CITY OF NICHOLLS, GEORGIA

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2011

City of Nicholls, Georgia
Annual Financial Report
For the Year Ended June 30, 2011

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Nicholls, Georgia

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Nicholls, Georgia, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Nicholls, Georgia's management. My responsibility is to express opinions on these financial statements based on my audit

I conducted my 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 I 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. I believe that my audit provides a reasonable basis for my opinions.

In my 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, each major fund and the aggregate remaining fund information of the City of Nicholls, Georgia as of June 30, 2011, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated December 30, 2011 on my consideration of the City of Nicholls, Georgia's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

To the City Council
The City of Nicholls, Georgia

INDEPENDENT AUDITOR'S REPORT, continued

The City of Nicholls, Georgia has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements.

Budgetary comparison information on pages 29 through 30 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Nicholls, Georgia's basic financial statements. The combining, individual major and nonmajor fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of projects undertaken with special sales tax proceeds, the individual major and nonmajor fund financial statements and schedules listed in the table of contents have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Robert W Goodman CPA

Alma, Georgia
December 30, 2011

BASIC FINANCIAL STATEMENTS

City of Nicholls, Georgia
Statement of Net Assets
June 30, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash and cash equivalents (Note 3-A)	$ 379,141	$ 430,061	$ 809,202
Receivables:			
Accounts	27,694	35,815	63,509
Property taxes	7,113	-	7,113
Interfund	82,436	(82,436)	-
Intergovernmental	43,564	-	43,564
Prepaid items	12,331	4,795	17,126
Total Current Assets	552,279	388,235	940,514
Non-current Assets			
Capital assets (Note 3-D)			
Nondepreciable	164,235	-	164,235
Depreciable, net	1,373,178	9,687,540	11,060,718
Total Non-current Assets	1,537,413	9,687,540	11,224,953
Total Assets	2,089,692	10,075,775	12,165,467
Liabilities			
Current Liabilities			
Accounts payable	18,227	10,450	28,677
Other payables	33,834	585	34,419
Payable from restricted assets:			
Accrued interest	-	5,865	5,865
Revenue bonds payable, current	-	62,182	62,182
Customer deposits	-	10,125	10,125
Notes payable due within one year	-	46,500	46,500
Total Current Liabilities	52,061	135,707	187,768
Long-Term Liabilities (Note 3-G) (net of current portion)			
Notes payable	-	465,741	465,741
Revenue bonds payable	-	3,044,856	3,044,856
Total Long-Term Liabilities	-	3,510,597	3,510,597
Total Liabilities	52,061	3,646,304	3,698,365
Net Assets			
Invested in capital assets, net of related debt (Note 3-H)	1,537,413	6,068,261	7,605,674
Restricted for:			
Capital projects	1,060	-	1,060
Debt service	-	243,173	243,173
Unrestricted	499,158	118,037	617,195
Total Net Assets	$ 2,037,631	$ 6,429,471	$ 8,467,102

See accompanying notes to the basic financial statements.

City of Nicholls, Georgia
Statement of Activities
For the Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues: Charges for Services and Fines	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenue and Changes in Net Assets: Primary Government: Governmental Activities	Net (Expenses) Revenue and Changes in Net Assets: Primary Government: Business-Type Activities	Net (Expenses) Revenue and Changes in Net Assets: Primary Government: Total
Primary Government:							
Governmental activities:							
General government	$ 141,739	$ 3,753	$ -	$ 6,306	$ (131,680)	$ -	$ (131,680)
Judiciary	25,060	-	-	-	(25,060)	-	(25,060)
Public safety	375,337	61,705	-	-	(313,632)	-	(313,632)
Public works	314,127	107,989	-	96,341	(109,797)	-	(109,797)
Culture and recreation	36,157	-	-	24,213	(11,944)	-	(11,944)
Housing and development	7,111	-	-	-	(7,111)	-	(7,111)
Total governmental activities	899,531	173,447	-	126,860	(599,224)	-	(599,224)
Business-type activities:							
Water and Sewer	920,479	667,477	-	-	-	(253,002)	(253,002)
Total business-type activities	920,479	667,477	-	-	-	(253,002)	(253,002)
Total primary government	$ 1,820,010	$ 840,924	$ -	$ 126,860	(599,224)	(253,002)	(852,226)
General revenues:							
Taxes:							
Property taxes					222,294	-	222,294
Sales taxes					254,327	-	254,327
Insurance premium tax					108,956	-	108,956
Other taxes					23,557	-	23,557
Investment earnings					2,816	2,617	5,433
Miscellaneous					33,112	-	33,112
Total general revenues					645,062	2,617	647,679
Change in Net Assets					45,838	(250,385)	(204,547)
Net Assets - Beginning of Year					1,991,793	6,679,856	8,671,649
Net Assets - End of Year					$ 2,037,631	$ 6,429,471	$ 8,467,102

See accompanying notes to the basic financial statements.

