	328,879	-
Total noncurrent assets	27,811,224	-	27,811,224	-
Total assets	43,953,761	1,223,132	45,176,893	4,810,892

(Continued)

CITY OF MILLEDGEVILLE, GEORGIA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

LIABILITIES	Business-type Activities - Enterprise Funds: Water and Sewer Fund	Business-type Activities - Enterprise Funds: Solid Waste Fund	Business-type Activities - Enterprise Funds: Totals	Governmental Activities: Internal Service Fund
CURRENT LIABILITIES				
Payable from current assets:				
Accounts payable	$ 149,617	$ 116,132	$ 265,749	$ 56,647
Compensated absences payable - current	57,018	6,829	63,847	-
Accrued liabilities	88,581	9,214	97,795	1,066,256
Current maturities of long-term debt	19,175	-	19,175	-
Due to other funds	27,638	2,405	30,043	5,000,000
	342,029	134,580	476,609	6,122,903
Payable from restricted assets:				
Current portion of revenue bonds	700,000	-	700,000	-
Accrued interest	49,984	-	49,984	-
Deposits	318,475	-	318,475	-
	1,068,459	-	1,068,459	-
Total current liabilities	1,410,488	134,580	1,545,068	6,122,903
NONCURRENT LIABILITIES				
Compensated absences (net of current portion)	85,528	10,242	95,770	-
Revenue bonds payable (net of current portion)	8,762,719	-	8,762,719	-
Other long-term debt (net of current portion)	321,420	-	321,420	-
Total noncurrent liabilities	9,169,667	10,242	9,179,909	-
Total liabilities	10,580,155	144,822	10,724,977	6,122,903

(Continued)

CITY OF MILLEDGEVILLE, GEORGIA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

NET ASSETS	Business-type Activities - Enterprise Funds			Governmental Activities
	Water and Sewer Fund	Solid Waste Fund	Totals	Internal Service Fund
Invested in capital assets, net of related debt	$ 17,679,031	$ -	$ 17,679,031	$ -
Restricted for debt service	2,806,117	-	2,806,117	-
Restricted for bond renewal and replacement	54,540	-	54,540	-
Unrestricted (deficit)	12,833,918	1,078,310	13,912,228	(1,312,011)
Total net assets (deficit)	$ 33,373,606	$ 1,078,310	$ 34,451,916	$ (1,312,011)
Adjustment to reflect consolidation of internal service fund activities related to enterprise funds			237,226	
Net assets of business-type activities			$ 34,689,142	

The accompanying notes are an integral part of these financial statements.

CITY OF MILLEDGEVILLE, GEORGIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Business-type Activities - Enterprise Funds			Governmental Activities
	Water and Sewer Fund	Solid Waste Fund	Totals	Internal Service Fund
Operating revenues:				
Water sales	$ 3,727,684	$ -	$ 3,727,684	$ -
Sewer sales	3,249,735	-	3,249,735	-
Sanitation fees	-	1,933,713	1,933,713	-
Tap fees	44,092	-	44,092	-
Late charges	151,070	-	151,070	-
Activation fees	47,175	-	47,175	-
Charges for services	-	-	-	-
Miscellaneous charges	243,422	-	243,422	3,815,418
Total operating revenues	7,463,178	1,933,713	9,396,891	3,815,418
Operating expenses:				
Water administration	91,135	-	91,135	-
Wastewater administration	124,282	-	124,282	-
Sanitary sewer maintenance	226,426	-	226,426	-
Sewer plants and lift station	1,350,796	-	1,350,796	-
Lamar Hamm Water Treatment Plant	1,259,270	-	1,259,270	-
James Baugh Water Treatment Plant	387,209	-	387,209	-
Distribution	602,383	-	602,383	-
Water meter	407,940	-	407,940	-
Solid waste collection	-	1,169,211	1,169,211	-
Yard trimmings collection and management	-	341,722	341,722	-
Insurance claims	-	-	-	607,263
Depreciation	1,081,051	-	1,081,051	-
Total operating expenses	5,530,492	1,510,933	7,041,425	607,263
Operating income	1,932,686	422,780	2,355,466	3,208,155

(Continued)

CITY OF MILLEDGEVILLE, GEORGIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Business-type Activities - Enterprise Funds			Governmental Activities
	Water and Sewer Fund	Solid Waste Fund	Totals	Internal Service Fund
Nonoperating revenues (expenses):				
Interest revenue	$ 104,051	$ -	$ 104,051	$ 49,520
Interest and fiscal charges	(623,618)	-	(623,618)	-
Net increase in fair value of investments	156,552	-	156,552	-
Total nonoperating revenues (expenses)	(363,015)	-	(363,015)	49,520
Income before contributions and transfers	1,569,671	422,780	1,992,451	3,257,675
Capital contributions	268,059	-	268,059	-
Transfers in	435,056	-	435,056	-
Change in net assets	2,272,786	422,780	2,695,566	3,257,675
Net assets (deficit), July 1	31,100,820	655,530	31,756,350	(4,569,686)
Net assets (deficit), June 30	$ 33,373,606	$ 1,078,310	$ 34,451,916	$ (1,312,011)

Reconciliation of change in net assets of the enterprise funds to change in net assets of business-type activities:

Change in net assets of enterprise funds (from above)	$ 2,695,566
Adjustment to reflect consolidation of internal service fund activities related to enterprise funds	13,440
Change in net assets of business-type activities	$ 2,709,006

The accompanying notes are an integral part of these financial statements.

CITY OF MILLEDGEVILLE, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Business-type Activities - Enterprise Funds			Governmental Activities
	Water and Sewer Fund	Solid Waste Fund	Totals	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$ 7,632,168	$ 1,922,477	$ 9,554,645	$ -
Receipts from interfund providers	-	-	-	3,814,640
Payments to suppliers and service providers	(2,684,197)	(1,367,354)	(4,051,551)	(4,471,934)
Payments to employees	(1,644,144)	(178,204)	(1,822,348)	-
Net cash provided by (used in) operating activities	3,303,827	376,919	3,680,746	(657,294)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of investments	(1,300,001)	-	(1,300,001)	(1,003,681)
Interest on investments	104,051	-	104,051	49,520
Net cash used in investing activities	(1,195,950)	-	(1,195,950)	(954,161)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer from other funds	435,056	-	435,056	-
Net cash provided by noncapital financing activities	435,056	-	435,056	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Interest and fiscal charges paid	(606,587)	-	(606,587)	-
Principal payments on long-term borrowings	(1,171,549)	-	(1,171,549)	-
Net cash used in capital and related financing activities	(1,778,136)	-	(1,778,136)	-
Increase (decrease) in cash	764,797	376,919	1,141,716	(1,611,455)
Cash, July 1	6,543,472	650,878	7,194,350	4,416,428
Cash, June 30	$ 7,308,269	$ 1,027,797	$ 8,336,066	$ 2,804,973

(Continued)

CITY OF MILLEDGEVILLE, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Business-type Activities - Enterprise Funds			Governmental Activities
	Water and Sewer Fund	Solid Waste Fund	Totals	Internal Service Fund
Classified as:				
Cash	$ 5,806,314	$ 1,027,797	$ 6,834,111	$ 2,804,973
Restricted assets, cash	1,501,955	-	1,501,955	-
	$ 7,308,269	$ 1,027,797	$ 8,336,066	$ 2,804,973
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Operating income	$ 1,932,686	$ 422,780	$ 2,355,466	$ 3,208,155
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation	1,081,051	-	1,081,051	-
Changes in assets and liabilities:				
Decrease (increase) in accounts receivable	160,400	(11,236)	149,164	(778)
Decrease in due from other governments	189,557	-	189,557	-
Increase in inventories	(36,192)	-	(36,192)	-
Decrease in claims payable	-	-	-	(3,813,283)
Decrease in accounts payable	(54,323)	(31,523)	(85,846)	(51,388)
Increase in accrued wages payable	18,209	1,279	19,488	-
Increase (decrease) in compensated absences payable	3,849	(4,381)	(532)	-
Increase in customer deposits	8,590	-	8,590	-
Net cash provided by (used in) operating activities	$ 3,303,827	$ 376,919	$ 3,680,746	$ (657,294)
Noncash investing, capital, and financing activities:				
Contributions of capital assets from SPLOST Fund	$ 268,059	$ -	$ 268,059	$ -
Increase in fair value of investments	156,552	-	156,552	-
Total noncash investing, capital, and financing activities	$ 424,611	$ -	$ 424,611	$ -

The accompanying notes are an integral part of these financial statements.

CITY OF MILLEDGEVILLE, GEORGIA

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

	Pension Trust Fund	Agency Fund School Fund
ASSETS		
Cash	$ 421,622	$ 5,800
Investments		
U.S. government agencies	328	-
Mutual bond funds	4,505,708	-
Preferred stock	3,260	-
Common stock	263,871	-
Mutual equity funds	4,552,364	-
Taxes receivable	-	72,615
Total assets	9,747,153	78,415
LIABILITIES		
Due to others	35,739	10,658
Uncollected taxes	-	67,757
Total liabilities	35,739	78,415
NET ASSETS		
Net assets held in trust for pension benefits	$ 9,711,414	$ -

The accompanying notes are an integral part of these financial statements.

CITY OF MILLEDGEVILLE, GEORGIA

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

ADDITIONS		
Contributions - employer	$	1,203,500
Investment income		
Net appreciation in fair value of investments		313,409
Investment income		195,204
Total additions		1,712,113
DEDUCTIONS		
Benefits		485,861
Administrative expense		64,698
Total deductions		550,559
Net increase		1,161,554
Net assets, July 1		8,549,860
Net assets, June 30	$	9,711,414

The accompanying notes are an integral part of these financial statements.

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Milledgeville, Georgia (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Reporting Entity

The City of Milledgeville, Georgia operates under a council/manager form of government and provides the following services to its citizens: public safety, public works, sanitation, water and sewer, culture and recreation, municipal court, and general and administrative services. As required by generally accepted accounting principles, these financial statements present the primary government and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational and financial relationship with the City. In conformity with accounting principles generally accepted in the United States of America, as set forth in Statement of Governmental Accounting Standards No. 14 "The Financial Reporting Entity," the financial statements of the component units are discretely presented in the government-wide financial statements.

The Milledgeville Baldwin County Allied Arts ("Allied Arts") is governed by a seven-member board, of which three members are appointed by the City, and one member is a joint appointment of the City and Baldwin County. The City approves the annual funding portion of the budget requested by Allied Arts, which is administered by the appointed Allied Arts Board. In addition, the City provides a substantial majority of funding for the operation of Allied Arts; therefore, Allied Arts is considered to be fiscally dependent on the City. Allied Arts is presented as a governmental fund type component unit. Separate statements are not prepared for the Milledgeville Baldwin County Allied Arts.

The Mary Vinson Memorial Library (the "Library") is governed by an eight-member board, of which four members are appointed by the City. The City approves the annual funding portion of the budget requested by the Library, which is administered by the appointed Library Board. In addition, the City provides the majority of funding for the operation of the Library, therefore, the Library is considered to be fiscally dependent on the City. The Mary Vinson Memorial Library is presented as a governmental fund type component unit. Separate statements are not prepared for the Mary Vinson Memorial Library.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

The Milledgeville Downtown Development Authority (the "Authority") is governed by a six member board, all of which are appointed by the City Council. The individual responsible for the day-to-day operations of the Authority is an employee of the City. The Authority is presented as a governmental fund type component unit. Separate statements are not prepared for the Milledgeville Downtown Development Authority.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the *economic resources* measurement focus and the *accrual* basis of accounting, as are the proprietary fund and the fiduciary fund financial statements, although agency funds have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, intergovernmental grants, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The ***General Fund*** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

The ***Special Purpose Local Option Sales Tax Fund (SPLOST)*** accounts for the construction or acquisition of major capital facilities financed by Special Purpose Local Option Sales Tax proceeds.

The City reports the following major business-type funds:

The ***Water and Sewer Fund*** accounts for the provision of water and sewer services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

The ***Solid Waste Fund*** accounts for the provision of sanitation services to the residents of the City. All activities necessary to provide such services are accounted for in this fund.

Additionally, the City reports the following fund types:

The ***special revenue funds*** account for specific revenues that are legally restricted to expenditures for particular purposes.

The ***internal service fund*** accounts for assets set aside for claim settlements for general liability and workers' compensation claims.

The ***pension trust fund*** accounts for the activities of the City of Milledgeville Pension Plan, which accumulates resources for pension benefit payments to qualified employees.

The ***agency fund*** accounts for the 1 mill tax collected by the City as an agent for Georgia Military College.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and the other functions of the government. Elimination of these charges would distort the direct costs reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges for services provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges for goods and services provided. Operating expenses of the enterprise fund include the cost of these goods and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Cash and Investments

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City. For purposes of the statement of cash flows, the Enterprise Fund considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

State statutes authorize the City to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the Local Government Investment Pool of the State of Georgia (Georgia Fund 1). Georgia Fund 1, created by OCGA 36-83-8 is a stable net asset investment pool which follows Standard and Poor's criteria for AAAm rated money market funds and is regulated by the Georgia Office of State Treasurer. However, Georgia Fund 1 operates in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940 and is considered to be a 2a-7 like pool. The pool is not registered with the SEC as an investment company. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal ($1.00 per share value).