City of Nicholls, Georgia
Balance Sheet
Governmental Funds
June 30, 2011

	General	2000 SPLOST Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	$ 370,743	$ 4,761	$ 3,637	$ 379,141
Receivables:				
Accounts	27,694	-	-	27,694
Property taxes	7,113	-	-	7,113
Intergovernmental	43,564	-	-	43,564
Interfund	86,137		46,976	133,113
Prepaid items	12,331	-	-	12,331
Total Assets	$ 547,582	$ 4,761	$ 50,613	$ 602,956
Liabilities and Fund Balances				
Liabilities				
Accounts payable	$ 18,227	$ -	$ -	$ 18,227
Other payables	33,834	-	-	33,834
Interfund payables	46,976	3,701		50,677
Deferred revenue	6,296	-	-	6,296
Total Liabilities	105,333	3,701	-	109,034
Fund Balances				
Reserved for:				
Prepaid items	12,331	-	-	12,331
Capital projects	-	1,060		-
Unreserved:				
Undesignated, reported in:				
General fund	429,918	-	-	429,918
Special revenue fund	-	-	50,613	50,613
Total Fund Balances	442,249	1,060	50,613	493,922
Total Liabilities and Fund Balances	$ 547,582	$ 4,761	$ 50,613	$ 602,956

See accompanying notes to the basic financial statements.

City of Nicholls, Georgia
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2011

Total Governmental Fund Balances		$ 493,922
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.		
Cost of capital assets	$ 2,158,779	
Less accumulated depreciation	(621,366)	1,537,413
Other assets are not available to pay for current period expenditures and therefore are deferred in the funds.		6,296
Net Assets of Governmental Activities		$ 2,037,631

See accompanying notes to the basic financial statements.

City of Nicholls, Georgia
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

	General	2000 SPLOST Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	$ 356,361	$ -	$ -	$ 356,361
Licenses and permits	7,919	-	-	7,919
Intergovernmental	259,327	121,860		381,187
Charges for services	111,742	-	-	111,742
Fines and forfeitures	61,705	-	-	61,705
Investment earnings	2,808		8	2,816
Miscellaneous	20,205	-	1,775	21,980
Total Revenues	820,067	121,860	1,783	943,710
Expenditures:				
Current:				
General government	134,005		4,067	138,072
Judiciary	25,060	-	-	25,060
Public safety	361,131	-	-	361,131
Public works	295,345	-	-	295,345
Culture and recreation	14,331	-	-	14,331
Housing and development	7,111	-	-	7,111
Capital outlay	-	121,900	-	121,900
Total Expenditures	836,983	121,900	4,067	962,950
Excess (Deficiency) of Revenues Over Expenditures	(16,916)	(40)	(2,284)	(19,240)
Net Change in Fund Balances	(16,916)	(40)	(2,284)	(19,240)
Fund Balances, Beginning of Year	459,165	1,100	52,897	513,162
Fund Balances, End of Year	$ 442,249	$ 1,060	$ 50,613	$ 493,922

See accompanying notes to the basic financial statements.

City of Nicholls, Georgia
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Government-Wide Statement of Activities
For the Year Ended June 30, 2011

Net Change in Fund Balances - Total Governmental Funds		$ (19,240)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures on the governmental fund type operating statement. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which the capitalized capital outlays exceeded depreciation expense in the current period.		
Depreciation expense	$ (58,481)	
Capital outlay	121,900	63,419
Revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues at the fund financial reporting level.		
Property taxes:		
Deferred at 06/30/10	$ (4,637)	
Deferred at 06/30/11	6,296	1,659
Change in Net Assets of Governmental Activities		$ 45,838

See accompanying notes to the basic financial statements.

City of Nicholls, Georgia
Proprietary Funds
Statement of Net Assets
June 30, 2011

	Business-Type Activities - Enterprise Funds	
	Water and Sewer	Total
Assets		
Current Assets:		
Cash and cash equivalents	$ 170,898	$ 170,898
Accounts receivable, net	35,815	35,815
Restricted assets:		
Bond contingency - cash	249,038	249,038
Customer deposits	10,125	10,125
Prepaid items	4,795	4,795
Total Current Assets	470,671	470,671
Capital Assets:		
Depreciable	9,687,540	9,687,540
Total Assets	10,158,211	10,158,211
Liabilities		
Current Liabilities:		
Accounts payable	10,450	10,450
Accrued expenses	585	585
Interfund payable	82,436	82,436
Payable from restricted assets:		
Accrued interest	5,865	5,865
Note payable, current	46,500	46,500
Revenue bonds payable, current	62,182	62,182
Customer deposits	10,125	10,125
Total Current Liabilities	218,143	218,143
Long-term Liabilities:		
Note payable, net of current portion	465,741	465,741
Revenue bonds, net of current portion	3,044,856	3,044,856
Total Long-term Liabilities	3,510,597	3,510,597
Total Liabilities	3,728,740	3,728,740
Net Assets		
Invested in capital assets, net of related debt	6,068,261	6,068,261
Restricted for debt service	243,173	243,173
Unrestricted	118,037	118,037
Total Net Assets	$ 6,429,471	$ 6,429,471

See accompanying notes to the basic financial statements.

City of Nicholls, Georgia
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Year Ended June 30, 2011

	Business-Type Activities - Enterprise Funds	
	Water and Sewer	Total
Operating Revenues		
Water billings	$ 249,492	$ 249,492
Sewer billings	417,985	417,985
Total Operating Revenues	667,477	667,477
Operating Expenses		
Salaries and wages	149,662	149,662
Group insurance	37,290	37,290
Payroll taxes	11,449	11,449
Retirement contributions	12,217	12,217
Workers compensation	5,477	5,477
Employee Benefits	3,549	3,549
Professional services	10,000	10,000
Repairs and maintenance	45,729	45,729
Equipment Rental	7,560	7,560
Insurance	11,206	11,206
Advertising	520	520
Dues & Subscriptions	325	325
Training	250	250
Water testing and fees	22,061	22,061
Operating supplies	11,800	11,800
Utilities	75,162	75,162
Vehicle Operations	9,064	9,064
Bad debts	6,422	6,422
Depreciation	336,647	336,647
Total Operating Expenses	756,390	756,390
Operating Income (Loss)	(88,913)	(88,913)
Non-operating Revenues (Expenses):		
Interest expense	(164,089)	(164,089)
Interest income	2,617	2,617
Total Non-operating Revenues (Expenses)	(161,472)	(161,472)
Change in Net Assets	(250,385)	(250,385)
Net Assets, Beginning of Year	6,679,856	6,679,856
Net Assets, End of Year	$ 6,429,471	$ 6,429,471

See accompanying notes to the basic financial statements.

City of Nicholls, Georgia
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2011

	Business-Type Activities - Enterprise Funds	
	Water and Sewer	Total
Cash Flows from Operating Activities		
Cash received from customers	$ 642,591	$ 642,591
Cash payments to suppliers for goods and services	(189,562)	(189,562)
Cash payments to employees for services	(219,536)	(219,536)
Payment of customer deposits, net	(11,710)	(11,710)
Net Cash Provided (Used) by Operating Activities	221,783	221,783
Cash Flows from Non-capital Financing Activities		
Increase in interfund loan payable	26,604	26,604
Net Cash Provided (Used) by Non-capital Financing Activities	26,604	26,604
Cash Flows from Capital and Related Financing Activities		
Principal paid on capital debt	(104,684)	(104,684)
Acquisition of capital assets	(5,406)	(5,406)
Interest paid on capital debt	(164,527)	(164,527)
Net Cash Used by Capital and Related Financing Activities	(274,617)	(274,617)
Cash Flows from Investing Activities		
Interest on cash and cash equivalents	2,617	2,617
Net Cash Provided by Investing Activities	2,617	2,617
Net Increase (Decrease) in Cash and Cash Equivalents	(23,613)	(23,613)
Cash and Cash Equivalents, Beginning of Year	453,674	453,674
Cash and Cash Equivalents, End of Year	$ 430,061	$ 430,061
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income (loss)	$ (88,913)	$ (88,913)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	336,647	336,647
Changes in assets and liabilities:		
Receivables, net	(18,464)	(18,464)
Prepaid items	2,012	2,012
Accounts payable	2,103	2,103
Accrued expenses	108	108
Customer deposits payable	(11,710)	(11,710)
Net Cash Provided by (Used in) Operating Activities	$ 221,783	$ 221,783

See accompanying notes to the basic financial statements.

City of Nicholls, Georgia
Notes to the Basic Financial Statements
For the Year Ended June 30, 2011

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Nicholls, Georgia was incorporated under the laws of the State of Georgia, and operates under a mayor-council form of government. The Mayor and a five member council govern the City and are elected to four-year terms.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting. The City also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities at the government-wide financial reporting level and to its enterprise fund, provided they do not conflict with or contradict GASB pronouncements. The City does not follow subsequent private-sector guidance.

The more significant of the City's accounting policies are described below.

1-A. Reporting Entity

The financial reporting entity consists of (a) primary government, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (a) it is able to impose its will on that organization or (b) there is a potential for the organization to provide specific financial benefits to, or impose specific restrictions on, the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has (a) a separately elected governing board, (b) a governing body appointed by a higher level of government, or (c) a jointly appointed board.

Based upon the above criteria for component units, the City has no component units that should be discretely presented.

1-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 the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally 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.

The Statement of Activities demonstrates the degree to which direct expenses of a given function or segments 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 customers or applicants 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. The City does not allocate indirect expenses to functions in the statement of activities

Major individual governmental funds are reported as separate columns in the fund financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1-C. Measurement Focus, Basis of Accounting, and Financial Statement 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 financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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 or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current year. 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, licenses, water and sewer charges and interest associated with the current year are all considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenue items are considered to be measurable and available only when cash is received by the government.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City has presented the following major governmental funds:

General Fund - The General Fund is the main operating fund of the City. The General Fund is used to account for all financial resources except those required to be accounted for in another fund.

2000 SPLOST Fund – The 2000 SPLOST Fund is used to account for the collection and disbursement of the 2000 1% Special Local Option Sales Tax (SPLOST) funds to be used for the acquisition of equipment or construction of major capital facilities or infrastructure and other projects.

Proprietary Funds are accounted for using economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Assets. The City has presented the following major proprietary fund:

Water and Sewer Fund – The Water and Sewer Fund is used to account for the provision of water and sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water and sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of principal and interest for water and sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the fund.

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. Operating expenses for the proprietary funds include the cost of personnel and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-current governmental assets/liabilities:

GASB Statement 34 eliminates the presentation of account groups, but provides for these reports to be maintained and incorporates the information into the governmental column in the government-wide statement of net assets.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. An exception of this general rule is payments-in-lieu of taxes. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

1-D. Assets, Liabilities, and Net Assets or Equity

1-D-1. Deposits

The City has defined cash and cash equivalents to include cash on hand, demand deposits, amounts with fiscal agents and investments with an original maturity of three months or less. Time deposits are classified as cash and cash equivalents without regard to maturity date.

Statutes authorize the City to invest in obligations of the U.S. Treasury, other U.S. Government agencies, the State of Georgia, other counties, municipal corporations and political subdivisions of the State of Georgia and pooled investment programs sponsored by the State of Georgia for the investment of local government funds.

The City, during the year, invested funds in demand deposits of local banks. Investments are stated at cost.

1-D-2. Receivables

In the fund financial statements, material receivables in governmental funds include revenue accounts such as property taxes, grants and other similar intergovernmental revenues since they are both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis of accounting. Accounts receivable represent the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. All trade and property tax receivables are shown net of an allowance for uncollectibles, where applicable.