Net asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participants' shares sold and redeemed based on $1.00 per share. The fair value of the City's position in the pool is the same as the value of pool shares ($1 per share value).

Investments are reported at fair value which is determined using selected bases. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market value are reported at estimated fair value.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Interfund Receivables/Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as all other outstanding balances between funds are reported as “due to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

F. Inventories

Inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

G. Prepaid Expenditures/Expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2012, are recorded as prepaid items.

H. Restricted Assets

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. In the case of the initial capitalization of infrastructure assets, the City chose to include all such items regardless of the acquisition date. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Property, plant and equipment of the primary government, as well as the component unit, are depreciated using the straight line method over the following useful lives:

Asset	Years
Land improvements	10
Buildings	10 - 50
Infrastructure	10 - 50
Machinery and equipment	3 - 50

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. No interest was capitalized during the fiscal year ended June 30, 2012.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Compensated Absences

In accordance with the provisions of Governmental Accounting Standards Board Statement No. 16, “Accounting for Compensated Absences", no liability is recorded for non-vesting accumulating rights to receive sick pay benefits because these benefits are paid upon the illness of an employee and the amount of such payments cannot be reasonably estimated. Accumulated unpaid vacation costs are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

K. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bond using the straight-line method, which approximates the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. The gain on defeasance of bonds is presented as an addition to the face amount of bonds payable and is being amortized over the life of the bonds through interest expense. In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Fund Equity

Fund Balance – Generally, fund balance represents the difference between the assets and liabilities under the current financial resources measurement focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balance constraints are classified as follows:

- ***Nonspendable*** – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash, such as inventory or prepaid items), or (b) legally or contractually required to be maintained intact.

- ***Restricted*** – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments (e.g., grants or donations).

- ***Committed*** – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of City Council through the adoption of a resolution. Only the City Council may modify or rescind the commitment.

- ***Assigned*** – Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes. In governmental funds other than the General Fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund. Through resolution, City Council has given itself the authority to assign fund balance.

- ***Unassigned*** – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criteria. The City reports positive unassigned fund balance only in the General Fund. Negative unassigned fund balances may be reported in all funds.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Fund Equity (Continued)

Flow Assumptions – When multiple categories of fund balance are available for expenditure, the City will start with the most restricted category and spend those funds first before moving down to the next category with available funds.

Net Assets – Net assets represent the difference between asset and liabilities in reporting which utilizes the economic resources measurement focus. Net assets invested in capital assets net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has spent) for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net assets are reported as unrestricted.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

M. Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2. LEGAL COMPLIANCE - BUDGETS

A. Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to May 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means for financing them.

2. Public hearings are conducted at City Hall to obtain citizen comment.

3. Prior to July 1, the budget is legally enacted through passage of a resolution.

4. Transfers of budgeted amounts between line items in a department must be approved by the City Manager. Any revisions that alter the total expenditures of any department must be approved by City Council. Requests for additional personnel within a department must also be approved by City Council. Encumbrances at year-end are carried forward to the ensuing year's budget.

5. Budgets for the General and Special Revenue Funds are legally adopted on a departmental basis and on a basis consistent with generally accepted accounting principles (GAAP) and are presented in accordance with finance-related legal and contractual provisions. To ensure sound financial administration, the Council also adopts an annual operating budget for the SPLOST Fund and Enterprise Funds, the Water and Sewer Fund and Solid Waste Fund. The budget is not formally integrated with the accounts of the Enterprise Funds, but interim detailed management reports are developed which indicate specific variances from the planned budget for operations.

6. Budgeted amounts are as originally adopted on May 24, 2011 or as amended by the City Council. The supplementary budgetary appropriations made were not material.

NOTE 2. LEGAL COMPLIANCE – BUDGETS (CONTINUED)

B. Deficit Fund Equity

The Silver-Haired Legislative Grant Fund had a fund balance deficit of $31, which will be eliminated in the subsequent year through transfers from the General Fund. The Community Home Improvement Program (CHIP) Fund had a fund balance deficit of $144, which will be eliminated in the subsequent year through transfers from the General Fund. The Risk Management Internal Service Fund had a net asset deficit of $1,312,011 resulting from the incurred, but not reported liability (IBNR) as of June 30, 2012. This deficit will be eliminated through increased transfers from other funds.

NOTE 3. CASH AND INVESTMENTS

Custodial credit risk – deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of June 30, 2012, none of the City's deposits were exposed to custodial credit risk as uninsured and uncollateralized as defined by GASB pronouncements.

NOTE 3. CASH AND INVESTMENTS (CONTINUED)

Custodial credit risk – investments. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require all investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. The City does not have a formal custodial credit risk policy other than to only invest in obligations authorized by the State of Georgia. Cash and investments are summarized as follows at June 30, 2012:

As reported in the Statement of Net Assets:	
Cash and cash equivalents	$ 20,399,387
Investments	3,404,288
Restricted assets, cash	1,501,955
Restricted assets, investments	1,358,702
Cash and cash equivalents - Pension Trust Fund	421,622
Investments - Pension Trust Fund	9,325,531
Cash - Agency Fund	5,800
	$ 36,417,285
Cash deposited with financial institutions	$ 21,310,316
Cash deposited with Georgia Fund 1	100,607
Certificates of deposit	4,322,129
Mutual equity funds	4,552,364
Preferred stock	3,260
Common stock	263,871
Mutual bond funds	4,505,708
U.S. Government Agency Obligations	328
U.S. Treasury Bond	1,358,702
	$ 36,417,285

NOTE 3. CASH AND INVESTMENTS (CONTINUED)

Credit risk. State statutes authorize the City to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the Local Government Investment Pool of the State of Georgia (Georgia Fund 1). The City's Employee Retirement Plan Trust Fund invests in Mutual Funds whose underlying securities are U.S. Government or agency obligations and U. S. corporate equities. The City has no formal credit risk policy other than to only invest in obligations authorized by the State of Georgia.

Interest rate risk. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

At June 30, 2012, the City's investments were as follows:

		Investment Maturities (in Years)				
Investment Type	**Fair Value**	**Less than 1**	**1 - 5**	**6 - 10**	**11 - 15**	**Rating**
Government agencies	$ 328	$ -	$ -	$ 328	$ -	AAA
Government bonds	1,358,702	-	-	1,358,702	-	AAA
Mutual equity funds	4,552,364	-	-	-	-	N/A
Mutual bond funds	4,505,708	-	4,505,708	-	-	N/A
Preferred stock	3,260	3,260	-	-	-	N/A
Common stock	263,871	-	-	-	-	N/A
Certificates of deposit	4,322,129	-	4,322,129	-	-	N/A
Georgia Fund 1	100,607	-	-	-	-	AAAm
Total fair value	$ 15,106,969	$ 3,260	$ 8,827,837	$ 1,359,030	$ -	

The reporting of investments at fair value in accordance with GASB Statement No. 31 resulted in an unrealized gain of $156,552, which is reflected in the Water and Sewer Fund and an unrealized gain of $594,468, which is reflected in the Pension Trust Fund.

NOTE 4. RECEIVABLES

Receivables consisted of the following at June 30, 2012:

	General	Water and Sewer	Solid Waste	Nonmajor Funds	Internal Service Fund	Total
Receivables:						
Taxes	$ 594,382	$ -	$ -	$ 39,418	$ -	$ 633,800
Interest	-	748	-	-	2,238	2,986
Accounts	43,256	1,148,450	197,432	-	-	1,389,138
Grant	-	-	-	109,798	-	109,798
Gross receivables	637,638	1,149,198	197,432	149,216	2,238	2,135,722
Less allowance for uncollectibles	(96,145)	(166,330)	(13,171)	-	-	(275,646)
Net total receivables	$ 541,493	$ 982,868	$ 184,261	$ 149,216	$ 2,238	$ 1,860,076

Property taxes are levied by the City based on the assessed value of property as listed on the digest furnished by Baldwin County. Assessed values are forty percent (40%) of market value and are based on current property value.

The delinquent taxes receivable account represents the past nine years of uncollected tax levies.

Property taxes attach as an enforceable lien on property as of January 1. Taxes were levied on December 13, 2011, and payable on or before February 17, 2012. Penalties were assessed on unpaid balances as of February 18, 2012 and interest began accruing on unpaid balances on February 18, 2012. The City bills and collects its own property taxes. Property taxes for 2011 are recorded as receivables, net of estimated uncollectibles. The net receivables collected during the fiscal year ended June 30, 2012 and expected to be collected by August 31, 2012, are recognized as revenues in fiscal year 2012. Net receivables estimated to be collectible subsequent to August 31, 2012, are recorded as revenue when received. Prior year levies were recorded using substantially the same principles, and remaining receivables are re-evaluated annually.

NOTE 5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, is as follows:

	Balance July 1, 2011	Increases	Decreases	Transfers	Balance June 30, 2012
Governmental activities					
Capital assets, not being depreciated:					
Land	$ 2,468,098	$ -	$ -	$ -	$ 2,468,098
Construction in progress	1,111,738	-	-	(976,876)	134,862
Total	3,579,836	-	-	(976,876)	2,602,960
Capital assets, being depreciated:					
Buildings	3,779,115	-	-	-	3,779,115
Land improvements	147,814	-	-	-	147,814
Infrastructure	22,335,888	346,857	-	976,876	23,659,621
Machinery and equipment	6,518,954	89,076	(153,414)	-	6,454,616
Total	32,781,771	435,933	(153,414)	976,876	34,041,166
Less accumulated depreciation for:					
Buildings	2,155,015	124,056	-	-	2,279,071
Land improvements	62,035	14,765	-	-	76,800
Infrastructure	16,140,260	618,895	-	-	16,759,155
Machinery and equipment	4,640,103	510,917	(153,414)	-	4,997,606
Total	22,997,413	1,268,633	(153,414)	-	24,112,632
Total assets, being depreciated, net	9,784,358	(832,700)	-	976,876	9,928,534
Governmental activities capital assets, net	$ 13,364,194	$ (832,700)	$ -	$ -	$ 12,531,494

NOTE 5. CAPITAL ASSETS (CONTINUED)

	Balance July 1, 2011	Increases	Decreases	Transfers	Balance June 30, 2012
Business-type activities					
Capital assets, not being depreciated:					
Land	$ 181,310	$ -	$ -	$ -	$ 181,310
Construction in progress	1,196,620	92,913	-	(1,194,756)	94,777
Total	1,377,930	92,913	-	(1,194,756)	276,087
Capital assets, being depreciated:					
Buildings	21,259,086	-	-	-	21,259,086
Land improvements	94,044	-	-	-	94,044
Infrastructure	16,978,217	56,980	-	1,194,756	18,229,953
Machinery and equipment	3,972,945	118,166	-	-	4,091,111
Total	42,304,292	175,146	-	1,194,756	43,674,194
Less accumulated depreciation for:					
Buildings	5,959,224	419,191	-	-	6,378,415
Land improvements	50,632	7,771	-	-	58,403
Infrastructure	7,710,930	322,951	-	-	8,033,881
Machinery and equipment	1,666,099	331,138	-	-	1,997,237
Total	15,386,885	1,081,051	-	-	16,467,936
Total assets, being depreciated, net	26,917,407	(905,905)	-	1,194,756	27,206,258
Business-type activities capital assets, net	$ 28,295,337	$ (812,992)	$ -	$ -	$ 27,482,345

Included in increases above is $268,059 in additions acquired through the use of SPLOST funds.

NOTE 5. CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities:		
General government	$	246,555
Public safety		326,495
Public works		695,583
Total depreciation expense - governmental activities	$	1,268,633
Business-type activities:		
Water and sewer	$	1,081,051
Total depreciation expense - business-type activities	$	1,081,051

NOTE 6. LONG-TERM DEBT

Revenue Bonds. In 1996, the City issued $16,545,000 of serial bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at June 30, 2012 excluding the bond premium of $217,719 are as follows:

Purpose	Interest Rates	Terms	Due Date	Amount
Water & Sewer Improvements	3.60% - 6.00%	25 years	2021	$ 9,245,000

Revenue bonds debt service requirements to maturity are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	$ 700,000	$ 533,700	$ 1,233,700
2014	745,000	490,350	1,235,350
2015	790,000	444,300	1,234,300
2016	835,000	395,550	1,230,550
2017	885,000	343,950	1,228,950
2018-2022	5,290,000	830,050	6,120,050
	$ 9,245,000	$ 3,037,900	$ 12,282,900

NOTE 6. LONG-TERM DEBT (CONTINUED)

The City has incurred debt to the Georgia Environmental Facilities Authority for various water and sewer system projects. This note is as follows at June 30, 2012:

Original Amount	Interest Rate	Term	Due Date	Amount
$ 362,085	3.0%	15 years	2025	$ 340,595

The primary government's total other long-term debt service requirements to maturity are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Interest
2013	$ 19,175	$ 9,956	$ 29,131
2014	19,758	9,372	29,130
2015	20,359	8,771	29,130
2016	20,978	8,152	29,130
2017	21,616	7,514	29,130
2018-2022	118,352	27,299	145,651
2023-2027	120,357	8,301	128,658
	$ 340,595	$ 79,365	$ 419,960

NOTE 6. LONG-TERM DEBT (CONTINUED)

Long-term liability activity for the year ended June 30, 2012, is as follows:

	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012	Due within One year
Governmental activities					
Compensated absences	$ 450,108	$ 272,627	$ 338,533	$ 384,202	$ 180,043
Claims payable	4,879,539	598,164	4,411,447	1,066,256	300,000
Long-term liabilities	$ 5,329,647	$ 870,791	$ 4,749,980	$ 1,450,458	$ 480,043
Business-type activities					
Revenue bonds payable	$ 9,910,000	$ -	$ 665,000	$ 9,245,000	$ 700,000
Add deferred amounts:					
For bond premium	249,465	-	31,746	217,719	-
Total bonds payable	10,159,465	-	696,746	9,462,719	700,000
Notes payable	847,144	-	506,549	340,595	19,175
Compensated absences	160,150	114,861	115,394	159,617	63,847
Long-term liabilities	$ 11,166,759	$ 114,861	$ 1,318,689	$ 9,962,931	$ 783,022

The current portion of revenue bonds payable is included in liabilities payable from restricted assets on the statement of net assets.

For governmental funds, compensated absences are liquidated by the General Fund. For business-type activities, compensated absences are liquidated by the Water and Sewer Fund and the Solid Waste Fund. Claims payable are liquidated by the Internal Service Fund.

NOTE 7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2012, is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Other Governmental Funds	$ 1,943
General Fund	Water and Sewer Fund	16,564
General Fund	Solid Waste Fund	2,405
General Fund	SPLOST Fund	25,288
Solid Waste Fund	Water and Sewer Fund	11,074
Water and Sewer Fund	Workers' Compensation Fund	5,000,000
		$ 5,057,274

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Primarily, balances are attributed to expenditures paid by the General Fund to be reimbursed by the funds for which the expenditures benefit.

During the year ended June 30, 2012, SPLOST funds totaling $268,059 were used for construction of Water and Sewer Fund capital assets. In the fund level financial statements, this amount is shown as a capital contribution in the Water and Sewer Fund and capital outlay in the SPLOST Fund. At the government-wide level, this amount is shown as a transfer between governmental activities and business-type activities. In addition, SPLOST funds totaling $435,056 were used to pay down the long-term debt in the Water and Sewer Fund. This amount is shown as a transfer between governmental activities and business-type activities in both the fund level financial statements and the government-wide financial statements.

NOTE 8. DEFINED BENEFIT PENSION PLAN

A. Plan Description

The City of Milledgeville maintains a single employer defined benefit pension plan, the City of Milledgeville Retirement Plan (the "Plan"). The Plan is administered by a board of trustees, which includes the Mayor, Finance Director, Personnel Director and two Council members. No stand alone financial statements are available. The Plan covers all full-time government employees who have completed one year of service. Also, elected and appointed members, including municipal legal officers are eligible immediately. Benefit provisions are established by City ordinance. The City of Milledgeville Pension Plan provides retirement, disability, and death benefits to plan members and beneficiaries. At July 1, 2011, the date of the most recent actuarial valuation, there were 286 participants consisting of:

Retirees and beneficiaries currently receiving benefits	77
Vested terminated employees not yet receiving benefits	33
Active employees	176
Total	286

As of the most recent valuation date, July 1, 2011, the funded status of the Plan was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2011	$ 8,449,910	$ 14,272,912	$ 5,823,002	59.2 %	$ 5,618,305	103.6 %

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan net assets is increasing or decreasing over time relative to the actuarial accrued liability.

NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

B. Summary of Significant Accounting Policies

Basis of Accounting. The financial statements of the City of Milledgeville Pension Plan are prepared using the accrual basis of accounting. The City's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Method Used to Value Investments. Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. Investments that do not have an established market value are reported at estimated fair value.

C. Contributions

The City makes all contributions to the City of Milledgeville Pension Plan, which is provided by City ordinance. Plan participants are not required to contribute. The City is required to contribute at an actuarially determined rate; the current rate is 19% of annual covered payroll. Administrative costs of the plan are financed through investment income. Any changes to the plan must be approved by the City Council.

The annual required contribution for the current year was determined as part of the July 1, 2011 actuarial valuation using the Projected Unit Credit Actuarial Cost Method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 7.0% per year, and (b) projected salary increases of 3%.

D. Concentrations

Each of the following mutual fund plan investments represents 5% or more of plan net assets: Lord Abbet Investment Trust Short Duration Income Fund I, Thornburg Investment Trust Limited Term Income Fund I, Pimco Funds Pacific Investment Management Fund, Scout Core Plus Bond Fund, Principal Funds Inc Midcap Blend Fund International, and Alliance Bernstein Equity Income Advisor Class.

NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

E. Annual Pension Cost and Net Pension Obligation (Asset)

Required contribution	$ 1,095,593
Interest on net pension obligation	(37,028)
Adjustment to annual required contribution	54,278
Annual pension cost	1,112,843
Employer contributions for period ending June 30, 2012	1,203,500
Increase in net pension (asset)	(90,657)
Net pension (asset) beginning of year	(528,967)
Net pension (asset) end of year	$ (619,624)

F. Trend Information

Trend Information for The Plan

Fiscal Year Ending	Annual Pension Cost (APC)	Actual City Contribution	Percentage of APC Contributed	Net Pension Obligation (Asset)
6/30/07	$ 656,294	$ 525,000	80 %	$ (595,464)
6/30/08	670,287	802,188	120	(727,365)
6/30/09	897,078	875,263	98	(705,550)
6/30/10	1,068,515	1,010,028	95	(647,063)
6/30/11	1,163,602	1,045,506	90	(528,967)
6/30/12	1,112,843	1,203,500	108	(619,624)

NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

G. Additional Information

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Basis of Valuation	
Current Valuation Date	July 1, 2011
Actuarial cost method	Projected Unit Credit
Amortization Method	Level percentage of projected payroll
Amortization Period	27 years, closed
Actuarial asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.00%
Projected salary increases	3.00%
Post retirement benefit increases	None
Inflation	None
Mortality rate	1994 Group annuity mortality table

NOTE 9. RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Beginning in 1992, the City elected to stop carrying commercial insurance because of its prohibitive cost and began covering all claim settlements and judgments out of its General Fund and Water and Sewer Fund resources. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated.

Liabilities include an amount for claims that have been incurred but not reported (IBNRs). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors. The liability for claims and judgments is reported in the Risk Management Fund because it is expected to be liquidated with expendable available financial resources. Change in the balances of claims liabilities during the past year are as follows:

	June 30, 2012	June 30, 2011
Unpaid claims, beginning of year	$ 4,879,539	$ 4,924,198
Incurred claims	598,164	227,646
Claim payments and changes in estimates	(4,411,447)	(272,305)
Unpaid claims, end of year	$ 1,066,256	$ 4,879,539

NOTE 10. COMMITMENTS AND CONTINGENCIES

Litigation

The City is involved in several small or pending lawsuits. In the opinion of management, based on consultations with legal counsel, an unfavorable outcome in excess of insurance coverage is unlikely.

Grant Contingencies

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to disallowance of certain expenditures previously reimbursed by those agencies. Based upon prior experience, the City's management believes such disallowances, if any, will not be significant.

NOTE 11. HOTEL/MOTEL LODGING TAX

The City has levied an 8% lodging tax. A summary of the transactions for the fiscal year ending June 30, 2012, are as follows:

Balance of lodging tax funds on hand at July 1, 2011	$	159,012
Lodging tax receipts		468,985
Disbursements to Convention and Visitors Bureau		(378,332)
Balance of lodging tax funds on hand at June 30, 2012	$	249,665

NOTE 12. RELATED ORGANIZATIONS

The City's governing board is responsible for all of the board appointments of the Milledgeville Housing Authority. However, the City has no further accountability for this organization.

NOTE 13. JOINT VENTURES

Under Georgia law, the City, in conjunction with other cities and counties in the 11-county, 22-city middle Georgia area, is a member of the Middle Georgia Regional Commission (RC) and is required to pay annual dues thereto. During its fiscal year ended June 30, 2012, the City paid $17,715 in such dues. Membership in an RC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the RC in Georgia. The RC Board membership includes the chief elected official of each county and municipality in the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RC. Separate financial statements may be obtained from:

Middle Georgia Regional Commission
175-C Emery Highway
Macon, Georgia 31201

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MILLEDGEVILLE, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
12/31/01	$ 5,797,468	$ 7,339,118	$ 1,541,650	79.0 %	$ 3,954,783	39.0 %
12/31/02	5,383,052	7,004,948	1,621,896	76.8	4,138,972	39.2
12/31/03	4,839,322	6,624,107	1,784,785	73.1	4,342,603	41.1
12/31/04	4,865,028	6,273,835	1,408,807	77.5	4,154,320	33.9
07/01/06	5,245,659	9,259,588	4,013,929	56.7	4,720,000	85.0
07/01/07	5,825,941	9,341,172	3,515,231	62.4	4,700,000	74.8
07/01/08	5,789,114	10,847,535	5,058,421	53.4	5,144,000	98.3
07/01/09	6,801,787	12,929,800	6,128,013	52.6	5,465,000	112.1
07/01/10	7,489,427	13,963,885	6,474,458	53.6	5,248,000	123.4
07/01/11	8,449,910	14,272,912	5,823,002	59.2	5,618,305	103.6

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CITY OF MILLEDGEVILLE, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS

Plan Year Ending	Annual Required Contribution	Percent Contributed
6/30/2007	$ 652,432	100%
6/30/2008	667,122	100%
6/30/2009	873,358	100%
6/30/2010	1,045,506	100%
6/30/2011	1,142,500	100%
6/30/2012	1,095,593	100%

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OTHER SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Hotel/Motel Tax Fund – This fund is used to account for hotel/motel taxes collected.

Silver-Haired Legislature Grant Fund – This fund is used to account for various grants received from the State of Georgia for the operating expenses of the Silver-Haired Legislature.

Community Development Block Grant (CDBG) Program Income Fund – This fund is used to account for the activity of the City's community development block grant programs. Financing was originally provided by a grant received from the U.S. Department of Housing and Urban Development through the State of Georgia Department of Community Affairs.

Confiscated Assets Fund – This fund is used to account for condemnation proceeds. Funds may be used for public safety purposes except for salaries.

Community Home Improvement Program (CHIP) Fund – This fund is used to account for a grant received from the U.S. Department of Housing and Urban Development under the Community Home Investment Program.

CITY OF MILLEDGEVILLE, GEORGIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	Special Revenue Funds					
ASSETS	**Hotel/Motel Tax Fund**	**Silver-Haired Legislature Grant Fund**	**CDBG Program Income Fund**	**Confiscated Assets Fund**	**CHIP Program Fund**	**Total**
Cash and cash equivalents	$ 271,998	$ 100	$ 413,137	$ 3,218	$ -	$ 688,453
Taxes receivable	39,418	-	-	-	-	39,418
Note receivable	-	-	295,909	-	-	295,909
Grant receivable	-	-	109,798	-	-	109,798
Total assets	$ 311,416	$ 100	$ 818,844	$ 3,218	$ -	$ 1,133,578
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	$ 61,751	$ -	$ -	$ -	$ 44	$ 61,795
Deferred revenue	-	-	3,836	-	-	3,836
Due to other funds	-	131	-	1,712	100	1,943
Total liabilities	61,751	131	3,836	1,712	144	67,574
FUND BALANCES						
Restricted for housing and development	-	-	815,008	-	-	815,008
Restricted for promotion of tourism	249,665	-	-	-	-	249,665
Restricted for public safety	-	-	-	1,506	-	1,506
Unassigned	-	(31)	-	-	(144)	(175)
Total fund balances (deficits)	249,665	(31)	815,008	1,506	(144)	1,066,004
Total liabilities and fund balances	$ 311,416	$ 100	$ 818,844	$ 3,218	$ -	$ 1,133,578

CITY OF MILLEDGEVILLE, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Special Revenue Funds					
	Hotel/Motel Tax Fund	Silver-Haired Legislature Grant Fund	CDBG Program Income Fund	Confiscated Assets Fund	CHIP Program Fund	Total
Revenues:						
Taxes	$ 468,985	$ -	$ -	$ -	$ -	$ 468,985
Intergovernmental	-	-	536,652	-	-	536,652
Fines and forfeitures	-	-	-	36	-	36
Interest revenue	-	-	2,585	1	-	2,586
Other revenues		-	-	628	-	628
Total revenues	468,985	-	539,237	665	-	1,008,887
Expenditures:						
Current:						
Public safety	-	-	-	10,980	-	10,980
Housing and development	378,332	-	130,946	-	244	509,522
Total expenditures	378,332	-	130,946	10,980	244	520,502
Net change in fund balances	90,653	-	408,291	(10,315)	(244)	488,385
Fund balances (deficits), July 1	159,012	(31)	406,717	11,821	100	577,619
Fund balances (deficits), June 30	$ 249,665	$ (31)	$ 815,008	$ 1,506	$ (144)	$ 1,066,004