1-D-3. Inventories and Prepaid Items

The costs of inventories are recorded as expenditures when purchased in all funds. The costs of inventories at year end, if any, are not considered material to the financial statements.

Payments made to vendors for services that will benefit future accounting periods are recorded as prepaid items in both the government-wide and fund financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1-D-4. Restricted Assets

Proceeds from certain revenues and other resources in the Water and Sewer Fund, and Special Revenue Funds are classified as restricted assets on the balance sheet because their use is limited by applicable statutes or agreements. When an expense is incurred for which both restricted and unrestricted net assets are available, restricted resources are applied first.

1-D-5. Capital Assets

Capital assets purchased by the government fund types are recorded as expenditures at the time of purchase. Such assets are capitalized at cost if a unit cost is $5,000 or more in the general capital assets. The City's policy is to capitalize significant interest costs incurred during construction as a part of the cost of capital assets. Gifts or contributions are recorded at their estimated fair market value on the date donated.

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.

Depreciation on all assets is provided using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	25-50
Water and sewer system	10-40
Improvements	25
Equipment, vehicles and furniture	7-10
Infrastructure	25-50

General infrastructure assets acquired prior to July 1, 2003 are not reported in the basic financial statements. General infrastructure assets include all roads and other infrastructure assets acquired subsequent to July 1, 2003.

1-D-6. Compensated Absences

Full-time, permanent employees are granted vacation benefits to specified maximums depending on tenure with the City. Sick leave accrues to full-time, permanent employees to specified maximums. Generally, after one year of service, employees are entitled to a percentage of their sick leave balance and all accrued vacation leave upon termination.

The estimated current portion of the liability for vested vacation and sick leave benefits attributable to the City's governmental funds is recorded as an expenditure and liability in the respective funds. The amounts attributable to the proprietary fund are charged to expense and a corresponding liability.

1-D-7. 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 useful life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing resources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1-D-8. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriations or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

In the government-wide financial statements, equity is classified as net assets and displayed in three components as follows:

a. Invested in capital assets, net of related debt consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
b. Restricted net assets consist of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
c. Unrestricted net assets consist of all other assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

1-D-9. Revenues, Expenditures, and Expenses

a. Operating and non-operating revenues and expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods or services. Also included are all revenues and expenses not related to capital and related financing, non-capital financing, or investing activities. 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, the City's policy is to use restricted resources first, then unrestricted resources as needed.

b. Expenditures/expenses

In the government-wide financial statements, expenses are classified by function for governmental activities. Administrative overhead charges are made to various functions and are included in direct expenses. In the fund financial statements, governmental fund expenditures are classified by character i.e. current (further classified by function), debt service, and capital outlay. Proprietary fund expenses are classified as operating and non-operating.

In the fund financial statements, governmental funds report expenditures of current financial resources. Proprietary funds report expenses relating to use of economic resources.

1-D-10. Interfund Transactions

Interfund transactions are reflected as loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transfers are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide columnar presentation.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1-D-11. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that may affect the amounts reported in the financial statements and the related notes. Accordingly, actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and the Community Building Fund. All annual appropriations lapse at year end.

The appropriated budget is prepared by fund, function, and department. The Mayor may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the council. The legal level of budgetary control (i.e., the level at which expenditures may not exceed appropriations) is the department level. The council did make supplementary budget appropriations during the year.

NOTE 3 - DETAILED NOTES ON ALL FUNDS

3-A. Deposits

Deposits – The City's cash and investment policy limits deposits to demand and money market accounts and time deposits at local banks. The City's deposits shall be secured by Federal Depositary Insurance Corporation (FDIC) coverage and/or bank pledges. State statutes require banks holding public funds to secure these funds by FDIC insurance, securities pledged at par value, and surety bonds at face value in combined aggregate totaling not less than 110 percent of the public funds held.

Custodial Credit Risk – Deposits - The custodial credit risk for deposits is the risk that, in the event of bank failure, the City's deposits may not be recovered.

As of June 30, 2011, all of the City's deposits were covered either by FDIC coverage or collateralized by the financial institution or a combination of the two. At year-end the bank balances of the City's demand and time deposits were $820,276 and the carrying amount was $809,202.

Cash and cash equivalents reconciliation:

	Cash and Cash Equivalents
Fund Reporting Level:	
Governmental Funds - Balance Sheet	$ 379,141
Proprietary Fund Type Statement of Net Assets	430,061
Total	$ 809,202

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

3-B. Receivables

Receivables as of year-end for the government's individual major funds and nonmajor funds in the aggregate including the applicable allowance for uncollectible accounts are as follows:

	Taxes	Accounts	Inter-governmental	Gross Receivables	Less: Allowance for Uncollectibles	Net Receivables
General	$ 7,113	$ 42,369	$ 43,564	$ 93,046	$ (14,675)	$ 78,371
Water and sewer	-	63,528	-	63,528	(27,713)	35,815
Total	7,113	105,897	43,564	156,574	$ (42,388)	$ 114,186
Less allowance for uncollectibles	-	(42,388)	-	(42,388)		
Net receivables	$ 7,113	$ 63,509	$ 43,564	$ 114,186		

3-C. Property Taxes

The major receivable of the County is property taxes receivable. Property is appraised and a lien on such property becomes enforceable 60 days after the final notification of delinquency of property taxes. Property tax millage rates are usually adopted in September and tax bill are rendered in October.