CITY OF MILLEDGEVILLE, GEORGIA
SPECIAL REVENUE FUND

HOTEL/MOTEL TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Original and Final Budget	Actual	Variance with Final Budget
Revenues, taxes	$ 379,000	$ 468,985	$ 89,985
Expenditures, housing and development	379,000	378,332	668
Net change in fund balances	-	90,653	90,653
Fund balances, July 1	159,012	159,012	-
Fund balances, June 30	$ 159,012	$ 249,665	$ 90,653

CITY OF MILLEDGEVILLE, GEORGIA
SPECIAL REVENUE FUND

SILVER-HAIRED LEGISLATURE GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Original and Final Budget	Actual	Variance with Final Budget
Revenues, intergovernmental	$ -	$ -	$ -
Expenditures, general government	-	-	-
Net change in fund balances	-	-	-
Fund balances (deficits), July 1	(31)	(31)	-
Fund balances (deficits), June 30	$ (31)	$ (31)	$ -

CITY OF MILLEDGEVILLE, GEORGIA
SPECIAL REVENUE FUND

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM INCOME FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Intergovernmental	$ 130,196	$ 536,651	$ 406,455
Interest revenue	750	2,585	1,835
Total revenues	130,946	539,236	408,290
Expenditures, housing and development	130,946	130,946	-
Net change in fund balances	-	408,290	408,290
Fund balances, July 1	406,717	406,717	-
Fund balances, June 30	$ 406,717	$ 815,007	$ 408,290

CITY OF MILLEDGEVILLE, GEORGIA
SPECIAL REVENUE FUND

CONFISCATED ASSETS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Fines and forfeitures	$ 10,930	$ 36	$ (10,894)
Interest revenue	50	1	(49)
Other revenues	-	628	628
Total revenues	10,980	665	(10,315)
Expenditures, public safety	10,980	10,980	-
Net change in fund balances	-	(10,315)	(10,315)
Fund balances, July 1	11,821	11,821	-
Fund balances, June 30	$ 11,821	$ 1,506	$ (10,315)

CITY OF MILLEDGEVILLE, GEORGIA
SPECIAL REVENUE FUND

COMMUNITY HOME IMPROVEMENT PROGRAM (CHIP) FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Original and Final Budget	Actual	Variance with Final Budget
Revenues, intergovernmental	$ 60,000	$ -	$ (60,000)
Expenditures, housing and development	60,000	244	59,756
Net change in fund balances	-	(244)	(244)
Fund balances, July 1	100	100	-
Fund balances, June 30	$ 100	$ (144)	$ (244)

AGENCY FUNDS

School Fund – This fund is used to account for the collection and disbursement of tax revenues levied for Georgia Military College.

CITY OF MILLEDGEVILLE, GEORGIA

STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2012

	School Fund
ASSETS	
Cash	$ 5,800
Taxes receivable	72,615
Total assets	$ 78,415
LIABILITIES	
Due to others	$ 10,658
Uncollected taxes	67,757
Total liabilities	$ 78,415

CITY OF MILLEDGEVILLE, GEORGIA

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

School Fund	Balance June 30, 2011	Additions	Deductions	Balance June 30, 2012
Cash	$ 63,000	$ 314,067	371,267	$ 5,800
Taxes receivable	41,988	292,958	262,331	72,615
Total assets	$ 104,988	$ 607,025	$ 633,598	$ 78,415
Due to others	$ 67,931	$ 256,721	$ 313,994	$ 10,658
Uncollected taxes	37,057	350,304	319,604	67,757
Total liabilities	$ 104,988	$ 607,025	$ 633,598	$ 78,415

COMPONENT UNITS

CITY OF MILLEDGEVILLE, GEORGIA

BALANCE SHEET
COMPONENT UNIT - MILLEDGEVILLE BALDWIN COUNTY ALLIED ARTS
JUNE 30, 2012

ASSETS		
Cash	$	127,945
Investments		25,097
Due from other governments		270
Total assets	$	153,312
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accrued liabilities	$	3,331
Total liabilities		3,331
FUND BALANCE		
Unassigned		149,981
Total liabilities and fund balance	$	153,312

CITY OF MILLEDGEVILLE, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
COMPONENT UNIT - MILLEDGEVILLE BALDWIN COUNTY ALLIED ARTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Revenues		
Intergovernmental	$	2,700
Contributions		158,000
Interest revenue		103
Other revenues		34,508
Total revenues		195,311
Expenditures, culture and recreation		196,486
Net change in fund balance		(1,175)
Fund balance, July 1		151,156
Fund balance, June 30	$	149,981

CITY OF MILLEDGEVILLE, GEORGIA

BALANCE SHEET
COMPONENT UNIT - MARY VINSON MEMORIAL LIBRARY
JUNE 30, 2012

ASSETS		
Cash	$	242,868
Other assets		50
Total assets	$	242,918
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable	$	4,750
Accrued liabilities		13,403
Total liabilities		18,153
FUND BALANCE		
Unassigned		224,765
Total liabilities and fund balance	$	242,918

CITY OF MILLEDGEVILLE, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
COMPONENT UNIT - MARY VINSON MEMORIAL LIBRARY
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Revenues		
Intergovernmental	$	143,038
Contributions		522,095
Interest revenue		283
Other revenues		43,819
Total revenues		709,235
Expenditures, culture and recreation		685,922
Net change in fund balance		23,313
Fund balance, July 1		201,452
Fund balance, June 30	$	224,765

CITY OF MILLEDGEVILLE, GEORGIA

BALANCE SHEET
COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY
JUNE 30, 2012

ASSETS		
Cash	$	95,503
Investments		15,196
Accounts receivable		3,500
Notes receivable		51,540
Total assets	$	165,739
LIABILITIES AND FUND BALANCE		
FUND BALANCE		
Nonspendable, note receivable	$	51,540
Unassigned		114,199
Total liabilities and fund balance	$	165,739

CITY OF MILLEDGEVILLE, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Revenues		
Other revenues		
MainStreet/DDA	$	4,432
Deep Roots festival		121,207
Junior Miss Scholarship event		7,943
Interest revenue		3,952
Total revenues		137,534
Expenditures, community development		146,796
Net change in fund balance		(9,262)
Fund balance, July 1		175,001
Fund balance, June 30	$	165,739

STATISTICAL SECTION

This part of the City of Milledgeville's comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents ..... **Page**

Financial Trends ..... **82 - 87**

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity ..... **88 - 94**

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

Debt Capacity ..... **95 - 99**

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information ..... **100 and 101**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information ..... **102 - 104**

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive financial reports for the relevant year. The City implemented GASB Statement 34 for the year ended December 31, 2003; schedules presenting financial information include information beginning in that year.

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CITY OF MILLEDGEVILLE, GEORGIA

NET ASSETS BY COMPONENT
LAST NINE FISCAL YEARS

	Fiscal Year								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities:									
Invested in capital assets, net of related debt	$ 5,184,092	$ 8,063,087	$ 8,591,031	$ 13,327,842	$ 12,881,590	$ 12,310,698	$ 13,046,789	$ 13,364,194	$ 12,531,495
Restricted	-	-	5,360,037	6,520,856	7,186,892	-	7,487,107	7,527,182	8,669,770
Unrestricted	2,280,214	1,664,442	(2,740,757)	(2,397,339)	(1,950,090)	6,982,499	(8,962)	(347,928)	2,802,036
Total governmental activities net assets	$ 7,464,306	$ 9,727,529	$ 11,210,311	$ 17,451,359	$ 18,118,392	$ 19,293,197	$ 20,524,934	$ 20,543,448	$ 24,003,301
Business-type activities:									
Invested in capital assets, net of related debt	$ 11,386,155	$ 11,437,514	$ 13,443,166	$ 14,152,046	$ 14,793,739	$ 15,208,588	$ 17,067,610	$ 17,288,728	$ 17,679,031
Restricted	1,025,536	1,410,557	485,662	474,415	522,712	1,752,286	1,887,114	2,587,344	2,860,657
Unrestricted	4,875,228	5,432,916	7,749,727	8,848,181	10,995,989	10,303,242	10,899,168	12,104,064	14,149,454
Total business-type activities net assets	$ 17,286,919	$ 18,280,987	$ 21,678,555	$ 23,474,642	$ 26,312,440	$ 27,264,116	$ 29,853,892	$ 31,980,136	$ 34,689,142
Primary government:									
Invested in capital assets, net of related debt	$ 16,570,247	$ 19,500,601	$ 22,034,197	$ 27,479,888	$ 27,675,329	27,519,286	$ 30,114,399	$ 30,652,922	$ 30,210,526
Restricted	1,025,536	1,410,557	5,845,699	6,995,271	7,709,604	1,752,286	9,374,221	10,114,526	11,530,427
Unrestricted	7,155,442	7,097,358	5,008,970	6,450,842	9,045,899	17,285,741	10,890,206	11,756,136	16,951,490
Total primary government net assets	$ 24,751,225	$ 28,008,516	$ 32,888,866	$ 40,926,001	$ 44,430,832	$ 46,557,313	$ 50,378,826	$ 52,523,584	$ 58,692,443

CITY OF MILLEDGEVILLE, GEORGIA

CHANGES IN NET ASSETS
LAST NINE FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year								
	2004	2005 (1)	2006	2007	2008	2009 (2)	2010	2011	2012 (5)
Expenses									
Governmental activities:									
General government	$ 1,301,315	$ 650,503	$ 1,382,974	$ 1,554,126	$ 1,311,449	$ 1,467,788	$ 1,438,368	$ 1,583,367	$ 1,495,140
Judicial	127,221	60,911	138,253	144,191	146,822	157,986	150,767	160,324	146,991
Public safety	4,142,449	2,226,618	4,950,692	5,057,547	5,484,782	5,838,433	5,931,232	6,255,838	3,045,049
Public works	1,614,112	870,502	1,474,717	2,722,253	2,315,767	2,790,493	3,566,034	2,708,035	2,043,705
Culture and recreation	856,664	458,576	899,585	1,006,164	990,400	888,255	916,789	753,213	791,132
Housing and development	609,672	306,324	723,575	798,266	896,363	820,562	1,027,572	1,135,550	958,338
Interest on long-term debt	4,911	832	762	-	-	-	-	-	-
Total governmental activities expenses	8,656,344	4,574,266	9,570,558	11,282,547	11,145,583	11,963,517	13,030,762	12,596,327	8,480,355
Business-type activities:									
Water and sewer	5,484,315	2,705,299	5,418,621	5,638,041	5,926,373	6,096,709	6,044,630	5,878,449	6,154,110
Solid waste	1,277,277	635,673	1,251,481	1,352,562	1,419,941	1,504,096	1,638,333	1,645,373	1,510,933
Total business-type activities expenses	6,761,592	3,340,972	6,670,102	6,990,603	7,346,314	7,600,805	7,682,963	7,523,822	7,665,043
Total primary government expenses	$ 15,417,936	$ 7,915,238	$ 16,240,660	$ 18,273,150	$ 18,491,897	$ 19,564,322	$ 20,713,725	$ 20,120,149	$ 16,145,398
Program revenues									
Governmental activities:									
Charges for services:									
General government	$ 231,013	$ 85,661	$ 339,402	$ 288,359	$ 360,551	$ 276,769	$ 325,864	$ 323,490	$ 450,552
Public safety	473,710	248,591	615,218	619,075	695,843	609,284	703,910	623,963	476,043
Public works	500,904	17,535	-	-	-	-	-	-	-
Other activities	21,479	1,179	2,362	2,567	2,838	2,962	553	-	-
Operating grants and contributions	185,675	37,698	62,420	73,463	81,578	58,876	63,744	290,553	34,005
Capital grants and contributions	539,731	2,587,472	653,838	432,839	51,118	1,710,191	2,869,600	2,382,085	2,499,914
Total governmental activities program revenues	1,952,512	2,978,136	1,673,240	1,416,303	1,191,928	2,658,082	3,963,671	3,620,091	3,460,514
Business-type activities:									
Charges for services:									
Water and sewer	6,786,049	3,335,326	6,829,185	6,926,704	7,590,421	7,819,991	7,001,007	7,209,392	7,476,414
Solid waste	1,059,675	554,451	1,216,534	1,217,590	1,585,858	1,731,995	1,934,153	1,923,824	1,933,713
Capital grants and contributions	756,994	344,709	1,266,640	324,771	75,366	207,652	2,029,935	32,377	-
Total business-type activities program revenues	8,602,718	4,234,486	9,312,359	8,469,065	9,251,645	9,759,638	10,965,095	9,165,593	9,410,127
Total primary government program revenues	$ 10,555,230	$ 7,212,622	$ 10,985,599	$ 9,885,368	$ 10,443,573	$ 12,417,720	$ 14,928,766	$ 12,785,684	$ 12,870,641
Net (expense)/revenue									
Governmental activities	$ (6,703,832)	$ (1,596,130)	$ (7,897,318)	$ (9,866,244)	$ (9,953,655)	$ (9,305,435)	$ (9,067,091)	$ (8,976,237)	$ (5,019,841)
Business-type activities	1,841,126	893,514	2,642,257	1,478,462	1,905,331	2,158,833	3,282,132	1,641,771	1,745,084
Total primary government net expense	$ (4,862,706)	$ (702,616)	$ (5,255,061)	$ (8,387,782)	$ (8,048,324)	$ (7,146,602)	$ (5,784,959)	$ (7,334,466)	$ (3,274,757)

(Continued)

CITY OF MILLEDGEVILLE, GEORGIA

CHANGES IN NET ASSETS
LAST NINE FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year								
	2004	2005 (1)	2006	2007	2008	2009 (2)	2010	2011	2012
General Revenues and Other Changes in Net Assets									
Governmental activities:									
Taxes									
Property taxes	$ 1,933,792	$ 197,551	$ 2,648,399	$ 2,653,251	$ 2,804,795	$ 2,850,577	$ 2,958,098	$ 2,931,647	$ 2,831,319
Sales taxes	4,311,240	1,927,570	4,126,742	4,592,017	4,584,724	2,431,098	2,521,200	2,464,375	2,582,539
Hotel/motel taxes	267,967	127,137	253,303	262,255	282,549	262,328	365,766	461,852	468,985
Franchise taxes	900,981	862,924	1,073,816	1,102,370	1,032,903	1,241,285	1,193,921	1,224,963	1,287,559
Insurance premium taxes	873,170	-	939,416	982,864	1,025,237	1,049,796	1,040,054	1,009,723	830,908
Alcoholic beverage taxes	-	-	-	-	-	507,557	459,052	497,143	471,834
Business and occupation taxes	-	-	-	-	-	568,177	626,357	561,109	562,008
Other taxes	1,008,178	705,067	1,021,223	1,078,493	1,075,530	46,779	116,819	108,996	55,023
Unrestricted investment earnings	37,694	39,105	120,737	404,965	422,827	143,965	94,254	122,072	92,635
Transfers	-	-	(803,536)	(77,217)	(607,877)	1,378,682	923,307	(387,127)	(703,115)
Total governmental activities	9,333,022	3,859,354	9,380,100	10,998,998	10,620,688	10,480,244	10,298,828	8,994,753	8,479,695
General Revenues and Other Changes in Net Assets (continued)									
Business-type activities:									
Unrestricted investment earnings	96,236	100,554	(48,225)	240,408	324,590	171,525	230,951	97,346	260,807
Transfers	-	-	803,536	77,217	607,877	(1,378,682)	(923,307)	387,127	703,115
Total business-type activities	96,236	100,554	755,311	317,625	932,467	(1,207,157)	(692,356)	484,473	963,922
Total primary government	$ 9,429,258	$ 3,959,908	$ 10,135,411	$ 11,316,623	$ 11,553,155	$ 9,273,087	$ 9,606,472	$ 9,479,226	$ 9,443,617
Change in Net Assets									
Governmental activities	$ 2,629,190	$ 2,263,224	$ 1,482,782	$ 1,132,754	$ 667,033	$ 1,174,809	$ 1,231,737	$ 18,516	$ 3,459,854
Business-type activities	1,937,362	994,068	3,397,568	1,796,087	2,837,798	951,676	2,589,776	2,126,244	2,709,006
Total primary government	$ 4,566,552	$ 3,257,292	$ 4,880,350	$ 2,928,841	$ 3,504,831	$ 2,126,485	$ 3,821,513	$ 2,144,760	$ 6,168,860

(1) The City changed its fiscal year end from December 31 to June 30 beginning in 2005. 2005 is for six months only.

(2) Other taxes were further broken out into Alcohol Excise Taxes and Business and Occupation Taxes for the fiscal year ending June 30, 2009.

(3) During fiscal year 2004, the City adopted the Uniform Chart of Accounts. The City began using a separate Judicial function.

(4) During fiscal year 2004, the City adopted the Uniform Chart of Accounts. The City began using a separate enterprise fund for Solid Waste activities.

(5) In fiscal year 2012, the estimate for the workers' compensation claims payable was reduced significantly for the settlement of claims at an amount less than originally estimated.

CITY OF MILLEDGEVILLE, GEORGIA

GOVERNMENTAL ACTIVITIES TAX REVENUE BY SOURCE
LAST NINE FISCAL YEARS
(accrual basis of accounting)

Year	Property Tax	Sales Tax (3)	Other Taxes (1)	Alcoholic Beverage Taxes (1)	Business and Occupation Taxes (1)	Franchise Tax	Insurance Premium Tax	Total
2004	1,933,792	4,311,240	1,276,145	-	-	900,981	873,170	$ 9,295,328
2005 (2)	197,551	1,927,570	832,204	-	-	862,924	-	3,820,249
2006	2,648,399	4,126,742	1,274,526	-	-	1,073,816	939,416	10,062,899
2007	2,653,251	4,592,017	1,340,748	-	-	1,102,370	982,864	10,671,250
2008	2,804,795	4,584,724	1,358,079	-	-	1,032,903	1,025,237	10,805,738
2009	2,850,577	2,431,098	309,107	507,557	568,177	1,241,285	1,049,796	8,957,597
2010	2,958,098	2,521,200	482,585	459,052	626,357	1,193,921	1,040,054	9,281,267
2011	2,931,647	2,464,375	570,848	497,143	561,109	1,224,963	1,009,723	9,259,808
2012	2,831,319	2,582,539	524,008	471,834	562,008	1,287,559	830,908	9,090,175

(1) Includes hotel/motel taxes, alcoholic beverages taxes and business and occupation taxes for the years 2005-2008. Beginning in 2009, the alcoholic beverage taxes and business and occupation taxes were segregated into their own column.

(2) The City changed its fiscal year end from December 31 to June 30 beginning in 2005. 2005 is for six months only.

(3) Beginning in fiscal year 2009, sales tax revenue includes only LOST revenue. Prior years included LOST and SPLOST revenue. Beginning in fiscal year 2009, SPLOST revenue is reported as Intergovernmental revenue.

CITY OF MILLEDGEVILLE, GEORGIA

FUND BALANCES OF GOVERNMENTAL FUNDS
LAST NINE FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year								
	2004	2005	2006	2007	2008	2009	2010	2011 (1)	2012
General Fund									
Nonspendable	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 33,740	$ 37,241
Restricted	-	-	-	-	-	-	-	76,409	76,409
Committed	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	595	595
Unassigned	-	-	-	-	-	-	-	3,439,189	2,733,297
Reserved	32,817	37,885	51,978	111,763	120,157	121,144	364,158	-	-
Unreserved	1,415,369	782,125	1,462,210	1,842,682	2,048,211	2,967,390	3,219,511	-	-
Total governmental activities net assets	$ 1,448,186	$ 820,010	$ 1,514,188	$ 1,954,445	$ 2,168,368	$ 3,088,534	$ 3,583,669	$ 3,549,933	$ 2,847,542
All Other Governmental Funds									
Nonspendable	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Restricted	-	-	-	-	-	-	-	8,104,832	8,599,830
Committed	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	(31)	(175)
Reserved	396,400	398,235	5,793,736	6,926,294	7,616,855	411,055	652,007	-	-
Unreserved, reported in:									
Special revenue funds	1,027	298	(2,814)	(260)	(294)	(276)	7,322,120	-	-
Capital projects funds	4,934,033	5,283,251	(280)	-	-	-	-	-	-
Total all other governmental funds	$ 5,331,460	$ 5,681,784	$ 5,790,642	$ 6,926,034	$ 7,616,561	$ 410,779	$ 7,974,127	$ 8,104,801	$ 8,599,655

(1) GASB Statement No. 54 was implemented in fiscal year 2011.

CITY OF MILLEDGEVILLE, GEORGIA

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST NINE FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year								
	2004	2005 (1)	2006	2007	2008	2009	2010	2011	2012
Revenues:									
Taxes	$ 9,302,348	$ 4,085,630	$ 10,001,357	$ 10,681,688	$ 10,774,086	$ 8,842,623	$ 9,231,756	$ 9,373,107	$ 8,894,399
Licenses and permits	205,708	78,372	302,250	245,612	269,421	254,397	224,487	216,867	224,119
Intergovernmental	719,709	851,904	558,486	502,644	132,696	1,729,507	2,810,262	2,612,167	1,568,104
Fines and forfeitures	449,043	247,386	615,218	619,075	695,843	609,284	703,910	623,963	476,043
Charges for services	525,571 (2)	12,592	14,972	7,919	5,934	4,889	7,794	8,272	8,859
Interest income	37,115	38,946	120,242	400,066	416,981	142,533	204,046	134,765	102,409
Other revenues	52,481	26,003	24,542	41,053	88,034	20,445	94,136	98,351	220,782
Total revenues	11,291,975	5,340,833	11,637,067	12,498,057	12,382,995	11,603,678	13,276,391	13,067,492	11,494,715
Expenditures:									
General government	1,268,741	602,264	1,293,058	1,260,215	1,235,084	1,403,760	1,409,898	1,274,842	1,466,667
Judicial	126,017 (3)	58,765	134,956	139,081	145,044	157,390	162,685	150,765	168,463
Public safety	4,097,120	2,105,534	4,601,913	4,775,248	5,348,910	5,505,919	5,853,059	5,632,753	5,713,620
Public works	1,278,923 (3)	629,949	1,373,713	1,473,618	1,527,644	1,576,832	1,589,352	1,906,304	1,578,008
Culture and recreation	836,284	448,189	876,398	975,299	964,602	866,518	891,330	797,390	752,410
Housing and development	612,491	305,036	723,538	788,626	892,385	808,239	1,015,304	1,136,659	967,856
Capital outlay	1,259,535	1,444,916	1,782,391	1,433,104	1,467,746	1,042,344	3,126,557	2,071,841	620,172
Debt service:									
Principal	150,276	23,200	47,302	-	-	-	-	-	-
Interest	4,911	832	762	-	-	-	-	-	-
Total expenditures	9,634,298	5,618,685	10,834,031	10,845,191	11,581,415	11,361,002	14,048,185	12,970,554	11,267,196
Excess of revenues over (under) expenditures	1,657,677	(277,852)	803,036	1,652,866	801,580	242,676	(771,794)	96,938	227,519
Other Financing Sources (Uses)									
Proceeds from capital leases	-	-	-	-	-	-	-	-	-
Transfers in from other funds	8,375	-	54	-	102,870	1,716,847	923,307	-	-
Transfers out to other funds	(8,375)	-	(54)	(77,217)	-	(338,165)	-	-	(435,056)
Total other financing sources (uses)	-	-	-	(77,217)	102,870	1,378,682	923,307	-	(435,056)
Net change in fund balances	$ 1,657,677	$ (277,852)	$ 803,036	$ 1,575,649	$ 904,450	$ 1,621,358	$ 151,513	$ 96,938	$ (207,537)
Debt service as a percentage of noncapital expenditures	1.33%	1.81%	0.51%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

(1) The City changed its fiscal year end from December 31 to June 30 beginning in 2005. 2005 is for six months only.

(2) During fiscal year 2004, the City adopted the Uniform Chart of Accounts. The City began using a separate Judicial function.

(3) During fiscal year 2004, the City adopted the Uniform Chart of Accounts. The City began using a separate enterprise fund for Solid Waste activities.

CITY OF MILLEDGEVILLE, GEORGIA

GENERAL GOVERNMENTAL TAX REVENUE BY SOURCE (1)
LAST NINE FISCAL YEARS
(modified accrual basis of accounting)

Year	Property Tax	Sales Tax	Other Taxes (2)	Franchise Tax	Insurance Premium Tax	Total
2004	1,940,812	4,311,240	1,276,145	900,981	873,170	9,302,348
2005 (3)	462,932	1,927,570	832,204	862,924	-	4,085,630
2006	2,586,857	4,126,742	1,274,526	1,073,816	939,416	10,001,357
2007	2,663,689	4,592,017	1,340,748	1,102,370	982,864	10,681,688
2008	2,773,143	4,584,724	1,358,079	1,032,903	1,025,237	10,774,086
2009 (4)	2,792,655	2,374,046	1,384,841	1,241,285	1,049,796	8,842,623
2010	2,898,995	2,530,792	1,567,994	1,193,921	1,040,054	9,231,756
2011	2,997,485	2,511,836	1,629,100	1,224,963	1,009,723	9,373,107
2012	2,635,543	2,582,539	1,557,850	1,287,559	830,908	8,894,399

(1) Includes General, Special Revenue and Capital Projects Funds

(2) Includes alcoholic beverages taxes and hotel/motel taxes.

(3) The City changed its fiscal year end from December 31 to June 30 beginning in 2005. 2005 is for six months only.