The City's property tax calendar for 2010 was as follows:
Property taxes attached as an enforceable lien on property as of January 1, 2010. The tax levy was approved on August 16, 2010. Taxes became due on December 20, 2010 and became delinquent on January 15, 2011.

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

3-D. Capital Assets

Governmental Activities:

Governmental Activities:

	Balance 6/30/2010	Additions	Deductions	Balance 6/30/2011
Capital assets, not being depreciated				
Land	$ 67,862	-	-	$ 67,862
Construction in Progress-Fire Station	-	96,373	-	96,373
Total capital assets, not being depreciated	67,862	96,373	-	164,235
Depreciable capital assets				
Buildings and improvements	1,239,391	19,219	-	1,258,610
Machinery and equipment	263,688	6,308	33,330	236,666
Infrastructure	499,268	-	-	499,268
Total depreciable capital assets	2,002,347	25,527	33,330	1,994,544
Total capital assets	2,070,209	121,900	33,330	2,158,779
Less accumulated depreciation:				
Buildings and improvements	358,591	30,301	-	388,892
Machinery and equipment	194,352	15,698	33,330	176,720
Infrastructure	43,272	12,482	-	55,754
Total accumulated depreciation	596,215	58,481	33,330	621,366
Governmental activities capital assets, net	$ 1,473,994	$ 63,419	$ -	$ 1,537,413

Depreciation expense was charged to governmental activities as follows:

Governmental activities depreciation expense:

General government	$ 3,667
Public safety	14,206
Public works	18,782
Culture and recreation	21,826
Total	$ 58,481

III. DETAILED NOTES ON ALL FUNDS (Continued)

3-D. Capital Assets (Continued)

Business Type Activities:

Business-type activities:

	Balance 6/30/2010	Additions	Deductions	Balance 6/30/2011
Depreciable capital assets:				
Machinery and equipment	$ 13,533,871	$ 5,406	$ 15,000	$ 13,524,277
Total capital assets, being depreciated	13,533,871	5,406	15,000	13,524,277
Less accumulated depreciation:				
Machinery and equipment	3,515,090	336,647	15,000	3,836,737
Total accumulated depreciation	3,515,090	336,647	15,000	3,836,737
Business-type activities capital assets, net	$ 10,018,781	$ (331,241)	$ -	$ 9,687,540

The depreciation expense for the business-type activities relates to the water and sewer fund.

3-E. Interfund Receivables, Payables and Transfers

Interfund Balances – Interfund balances at June 30, 2011, consisted of the following amounts and represent charges for services or reimbursable expenses. These remaining balances resulted from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenses occur, (2) transactions are recorded in the accounting period, and (3) payments between funds are made.

	Payable from:		
Payable to:	General fund	Water and sewer fund	2000 Splost fund
General fund	-	$ 82,436	$ 3,701
Community building fund	46,976	-	-
Total	$ 46,976	$ 73,956	$ 3,701

3-F. Short-term Debt

The City did not incur any short-term debt during the year.

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

3-G. Long-term Debt

Business-type Activities – The City has two Water and Sewer revenue bonds outstanding and a note payable outstanding at June 30, 2011 for its business-type activities.

Water and Sewer Revenue Bonds:

1981 Series:
On October 9, 1981, Water Revenue bonds were issued in the amount of $359,000 for the purpose of financing the cost of acquiring and constructing additions, extensions and improvements to its water system. The bonds are secured by a lien on and a pledge of the net revenues derived from its water and sewer system.

The bonds are being amortized with an annual installment of principal and interest, ranging in amounts from $20,200 to $24,150, at an interest rate of 5.0% per annum. Payments began December 1, 1981 and will end on December 1, 2020.

The revenue bond ordinance requires that certain funds or accounts be maintained. These accounts are the water revenue fund and water sinking fund. The revenue fund is to be used to deposit all revenues arising from the operations of the system. The water sinking fund is to be used for the annual accumulation of monies for the purpose of creating and maintaining a reserve equal to one annual principal and interest payment. At June 30, 2011 the water sinking fund account had a balance of $40,631.

There are several restrictions contained in the bond ordinance of the City's Water Bonds. The City is in general compliance with all significant limitations and restrictions.

2000 Series:
On August 28, 2000, Water and Sewer Revenue bonds were issued in the amount of $3,333,000. The purposes of the bonds are to provide for the acquisition, construction and installation of additions and improvements to the existing water and sewerage system of the City.

The bonds are to be amortized with a monthly installment of principal and interest in the amount of $15,132 at an interest rate of 4.5% per annum. Payments began August 28, 2001 and will end on August 28, 2040.

The bond ordinance provides for prescribing and revising rates and for collecting fees and charges for the services, facilities and commodities to be furnished by the system and all additions, extensions and improvements thereto, sufficient to provide funds (a) to pay the cost of maintaining, repairing, operating and insuring the System, (b) to pay the principal and interest on the City of Nicholls Water and Sewerage Revenue Bonds, Series 2000, including the reserves therefore, as the same become due and payable, (c) to pay the principal of and interest on this bond as the same become due and payable in the current sinking fund year, and to create and maintain a reserve to pay the same, (d) to maintain the Renewal and Extension Fund, and (e) to create a reserve for extensions and improvements to the System if one is desired and approved in accordance with the Ordinance.