(4) Beginning in fiscal year 2009, sales tax revenue includes only LOST revenue. Prior years included both LOST and SPLOST revenue. Beginning in fiscal year 2009, SPLOST revenue is included as Intergovernmental revenue.

CITY OF MILLEDGEVILLE, GEORGIA

DIRECT AND OVERLAPPING SALES TAX RATES
LAST TEN FISCAL YEARS

Fiscal Year	Direct	Overlapping			
	City	State of Georgia	Baldwin County (1)	Baldwin County School Board (2)	Total Direct and Overlapping Rates
2003	1.00%	4.00%	1.00%	1.00%	7.00%
2004	1.00%	4.00%	1.00%	1.00%	7.00%
2005	1.00%	4.00%	1.00%	1.00%	7.00%
2006	1.00%	4.00%	1.00%	1.00%	7.00%
2007	1.00%	4.00%	1.00%	1.00%	7.00%
2008	1.00%	4.00%	1.00%	1.00%	7.00%
2009	1.00%	4.00%	1.00%	1.00%	7.00%
2010	1.00%	4.00%	1.00%	1.00%	7.00%
2011	1.00%	4.00%	1.00%	1.00%	7.00%
2012	1.00%	4.00%	1.00%	1.00%	7.00%

Source: Georgia Department of Revenue, Sales and Use Tax Division

Notes:

(1) Current 1% special purpose local option sales tax expires March 31, 2018

(2) A new 1% special purpose local option sales tax referendum was passed in March 2011

CITY OF MILLEDGEVILLE, GEORGIA

TAXABLE SALES TAX DISTRIBUTION BY CATEGORY
LAST EIGHT CALENDAR YEARS (1) (2)

By Category	2004	2005	2006	2007	2008	2009	2010	2011
Food	$ 1,470,601	$ 1,484,331	$ 1,702,562	$ 1,789,423	$ 1,549,438	$ 1,106,221	$ 1,044,749	$ 1,054,756
Apparel	88,660	96,057	96,479	101,552	103,119	110,742	122,828	386,256
General	1,166,570	1,273,629	1,319,042	1,344,124	1,313,985	1,231,299	1,211,914	1,244,568
Automotive	956,362	1,115,842	1,227,571	1,234,576	1,380,494	722,402	768,607	725,499
Home	256,630	289,122	362,778	310,193	276,404	110,742	260,032	376,257
Lumber	577,265	570,625	722,251	674,450	556,832	425,172	556,683	515,641
Miscellaneous Service	246,321	208,836	243,942	232,113	240,512	315,552	334,584	286,425
Manufacturers	187,422	151,253	186,704	133,567	139,918	325,454	260,032	238,279
Utilities	499,701	507,428	564,852	586,667	666,444	509,435	541,669	560,033
Miscellaneous	363,371	375,626	428,756	450,685	422,043	412,752	334,584	575,641
	$ 5,812,903	$ 6,072,749	$ 6,854,937	$ 6,857,350	$ 6,649,189	$ 5,269,771	$ 5,435,682	$ 5,963,355

Source: Georgia Department of Revenue, Local Government Services Division

Notes:

(1) Only eight years of data are available

(2) Information only available for Baldwin County

CITY OF MILLEDGEVILLE, GEORGIA

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Fiscal Year	Real Property		Personal Property		Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property	Motor Vehicles	Other (1)					
2003	$ 77,114,714	$ 103,014,513	$ 19,525,470	$ 1,548,700	$ 944,996	$ 200,258,401	10.75	$ 500,646,003	40%
2004	116,731,852	136,497,794	19,725,310	1,634,885	1,393,044	273,196,797	9.75	682,991,993	40%
2005	-	-	-	-	-	-	-	-	40%
2006	119,488,468	152,230,477	18,769,420	1,426,748	1,612,988	290,302,125	9.75	725,755,313	40%
2007	142,537,338	159,997,227	19,063,920	1,243,248	1,582,132	321,259,601	9.22	803,148,252	40%
2008	152,659,325	169,264,504	21,608,710	1,144,479	1,524,478	343,152,540	9.22	857,881,350	40%
2009	145,958,815	171,342,957	22,300,100	837,604	1,605,269	352,168,866	9.12	880,422,100	40%
2010	160,714,124	177,017,129	23,290,960	1,266,786	1,946,693	360,342,306	9.12	900,855,765	40%
2011	158,571,927	165,044,251	20,796,550	810,332	2,252,665	360,805,090	9.12	902,012,725	40%
2012	154,944,259	152,597,416	20,325,590	769,116	1,396,199	357,612,008	9.12	894,030,020	40%

Source: Baldwin County Tax Commissioner

(1) Includes mobile homes and heavy equipment.

Note: The City changed its fiscal year end from December 31 to June 30 beginning in 2005. 2005 is for six months only.

CITY OF MILLEDGEVILLE, GEORGIA

DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(rate per $1,000 of assessed value)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
City of Milledgeville										
Maintenance & Operations	9.75	8.75	8.75	8.75	8.22	8.22	8.12	8.12	8.12	8.12
School Fund	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Total City	10.75	9.75	9.75	9.75	9.22	9.22	9.12	9.12	9.12	9.12
Baldwin County	12.52	9.80	9.80	13.58	8.80	8.80	8.64	8.64	8.64	8.64
Baldwin County School District	18.65	14.57	14.57	14.57	16.07	16.07	16.07	16.07	16.07	17.06
Baldwin County School Bond	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
State of Georgia	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Total	42.17	34.37	34.37	38.15	34.34	34.34	34.08	34.08	34.08	35.07

Source: City of Milledgeville financial records

Note: In 2004, there was a general reassessment of property values.

The City changed its fiscal year end from December 31 to June 30 beginning in 2005. 2005 is for six months only.

CITY OF MILLEDGEVILLE, GEORGIA

PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO

	2012			2003		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Georgia Power	$ 9,233,551	1	2.78%	$ 5,080,185	1	2.79%
Campus Crest	5,585,509	2	1.68%	-		-
Wal-Mart Real Estate Business	5,075,720	3	1.53%	3,578,745	3	2.02%
Magnolia Park	4,704,128	4	1.42%	-		-
Alltel	3,608,441	5	1.09%	4,162,725	2	2.28%
Wal-Mart	3,479,825	6	1.05%	-		-
K-Mart Corporation	3,370,320	7	1.02%	-		-
Lowes	2,791,520	8	0.84%	-		-
Gordon Giles	2,733,136	9	0.82%	-		-
Woodland Terrace Apartments	2,688,285	10	0.80%	-		-
Shaw Industries	-		-	2,531,561	4	1.39%
IRT Heritage Walk	-		-	1,973,387	5	1.08%
Hatcher Square	-		-	1,941,252	6	1.07%
Century Bank & Trust	-		-	1,255,882	7	0.69%
Pine Knoll Apartments, Inc.	-		-	1,194,280	8	0.66%
Bob Mitzel Real Estate	-		-	1,023,360	9	0.59%
LPI Milledgeville, Inc.	-		-	914,769	10	0.50%
Totals	$ 43,270,435		13.03%	$ 23,656,146		13.07%

Source: City of Milledgeville and Baldwin County records

Note: Walmart site opened in 2004 with other stores.

Campus Crest and Magnolia Park student housing opened in late 2006.

Shaw Industries ceased operations in 2009.

Winn-Dixie and IRT Property ceased operations in 2005.

K-Mart has downsized significantly since 2004.

Gordon Giles is a local property owner who purchased a significant amount of property since 2006.

Pine Knoll has downsized since 2004.

Century Bank & Trust sold some of its property in 2007.

Hatcher Square has maintained its acreage since its opening in 1972 but downsized operations in 2008.

CITY OF MILLEDGEVILLE, GEORGIA

PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Levy Year	Taxes Levied	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2002	$ 1,790,083	$ 1,425,917	79.7	$ 360,420	$ 1,786,337	99.8 %
2003	2,313,713	231,781	10.0	2,073,765	2,305,546	99.6
2004	N/A	N/A	N/A	N/A	N/A	N/A
2005	2,483,150	2,301,053	92.7	167,296	2,468,349	99.4
2006	2,608,910	2,440,936	93.6	131,770	2,572,706	98.6
2007	2,822,462	2,694,554	95.5	82,194	2,776,748	98.4
2008	2,769,525	2,664,606	96.2	70,945	2,735,551	98.8
2009	2,958,098	2,678,996	90.6	86,467	2,765,463	93.5
2010	3,103,237	2,910,692	93.8	19,304	2,929,996	94.4
2011	3,028,188	2,647,406	87.4	-	2,647,406	87.4

Source: City of Milledgeville financial records.

N/A - Not Available

CITY OF MILLEDGEVILLE, GEORGIA

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year Ended	Governmental Activities		Business-Type Activities		Total Primary Government	Percentage of Personal Income (1)(2)	Per Capita (1)
	General Obligation Bonds	Capital Lease Obligations	Water & Sewer Notes	Revenue Bonds			
2003	-	$ 220,778	$ 1,097,161	$ 13,755,000	$ 15,072,939	3.91%	$ 803.59
2004	-	70,502	1,027,467	13,280,000	14,377,969	3.36%	766.54
2005	-	47,302	992,499	13,280,000	14,319,801	3.22%	763.44
2006	-	-	919,978	12,785,000	13,704,978	2.94%	730.66
2007	-	-	843,621	12,265,000	13,108,621	2.78%	698.87
2008	-	-	763,291	11,720,000	12,483,291	N/A	665.53
2009	-	-	678,577	11,145,000	11,823,577	3.61%	630.36
2010	-	-	629,603	10,545,000	11,174,603	3.41%	595.76
2011	-	-	847,144	9,910,000	10,757,144	4.64%	607.23
2012	-	-	340,595	9,245,000	9,585,595	4.14%	541.10

Source: City of Milledgeville financial records

(1) See the Schedule of Demographic and Economic Statistics for personal income and population data.
(2) Information not available for 2007, 2008, and 2009.

Note: The City changed its fiscal year end from December 31 to June 30 beginning in 2005. 2005 is for six months only.
Details regarding the City's outstanding debt can be found in the notes to the financial statements.

CITY OF MILLEDGEVILLE, GEORGIA

RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

Fiscal Year Ended	General Obligation Bonds	Percentage of Actual Property Value (2)	Per Capita (1)
2003	-	-	-
2004	-	-	-
2005	-	-	-
2006	-	-	-
2007	-	-	-
2008	-	-	-
2009	-	-	-
2010	-	-	-
2011	-	-	-
2012	-	-	-

Source: City of Milledgeville financial records

(1) See the Schedule of Demographic and Economic Statistics for population data.
(2) See Schedule of Assessed Value and Estimated Actual Value of Taxable Property.

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
The City changed its fiscal year end from December 31 to June 30 beginning in 2005. 2005 is for six months only.

CITY OF MILLEDGEVILLE, GEORGIA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2012

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated share of Overlapping Debt
Debt repaid with property taxes: Baldwin County	$ -	29.00%	$ -
Subtotal, overlapping debt			-
City of Milledgeville direct debt			$ -
Total direct and overlapping debt			$ -

Source: Assessed value data used to estimate applicable percentages provided by the Baldwin County Tax Assessors Office.
Debt outstanding data as provided by Baldwin County is for fiscal year ending March 31, 2012.

(1) For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the County's taxable assessed value that is within the City's boundaries and dividing it by the County's total taxable assessed value.

CITY OF MILLEDGEVILLE, GEORGIA

LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(amounts expressed in thousands)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Legal debt limit	$ 18,226	$ 26,813	$ 26,813	$ 27,011	$ 32,126	$ 34,315	$36,034	$ 35,217	$ 36,081	$ 35,761
Total net debt applicable to debt limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	$ 18,226	$ 26,813	$ 26,813	$ 27,011	$ 32,126	$ 34,315	$ 36,034	$ 35,217	$ 36,081	$ 35,761
Legal debt margin as a percentage of the debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Legal Debt Margin Calculation for Fiscal Year 2012	
Assessed value	$ 357,612
Debt limit (10% of assessed value)	35,761
Debt applicable to limit:	
General obligation bonds	-
Total net debt applicable to limit	-
Legal debt margin	$ 35,761

Note: Under state finance law, the City's outstanding general obligation debt should not exceed 10 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying the general obligation bonds.

These amounts do not include revenue bonds that are being repaid from the Enterprise Fund.

CITY OF MILLEDGEVILLE, GEORGIA

PLEDGED-REVENUE COVERAGE
LAST TEN FISCAL YEARS

Fiscal Year	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2003	$ 5,698,606	$ 3,949,885	$ 1,748,721	$ 475,000	$ 782,620	1.39
2004	6,786,049	3,820,670	2,965,379	495,000	759,820	2.36
2005	3,335,326	1,883,021	1,452,305	-	379,910	3.82
2006	6,829,185	3,801,879	3,027,306	495,000	747,692	2.44
2007	6,926,704	4,033,516	2,893,188	520,000	728,453	2.32
2008	7,590,421	4,349,460	3,240,961	545,000	702,119	2.60
2009	7,819,991	4,629,577	3,190,414	575,000	674,408	2.55
2010	6,952,141	4,483,666	2,468,475	600,000	646,352	1.98
2011	7,212,402	4,285,571	2,926,831	635,000	656,184	2.27
2012	7,463,178	4,449,441	3,013,737	665,000	623,618	2.34

Notes: The City changed its fiscal year end from December 31 to June 30 beginning in 2005. 2005 is for six months only.
Details regarding the city's outstanding debt can be found in the notes to the financial statements.
Utility service charges include tap fees, but exclude interest.
Operating expenses do not include interest, depreciation, or amortization expense.