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

3-G. Long-term Debt (continued)

Annual debt service requirements for the two Water and Sewer revenue bonds as of June 30, 2011 are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	62,182	139,602	201,784
2013	66,488	136,696	203,184
2014	68,899	133,585	202,484
2015	71,421	130,363	201,784
2016	77,059	127,025	204,084
2017-2021	437,306	578,214	1,015,520
2022-2026	431,001	476,919	907,920
2027-2031	539,525	368,395	907,920
2032-2036	675,375	232,545	907,920
2037-2041	677,781	65,573	743,354
	$ 3,107,038	$ 2,388,916	$ 5,495,954

Note Payable – Georgia Environmental Facilities Authority

The City obtained a loan from the Georgia Environmental Facilities Authority on March 01, 2002 in the amount of $870,918. The note proceeds were used for water system improvements. The note carries a 4.1% interest rate and is due in quarterly installments of $16,707 with the final installment due on September 1, 2020 in the amount of $16,661. Annual debt service requirements for this note payable as of June 30, 2011 are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	46,500	20,327	66,827
2013	48,500	18,327	66,827
2014	50,488	16,339	66,827
2015	52,591	14,236	66,827
2016	54,761	12,066	66,827
2017-2021	259,401	24,567	283,968
	$ 512,241	$ 105,862	$ 618,103

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

3-G. Long-term Debt (Continued)

Changes in Long-term Debt - Changes in the City's long-term obligations consisted of the following for the year ended June 30, 2011:

	Outstanding 6/30/2010	Additions	Reductions	Outstanding 6/30/2011	Amounts Due Within One Year
Business-type Activities:					
Major Enterprise Fund					
Water and Sewer Fund:					
1981 Series	$ 176,000	$ -	$ (12,000)	$ 164,000	$ 12,000
2000 Series	2,991,002	-	(47,964)	2,943,038	50,182
Note Payable	556,961	-	(44,720)	512,241	46,500
Total Water and Sewer Fund	$ 3,723,963	$ -	$ (104,684)	$ 3,619,279	$ 108,682

3-H. Invested in Capital Assets, Net of Related Debt

The "invested in capital assets, net of relate debt" reported on the government-wide statement of net assets as of June 30, 2011 are as follows:

	Governmental Activities	Business-type Activities
Cost of capital assets	$ 2,158,739	$ 13,524,277
Less accumulated depreciation	621,366	3,836,737
Book value	1,537,373	9,687,540
Less capital related debt	-	3,619,279
Invested in capital assets, net of related debt	$ 1,537,373	$ 6,068,261

NOTE 4 - OTHER INFORMATION

4-A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and the destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance. The City maintains property, liability, automobile and fidelity coverage.

There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

For its workers compensation coverage, the City is a member of the Georgia Municipal Association of Workers' Compensation Self Insurance Fund. The fund operates under the authority of O.C.G.A. 34-9-150 et Seq. The City pays into the fund its share of the fund's projected obligation for workers' compensation liability, administrative expenses, and other costs incurred by the fund. The City's share is adjusted by the board of the fund according to the claims experience of each participating member in accordance with criteria set forth in the bylaws of the fund. The fund makes payments to the employees of the members for workers compensation benefits pursuant to and in accordance with the claims procedures set forth in title 34, chapter 9 of O.C.G.A. The City is jointly and severally liable for all legal obligations of the fund, including, but not limited to, any obligations of the fund to pay claims against the fund arising out of any occurrence, incident, or accident covered under title 34, chapter 9 of O.C.G.A.

NOTE 4 - OTHER INFORMATION (Continued)

4-B. Commitments and Contingencies

2006 SPLOST Agreement – A Special 1% Local Option Sales Tax was passed in Coffee County in 2005, known as the 2006 SPLOST. As part of the 2006 SPLOST, the City has $1,053,000 in projects which have not begun as of year-end. The City of Nicholls, Coffee County and all other municipalities in Coffee County entered into an intergovernmental agreement that the County Detention Center is the sole priority one project associated with this SPLOST. In this regard, all SPLOST revenue received in the first fourteen months that the SPLOST is in effect shall be allocated to this project. After the first fourteen months, any SPLOST revenue received shall first be allocated to the county on a monthly basis in an amount sufficient to service this project cost. At year end, the priority one project was under construction.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City is a defendant in various legal proceedings and litigations arising in the normal course of operations. Although the outcome of these proceedings is not presently determinable, in the opinion of the city attorney, the resolution of these matters will not have a material adverse effect of the financial condition of the City.

4-C. Joint Ventures

The City of Nicholls, Georgia, in conjunction with cities and counties in the eighteen county South Georgia area are members of the Southern Georgia Regional Commission (SGRC). Membership in a regional commission (RC) is automatic for each municipality and county in the state. The Official Code of Georgia Annotated Section 50-8-34 (Georgia Planning Act of 1989) provides for the organizational structure of the RCs. Each county and municipality in the state is required by law to pay minimum annual dues to the RC. The City paid annual dues in the amount of $1260 to the SGRC for the year ended June 30, 2011. The SGRC council membership includes the chief elected official of each county and the chief elected official of one municipality in each county. Additional council members are appointed from the region by the Governor, Lieutenant Governor and the Speaker of the House of Representatives. Separate financial statements are available at the following address: Southern Georgia Regional Commission. 327 West Savannah Avenue, Valdosta, GA 31503, or by calling 229-333-5277.

O.C.G.A. 50-8-32 defines regional commissions "public agencies and instrumentalities of their members". Georgia law also provides that member governments are liable for any debts or obligations of an RC beyond its resources (O.C.G.A. 50-8-39).

4-D. Pension and Employee Benefit Plan

The City of Nicholls, Georgia provides pension benefits for all of its full-time employees through a noncontributory, defined benefit plan in the state-wide Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer public retirement system. Benefit provisions and all other requirements are established by state statute and local ordinance. Elected officials are not covered by the plan. The City has the right to establish and amend the benefit provisions of the plan. These amendments become effective once approved by the Board of Trustees of GMEBS. The Georgia Municipal Employees Benefit System issues a plan financial report and a copy of this report can be obtained from the Georgia Municipal Association, 21 Pryor Street, S.W., Atlanta, Georgia 30303.

All full time employees of the City participate in the plan after one year of full-time service. The plan defines a full-time employee as one working at least 35 hours per week. Employees are fully vested after 5 years of service. Retirement benefits are 1.5% of final average earnings. Final average earnings are an average of the 5 highest consecutive years' earnings. Normal retirement is age 65 with 5 years of credited service.

NOTE 4 - OTHER INFORMATION (Continued)

4-D. Pension and Employee Benefit Plan (Continued)

Early retirement with reduced benefits is permitted between the ages of 55 and 65 with 10 years of credited service.

Membership of the plan is as follows:

Retirees and beneficiaries currently receiving benefits	3
Terminated vested participants not yet receiving benefits	1
Active vested participants	5
Nonvested participants	7
Total participants	16

Contributions from the City of Nicholls, Georgia to the plan are determined under the projected unit credit actuarial cost method. The period and related method for amortizing the initial unfunded actuarial accrued liability is 30 years from 2004 and the current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods as a closed level dollar amount. The remaining amortization period varies for the bases. The method used to determine the actuarial value of assets utilizes a smoothing method to allow fluctuations in the market value of assets to be recognized over a number of years. The required contribution for the City of Nicholls, Georgia for the actuarial period ended January 1, 2011 was $41,939, which was 14.81% of covered payroll. Active plan members do not contribute to the plan. The City pays 100% of the required contribution.

Three Year Trend Information

Fiscal Year Ended	Annual Pension Cost APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/09	$46,353	100%	$0
06/30/10	$44,626	100%	$0
06/30/11	$41,939	100%	$0

Plan Funded Status – The City's funding status based upon the most recent actuarial valuation follows:

Schedule of Funding Progress

Measurement Date	January 1, 2011	January 1, 2010	March 1, 2009
Actuarial Value of Assets	$ 284,461	$ 244,836	$ 181,296
Actuarial Accrued Liability	$ 476,694	$ 463,295	$ 424,768
Unfunded Actuarial Accrued Liability	$ 192,233	$ 218,459	$ 243,472
Funded Ratio	59.67%	52.85%	42.68%
Covered Payroll	$ 384,234	$ 278,354	$ 355,831
Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll	50.03%	78.48%	68.42%

The significant actuarial assumptions used to compute the actuarial accrued liability and the annual recommended contribution are as follows:

Rate of Return on Investment	7.75% per year
Projected Salary Increases	4 to 11% based on years of service or age
Expected annual inflation	3.5% per year

NOTE 4 - OTHER INFORMATION (Continued)

4-E. Special Purpose Local Option Sales Tax (SPLOST)

On November 7, 2000, Coffee County voters approved a referendum imposing a special one percent retail sales and use tax for a limited period of time not to exceed five years or the collection of $17,675,640, whichever comes first, from the imposition date of April 1, 2001. The City of Nicholls was to be allocated 3.18% of the sales tax collected. This revenue is reported in the 2000 SPLOST special revenue fund. The purpose is to fund various capital projects of the City of Nicholls. A total of $806,160 has been collected. Of this amount, 99% has been expended.

In 2005, Coffee County voters approved a referendum imposing a special one percent retail sales and use tax for a limited period of time of six years to collect an estimated $40,600,000 from the imposition date of April 1, 2006 The purpose is to fund various capital projects of the County, the City of Nicholls, the City of Broxton and the City of Ambrose. As mentioned in Note 4-B, the City entered into an intergovernmental agreement with the County.

REQUIRED SUPPLEMENTARY INFORMATION

City of Nicholls, Georgia
General Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2011

	Budgeted Amounts			Variance with Final Budget Over
	Original	Final	Actual	(Under)
Revenues				
Property taxes	$ 211,000	$ 220,000	$ 220,635	$ 635
Local option sales & use taxes	248,000	254,000	254,327	327
Alcoholic beverage excise taxes	22,000	23,500	23,557	57
Insurance premium taxes	112,000	109,000	108,956	(44)
Penalties and interest on delinquent taxes	-	3,000	3,213	213
Licenses and permits	9,700	8,000	7,919	(81)
Fines and forfeitures	50,000	61,500	61,705	205
Charges for services	104,000	111,500	111,742	242
Investment earnings	3,000	2,800	2,808	8
Intergovernmental	-	5,000	5,000	-
Miscellaneous	14,800	23,500	20,205	(3,295)
Total Revenues	774,500	821,800	820,067	(1,733)
Expenditures				
Current				
General government:				
Legislative	6,000	7,500	7,241	(259)
Elections	-	500	445	(55)
General administration	119,000	126,500	126,319	(181)
Total general government	125,000	134,500	134,005	(495)
Judiciary:				
Municipal court	18,000	25,500	25,060	(440)
Total judiciary	18,000	25,500	25,060	(440)
Public safety:				
Police	308,000	315,750	315,666	(84)
Jail	3,000	17,000	16,941	(59)
Fire department	12,200	14,500	14,303	(197)
Clinic	7,200	7,200	7,200	-
E-911	7,100	7,100	7,021	(79)
Total public safety	337,500	361,550	361,131	(419)
Public works:				
Solid waste	94,500	97,750	97,718	(32)
Streets	188,000	197,750	197,627	(123)
Total public works	282,500	295,500	295,345	(155)