CITY OF MILLEDGEVILLE, GEORGIA

DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

Fiscal Year	Population (1)	Personal Income (amounts expressed in thousands)	Per Capita Personal Income (1)	School Enrollment (2)	Unemployment Rate (3)
2003	18,757	$ 385,569	$ 20,556	5,894	4.00
2004	18,757	428,316	22,835	5,947	4.50
2005	18,757	445,235	23,737	6,032	5.60
2006	18,757	465,474	24,816	5,948	5.50
2007	18,757	471,438	25,134	5,582	5.90
2008	18,757	N/A	N/A	5,486	6.70
2009	18,757	327,891	17,481	6,807	11.60
2010	18,757	327,891	17,481	6,832	15.10
2011	17,715	231,606	13,074	6,623	14.70
2012	17,715	231,606	13,074	6,674	13.70

(1) Source: U. S. Bureau of the Census
(2) Source: Baldwin County Board of Education, John Milledge Academy, GMC Prep School, Sinclair Christian Academy
(3) Source: Georgia Department of Labor

N/A - Not Available

CITY OF MILLEDGEVILLE, GEORGIA

PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

	2012			2003		
Employer	Employees (1)	Rank	Percentage of Total County Employment (3)	Employees (2)	Rank	Percentage of Total County Employment (3)
Central State Hospital	2,177	1	23.50 %	2,900	1	N/A
Baldwin County Board of Education	807	2	8.70	900	5	N/A
Georgia College & State University	805	3	8.69	1,228	2	N/A
Oconee Regional Medical Center	701	4	7.56	779	6	N/A
Triump Aerostructures (Vought Air. Ind., Inc.)	573	5	6.18	550	7	N/A
Wal-Mart	418	6	4.51			
Georgia Military College	385	7	4.15	385	10	N/A
Mohawk	315	8	3.40			
Georgia Department of Corrections	310	9	3.35	1,200	3	N/A
Oconee Center	300	10	3.20			
Rheem Manufacturing Company				1,000	4	N/A
Priva-Trends				467	8	N/A
Bill Ireland Y.D.C.				435	9	N/A

(1) Source: Milledgeville Baldwin County Chamber of Commerce
(2) Source: City of Milledgeville records
(3) Source: Georgia Department of Labor

N/A - Not Available

Note:

Central State Hospital has downsized in the last several years.
Vought Aircraft has maintained its employment status from 2008. It is where Northrup Grumman relocated to in 2002.
Priva-Trends became part of Central State Hospital in 2004.
United Veteran Services of Georgia maintained its employment from 2008.
Rheem Manufacturing closed in December 2009.
Oconee Center operates a facility for the treatment of mental health illness for adolescents.

CITY OF MILLEDGEVILLE, GEORGIA

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST NINE FISCAL YEARS

	Fiscal Year								
Function/Program	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
General Government									
Administrative	3	3	3	3	3	3	2.5	4	4
Finance	8	8	7	7	7	8	7	6	7
Personnel	2	2	2	2	1	1	1	2	1.5
Planning	5	5	5	5	5	5	4	4	4.5
Other	7	7	7	8	8	8	3	3	4
Police									
Officers	49	49	49	49	49	51	51	52	52
Civilians	14	14	14	13	13	13	9	9	9
Fire									
Firefighters	31	31	31	33	33	34	34	33	34
Civilians	1	1	1	1	1	0	0	0	0
Public Works									
Administrative	2	2	2	2	2	2	2	2	3
Maintenance	20	20	16	12	12	16	13	13	13
Parks and Recreation	6	6	6	10	10	10	11	9	10
Water	40	40	39	39	39	35	32.5	32	35
Wastewater	16	16	18	18	18	21	18	16	16
Refuse	5	5	9	9	9	9	7	7	9
Total	209	209	209	211	210	216	195	192	202

Source: City of Milledgeville Human Resources Department

Note: The City is only able to report information for nine fiscal years due to the lack of records prior to 2003.

City Manager added beginning in fiscal year 2004. City changed form of government from Mayor-Council to Council-Manager

In 2009, the City added an additional accountant within the Finance Department, hired two (2) police officers, reclassed a civilian to a firefighter, reclassed four (4) employees from Water to Maintenance, and added three (3) employees in the Wastewater Treatment Plant.

In FY 2012, the City added an additional position for a Public Works Supervisor.

CITY OF MILLEDGEVILLE, GEORGIA

OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Police										
Parking violations	3,326	3,040	956	3,008	2,360	3,737	3,891	4,598	3,103	3,123
Traffic violations	3,858	3,084	2,196	4,387	5,335	6,155	5,520	5,558	4,503	3,611
Fire										
Number of calls answered	1,138	1,058	463	1,043	1,015	971	988	989	1,155	1,124
Number of inspections conducted	876	1,068	697	1,404	2,091	2,302	2,327	2,025	1,855	2,168
Highways and streets										
Street resurfacing (miles)	N/A	1.5	1.0	1.5	1.0	0.5	0.0	1.4	2.3	0.5
Potholes repaired	N/A	51	37	53	157	191	290	338	351	540
Sanitation										
Yard trimmings collected (tons/day)	N/A	1.5	1.5	1.5	2.7	3.8	3.8	3.2	3.4	8.5
Water										
Number of service connections	6,178	6,693	6,693	7,008	7,231	7,388	7,746	7,564	7,589	7,956
Average daily consumption (thousands of gallons)	6,630	6,630	6,668	6,706	6,638	6,515	6,432	6,325	6,336	6,340
Sewer										
Number of service connections	5,398	5,398	5,587	5,777	5,792	6,000	6,125	6,071	6,072	6,075
Average daily sewage treatment (thousands of gallons)	4,500	4,500	4,820	4,360	3,750	4,043	4,380	4,369	4,372	3,197

Source: City of Milledgeville records

Note: The City changed its fiscal year end from December 31 to June 30 beginning in 2005. 2005 is for six months only.
Indicators are not available for the general government function.
Records for Highways, streets and sanitation were not kept before 2004.
A full-time City Engineer was hired in July 2009. Subsequently, several street improvement projects have been initiated.

CITY OF MILLEDGEVILLE, GEORGIA

CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public Safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	50	50	50	50	50	50	42	50	59	59
Fire stations	2	2	2	2	2	2	2	2	2	2
Highways and streets										
Miles of streets	110	114	116	117	117	119	120	120	120	120
Number of street lights	1,529	1,556	1,568	1,536	1,541	1,547	1,547	1,547	1,547	1,547
Water										
Water mains (miles)	164	187	187	190	190	194	196	196	200	200
Number of water plants	2	2	2	2	2	2	2	2	2	2
Fire hydrants	672	672	678	678	678	715	728	728	728	728
Maximum daily capacity (thousands of gallons both plants)	12,440	12,440	12,440	12,440	12,440	12,440	12,440	12,440	12,440	12,440
Sewer										
Sanitary sewers (miles)	237	277	278	232	232	233	233	233	233	233
Storm sewers (miles)	27	27	27	27	28	30	30	30	30	30
Maximum daily capacity (thousands of gallons)	10,500	10,500	10,500	10,500	10,500	10,500	10,500	10,500	10,500	10,500

Source: City of Milledgeville records

Note: Indicators are not available for the general government function.
The City changed the type of street light in downtown in 2005 thus reducing the number of lights needed.
In 2009, the City police department retired eight (8) patrol cars and capacity at the City's Water Plant was increased due to capital improvements.
In 2010, the City police department acquired eight (8) patrol cars to replace those retired in the previous year.
In 2011, the City police department added nine (9) additional patrol units.

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CONTINUING DISCLOSURE INFORMATION

CITY OF MILLEDGEVILLE, GEORGIA

PRINCIPAL WATER CUSTOMERS
CURRENT YEAR AND NINE YEARS AGO

	2012			2003		
	Amount Billed for Twelve Months	Rank	Estimated Percentage of Total Water Billings	Amount Billed for Twelve Months	Rank	Estimated Percentage of Total Water Billings
Central State Hospital	$ 429,279	1	11.52%	$ 500,076	2	13.14%
Mohawk	271,907	2	7.29%	81,328	5	2.13%
Zschimmer & Schwarz, Inc.	234,059	3	6.28%			
Georgia College	150,424	4	4.04%	92,661	4	2.43%
Vought Aircraft Industries (Northrup Grumm. Corp.)	84,341	5	2.26%	43,370	6	1.14%
Pine Knoll Apartments	79,018	6	2.12%			
Magnolia Park Student Housing	76,621	7	2.06%			
Villamar Town Home Apartments	59,089	8	1.59%			
Edgewood Park Ltd.	47,205	9	1.27%			
Baldwin County Commissioners				817,843	1	21.50%
Concord Fabrics, Inc				269,696	3	7.09%
Oconee Regional Medical Center				32,273	7	0.84%
Bill E. Ireland YDC				32,146	8	0.84%
Shaw Industries				30,035	9	0.78%
Rheem				24,915	10	0.65%

Source: City of Milledgeville records

Note: Northrup Grumman Aircraft relocated in 2002.
Concord Fabrics, Inc. ceased operations in 2006
Magnolia Park Student Housing began operations in late fall of 2006.
Oconee Regional Medical Center became a water customer in 1990. It has increased operations and added on to the facility since 2003.
Shaw Industries ceased operations in 2009.
Pine Knoll Apartments has downsized since 2004.
Chemtex Division opened in 2001
Bill E. Ireland Y.D.C. closed in the spring of 2010.
Baldwin County has built its own water system.

CITY OF MILLEDGEVILLE, GEORGIA

PRINCIPAL SEWER CUSTOMERS
CURRENT YEAR AND NINE YEARS AGO

	2012			2003		
	Amount Billed for Twelve Months	Rank	Estimated Percentage of Total Sewer Billings	Amount Billed for Twelve Months	Rank	Estimated Percentage of Total Sewer Billings
Central State Hospital	$ 426,969	1	13.14%			
Mohawk	271,907	2	8.37%	$ 43,597	3	2.30%
Baldwin County Commissioners	271,657	3	8.36%	7,798	10	0.41%
Zschimmer & Schwarz, Inc.	234,059	4	7.20%			
Georgia College	150,423	5	4.63%	152,300	2	8.03%
Vought Aircraft Industries (Northrup Grumm. Corp.)	84,341	6	2.60%	36,277	4	1.91%
Pine Knoll Apartments	79,018	7	2.43%			
Magnolia Park Student Housing	76,621	8	2.36%			
Villamar Townhome Apartments	59,088	9	1.82%	26,621	6	1.40%
Edgewood Park Ltd.	47,205	10	1.45%			
Concord Fabrics, Inc				229,275	1	12.09%
Bill E. Ireland YDC				27,330	5	1.44%
Oconee Regional Medical Center				26,167	7	1.38%
Shaw Industries				22,816	8	1.20%
Big E M Company				15,776	9	0.83%

Source: City of Milledgeville records

Note: Northrup Grumman Aircraft relocated in 2002.

Concord Fabrics, Inc. ceased operations in 2006.

Magnolia Park Student Housing began operations in late fall of 2006.

Shaw Industries ceased operations in 2009.

Oconee Regional Medical Center became a water customer in 1990. It has increased operations and added on to the facility since 2003.

Chemtex Division opened in 2001.

Pine Knoll has downsized since 2004.

Big E M Company was acquired by the owners of Pine Knoll Apartments in 2002.

Bill E. Ireland Y.D.C. closed in the spring of 2010.

COMPLIANCE SECTION

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENTAL AUDITING STANDARDS*

Honorable Mayor and City Council
City of Milledgeville, Georgia
Milledgeville, Georgia

We have audited the financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Milledgeville, Georgia (the City) as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 11, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Milledgeville, Georgia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule

of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2012–1 through 2012-3 to be material weaknesses.

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2012-4 to be a significant deficiency.

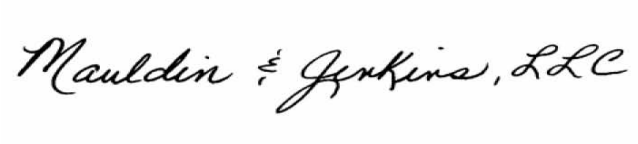
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City in a separate letter dated December 11, 2012.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the members of the City Council of the City of Milledgeville, Georgia, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Macon, Georgia
December 11, 2012

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Mayor and City Council
City of Milledgeville, Georgia
Milledgeville, Georgia

Compliance

We have audited the compliance of the City of Milledgeville, Georgia with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The City of Milledgeville, Georgia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Milledgeville, Georgia's management. Our responsibility is to express an opinion on the City of Milledgeville, Georgia's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments*, *and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Milledgeville, Georgia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Milledgeville, Georgia's compliance with those requirements.

In our opinion, the City of Milledgeville, Georgia complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the City of Milledgeville, Georgia is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Milledgeville, Georgia's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Milledgeville, Georgia's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the members of the City Council of the City of Milledgeville, Georgia, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Macon, Georgia
December 11, 2012

CITY OF MILLEDGEVILLE, GEORGIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Federal Grantor / Pass-Through Program Title	Federal CFDA Number	Agency or Pass-through Grantor's Number	Expenditures
U.S. Department of Housing and Urban Development			
Passed through the Georgia Department of Community Affairs			
Community Development Block Grant - Redevelopment Fund Program	14.228	09rd-x-005-2-5184	$ 405,707
Community Development Block Grant - Housing Program	14.228	09h-x-005-2-5153	130,920
Total State Administered CDBG Cluster			536,627
Total U.S. Department of Housing and Urban Development			536,627
U.S. Department of Transportation			
Passed through the Georgia Department of Transportation			
Transportation Enhancement Activities (TEA) Grant - Green Street Extension	20.205	PEHPP-0007-00(531)	29,271
Transportation Enhancement Activities (TEA) Grant - Streetscape II (ARRA)	20.205	CSTEE-0008-00(065)	17,047
Total Highway Planning & Construction Cluster			46,318
Total U.S. Department of Transportation			46,318
U.S. Department of Justice			
Direct Award			
Bulletproof Vest Grant Program	16.607	2003BUBX03017606	4,875
Total U.S. Department of Justice			4,875
Total Expenditures of Federal Awards			$ 587,820

CITY OF MILLEDGEVILLE, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

SECTION I - SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	X yes ____ no
Significant deficiencies identified not considered to be material weaknesses?	X yes ____ none reported
Noncompliance material to financial statements noted?	____ yes X no

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	____ yes X no
Significant deficiencies identified not considered to be material weaknesses?	____ yes X none reported
Type of auditor's report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section510(a)?	____ yes X none reported

Identification of major program:

CFDA Number	Name of Federal Program
14.228	U.S. Department of Housing and Urban Development CDBG State Administered Grant Program Cluster

Dollar threshold used to distinguish between Type A and Type B Programs	$300,000
Auditee qualifies as low-risk auditee?	____ yes X no

CITY OF MILLEDGEVILLE, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

SECTION II FINANCIAL STATEMENT FINDINGS

2012-1. Reconciliation of Pooled Cash

Criteria: Good sound internal controls require the reconciliation of bank accounts on at least a monthly basis.

Condition: During our audit of cash, we noted that the City's pooled cash account is not being reconciled on a monthly basis. A substantial amount of time was spent working with City personnel to determine how the bank balance of pooled cash reconciled to the total of the cash balances in each of the City's funds. Reconciliation issues identified include an error in the voiding of a prior year check and a one-sided entry recorded to the cash account. Other reconciliation issues were not able to be identified.

Context: We addressed this matter with City personnel and they were able to determine the appropriate adjustments needed to properly reflect pooled cash at June 30, 2012 on the books of the City.

Effect: An audit adjustment was required to increase the book balance of cash and decrease accounts payable in the amount of $1,734,619 to correct for a voided check from the previous year. This adjustment brought the pooled cash balance within approximately $100,000 of reconciling with the bank balance. We also noted a one sided entry of $64,241 posted to the pooled cash account. According to City personnel, the software vendor has been contacted about this issue but has been unable to assist, thus far, with determining how to correct the entry. The remaining difference in the reconciliation process could not be located. By not reconciling the bank account on at least a monthly basis, the City is exposing itself to the risk of misappropriation.

Recommendation: We recommend the pooled cash bank account be reconciled on at least a monthly basis and all differences between book and bank balances be investigated on a timely basis by appropriate accounting personnel so that errors and adjustments can be quickly identified and corrected.

Views of responsible officials and planned corrective action: Management concurs with this finding. We will begin to reconcile the pooled cash account on a monthly basis.

CITY OF MILLEDGEVILLE, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

2012-2. Recording of Intergovernmental Receivables

Criteria: Generally accepted accounting principles require revenue to be recognized in the accounting period in which it becomes both measurable and available to finance expenditures of the current period.

Condition: The City did not properly record various year-end receivable amounts from other governmental agencies in the General Fund and CDBG Fund during the year ended June 30, 2012. Additionally, the City did not properly adjust the allowance for uncollectable taxes receivable as of June 30, 2012 in the General Fund.

Context: We addressed this matter with City personnel and they were able to determine the appropriate receivables that should be recorded as of June 30, 2012.

Effect: Audit adjustments were required to be recorded in the above referred to funds. Specifically, we provide the following details:

a) General Fund – an adjustment of $258,428 was required to decrease intergovernmental receivables and decrease intergovernmental revenue in the General Fund. An additional adjustment was required to increase the allowance for uncollectible taxes receivable and decrease revenues in the amount of $27,071; and
b) CDBG Fund – an adjustment of $94,293 was required to reduce grants receivable and reduce grant revenue.

Recommendation: We recommend the City review all accounts receivable balances on a periodic basis to determine that amounts are properly recorded. Additionally, the allowance for uncollectible taxes receivable should be adjusted at least on an annual basis to appropriately reflect the estimate of uncollectible balances.

Views of responsible officials and planned corrective action: Management concurs with this finding. Receivable accounts and allowance for uncollectible accounts will be reviewed periodically to ensure proper recording.

2012-3. Revenue Recognition – SPLOST Fund

Criteria: Generally accepted accounting principles require revenue to be recognized in the accounting period in which it becomes both measurable and available to finance expenditures of the current period. For governmental fund types, *available* is defined as “collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.” For this purpose, the City considers revenues to be available if they are collected within 60 days of year-end. Receivable amounts not collected within 60 days after year-end are recorded as deferred revenue rather than as revenue.

2012-3. Revenue Recognition – SPLOST Fund (continued)

Condition: The City did not properly record as deferred revenue, those amounts not received within 60 days of the end of the fiscal year.

Context: We addressed this matter with City personnel and they were able to determine the appropriate amounts of revenue to defer at June 30, 2012.

Effect: An audit adjustment in the amount of $64,524 was required to be recorded in the SPLOST Fund to increase deferred revenue and decrease revenue for DOT grant reimbursements not received from the state within 60 days of year-end.

Recommendation: We recommend the City monitor year-end receivable amounts to determine if those amounts are collected within the 60 day availability period and if not, post the appropriate adjustment to deferred revenue.

Views of responsible officials and planned corrective action: Management concurs with this finding. Receivables at year-end will be closely monitored and adjustments made as needed for amounts not collected within the 60 day availability period.

2012-4. Recording of purchase of Certificate of Deposit (Downtown Development Authority)

Criteria: Current year transactions should not be debited or credited to equity accounts.

Condition: The Authority did not properly record the purchase of a certificate of deposit during the year. When the certificate of deposit was purchased, the general ledger cash account should have been reduced. However, the equity account was instead reduced.

Context: We addressed this matter with Authority personnel and they were able to determine the appropriate adjustment to be made to correct account balances.

Effect: An audit adjustment in the amount of $15,000 was required to increase the Deep Roots equity account. An adjustment in the amount of $18,869 was required to reduce the Deep Roots general ledger cash account balance and an adjustment of $3,869 was necessary to increase expenditures.

Recommendation: We recommend the Authority periodically review the equity account to ensure no current year transactions are posted to these accounts.

2012-4. Recording purchase of Certificate of Deposit (continued)

Views of responsible officials and planned corrective action: Management concurs with this finding. We will review all future transactions to ensure proper recording in the Authority's general ledger.

SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS

Not Applicable

CITY OF MILLEDGEVILLE, GEORGIA

SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

2011-1. Recording of Accounts Payable and Retainage Payable

Criteria: Generally accepted accounting principles require reporting of all current liabilities when goods have been received or services have been performed.

Condition: The City did not properly address the above criteria as of June 30, 2011, as it relates to accounts payable and retainage payable items within the General Fund, SPLOST Fund, Solid Waste Fund, Water and Sewer Fund, and Workers Comp Fund.

Auditee Response/Status: Resolved.

2011-2. Recording of Intergovernmental Receivables

Criteria: Generally accepted accounting principles require revenue to be recognized in the accounting period in which it becomes both measurable and available to finance expenditures of the current period.

Condition: The City did not properly record various year-end accounts receivable from other governmental agencies in the General Fund and the SPLOST Fund during the year ended June 30, 2011.

Auditee Response/Status: Unresolved. Refer to current year finding at 2012-3.

2011-3. Payments to Retirees

Criteria: Employees retiring from the City that have met the requirements to receive pension benefits are issued monthly payments based on the amount computed by the actuary as of the employee's date of retirement. Payments are based on years of service and salary at retirement. The City's accounts payable department prepares the checks based on information input into the financial system from the employee's pension file.

Condition: During the performance of audit procedures related to testing of the City's pension participants, several instances were noted where retirees' information included in their personnel files did not agree to the information provided by the City to the actuary. Additionally, several instances were noted in which the City's calculation of benefits to be paid did not agree to our calculation.

Auditee Response/Status: Resolved

CITY OF MILLEDGEVILLE, GEORGIA

SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

2011-4. Undercollateralization of Deposits

Criteria: The Official Code of Georgia (OCGA) Section 45-8-12 (c) requires all depositories of public funds pledge securities of not less than 110% of the deposited public funds.

Condition: For the year ended June 30, 2011, the deposits of the City were under collateralized at one financial institution.

Auditee Response/Status: Resolved

2011-5. U.S. Department of Transportation, Transportation Enhancement Activities Grant – Davis-Bacon Act Compliance

Criteria: As a recipient of a Transportation Enhancement Activities Grant, the City is required to monitor contractors for compliance with the Davis-Bacon Act.

Condition: The City did not receive certified payrolls from the contractor for two weeks during the construction period.

Auditee Response/Status: Resolved.

STATE COMPLIANCE SECTION

CITY OF MILLEDGEVILLE, GEORGIA
SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS – 2006 ISSUE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Project	Estimated Cost		Expenditures		
	Original	Current	Prior Years	Current Year	Total
Public works	$ 3,400,000	$ 3,400,000			
Improvements			$ 81,877	$ -	$ 81,877
Equipment and vehicles			899,985	-	899,985
City facilities	3,000,000	3,000,000			
Improvements			32,830	9,227	42,057
Equipment and vehicles			102,727	-	102,727
Public safety	2,000,000	2,000,000			
Improvements			158,628	-	158,628
Equipment and vehicles			929,731	-	929,731
Improvements - water system, water treatment and waste treatment	4,000,000	4,000,000	2,616,129	-	2,616,129
	$ 12,400,000	$ 12,400,000	$ 4,821,907	$ 9,227	$ 4,831,134

CITY OF MILLEDGEVILLE, GEORGIA
SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS – 2000 ISSUE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Project	Estimated Cost		Expenditures		
	Original	Current	Prior Years	Current Year	Total
Sewer, flood control	$ 3,000,000	$ 3,000,000	$ 2,120,507	$ 706,106	$ 2,826,613
Retirement of general obligation debt issued for capital outlay projects eligible for funding	1,500,000	1,500,000	1,500,000	-	1,500,000
Road, street, sidewalk and bridge improvements	2,000,000	2,000,000	1,266,352	292,952	1,559,304
General government and public safety	1,500,000	1,500,000			
General government buildings			62,172	-	62,172
General government equipment			285,000	-	285,000
Public safety building			272,202	580	272,782
Public safety equipment			929,400	17,092	946,492
	$ 8,000,000	$ 8,000,000	$ 6,435,633	$ 1,016,730	$ 7,452,363

CITY OF MILLEDGEVILLE, GEORGIA
SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION
SALES TAX PROCEEDS – 1996 ISSUE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Project	Estimated Cost		Expenditures		
	Original	Current	Prior Years	Current Year	Total
Way of Life Building	$ 75,000	$ 75,000	$ 69,074	$ -	$ 69,074
Convention and Visitors Bureau renovations	100,000	58,580	58,580	-	58,580
Inter-city park recreation	500,000	516,865	516,865	-	516,865
Street improvements	1,187,500	1,727,656	1,727,656	-	1,727,656
Flood control	1,000,000	1,658,636	1,635,249	-	1,635,249
Fire department improvements	100,000	100,000	100,000	-	100,000
Water storage facilities	400,000	409,776	399,109	-	399,109
	$ 3,362,500	$ 4,546,513	$ 4,506,533	$ -	$ 4,506,533

Note: Capital outlay and debt service expenditures in the SPLOST Fund totaled $1,055,228; however, only $1,025,957 was attributed to the spending of actual SPLOST Funds. The remaining expenditures of $29,271 were associated with grants received for specific projects. The grants are utilized to fund a portion of the projects. The remainder is covered by SPLOST funds.

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