City of Nicholls, Georgia
General Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2011

	Budgeted Amounts			Variance with Final Budget Over
	Original	Final	Actual	(Under)
Culture and recreation:				
Recreation		5,800	5,769	(31)
Library	6,000	8,750	8,562	(188)
Total culture and recreation	6,000	14,550	14,331	(188)
Housing and development:				
Founders Day	5,500	7,200	7,111	(89)
Total housing and development	5,500	7,200	7,111	(89)
Total Expenditures	774,500	838,800	836,983	(1,786)
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ -	$ (17,000)	$ (16,916)	$ 84
Fund Balances - Beginning		459,165	459,165	
Fund Balances - Ending		$ 442,165	$ 442,249	

Note 1 - *Budgetary Information*

Budgets for the general fund are adopted on a basis that is consistent with accounting principles generally accepted in the United States as applied to governments.

SUPPLEMENTARY INFORMATION

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

City of Nicholls, Georgia
2000 SPLOST Fund
Comparative Balance Sheet
June 30, 2011 and 2010

	June 30, 2011	June 30, 2010
ASSETS		
Cash and cash equivalents	$ 4,761	$ 1,100
Total Assets	$ 4,761	$ 1,100
LIABILITIES		
Payable:		
Interfund	$ 3,701	$ -
Total Liabilities	$ 3,701	$ -
FUND BALANCE		
Reserved for capital projects	$ 1,060	$ 1,100
Total Fund Balance	$ 1,060	$ 1,100

City of Nicholls, Georgia
2000 SPLOST Fund
Project Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Project Period Ended June 30, 2011

	Project Length Budget	Current Year	Prior Years	Project Length Total	Variance With Project Budget
Revenues					
Intergovernmental	$ 806,160	$ 121,860	$ 682,393	$ 804,253	$ (1,907)
Total Revenues	806,160	121,860	682,393	804,253	(1,907)
Expenditures					
Capital Outlay					
Public Safety Facilities	104,879	96,373	5,539	101,912	2,967
Public Safety Equipment	107,893	-	107,893	107,893	-
Road Improvements	301,530	-	301,530	301,530	-
Recreation Facilities	85,905	-	85,905	85,905	-
Administrative Buildings	48,202	6,308	41,894	48,202	-
Community Center	-	-	-	-	-
Library	67,975	19,219	48,756	67,975	-
Water/Sewer Utilities	19,908	-	19,908	19,908	-
Total Expenditures	736,292	121,900	611,425	733,325	2,967
Excess (Deficiency) of Revenues Over (Under) Expenditures	69,868	(40)	70,968	70,928	1,060
Other Financing Sources (Uses):					
Transfers out	(69,868)	-	(69,868)	(69,868)	-
Total Other Financing Sources (Uses)	(69,868)	-	(69,868)	(69,868)	-
Net Changes in Fund Balances	$ -	$ (40)	$ 1,100	$ 1,060	$ 1,060
Fund Balances - Beginning		1,100	-		
Fund Balances - Ending		$ 1,060	$ 1,100		

City of Nicholls, Georgia
Community Building Fund
Comparative Balance Sheet
June 30, 2011 and 2010

	June 30, 2011	June 30, 2010
ASSETS		
Cash and cash equivalents	$ 3,637	$ 12,322
Receivable:		
Interfund	46,976	40,576
Total Assets	$ 50,613	$ 52,898
FUND BALANCE		
Unreserved, undesignated	$ 50,613	$ 52,898
Total Fund Balance	$ 50,613	$ 52,898

City of Nicholls, Georgia
Community Building Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Rent	$ 1,000	$ 1,775	$ 1,775	$ -
Investment earnings	-	25	8	(17)
Total Revenues	1,000	1,800	1,783	(17)
Expenditures				
Current:				
General government	1,000	4,100	4,067	33
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ -	$ (2,300)	$ (2,284)	$ 16
Fund Balance - Beginning of Year		52,897	52,897	
Fund Balance - End of Year		$ 50,597	$ 50,613	

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

City Council
City of Nicholls, Georgia

I have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Nicholls, Georgia as of and for the year ended June 30, 2011, which collectively comprise the City of Nicholls, Georgia's basic financial statements and have issued my report thereon dated December 30, 2011. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing my audit, I considered the City of Nicholls, Georgia's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Nicholls, Georgia's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City of Nicholls, Georgia's internal control over financial reporting.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above. However, I identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that I consider to be significant deficiencies in internal control over financial reporting. (2008-1, 2008-2, 2008-3). 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Nicholls, Georgia's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

I noted certain matters that I reported to management of the City of Nicholls, Georgia in a separate letter dated December 30, 2011.

The City of Nicholls, Georgia's response to the findings identified in my audit is described in the accompanying schedule of findings and responses. I did not audit the City of Nicholls, Georgia's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of management, City Council, others within the entity, 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.

Robert W Hardman CPA

Alma, Georgia
December 30, 2011

COMPLIANCE SECTION

City of Nicholls, Georgia
Schedule of Findings and Responses
For the Year Ended June 30, 2011

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	*Unqualified*			
Internal control over financial reporting:				
Material weakness(es) identified?		yes	X	no
Significant deficiency(es) identified not considered to be material weakness(es)	X	yes		no
Noncompliance material to financial statements noted?		yes	X	no

City of Nicholls, Georgia
Schedule of Findings and Responses
For the Year Ended June 30, 2011

Section II - Findings Related to the Audit of the Financial Statements

Significant Deficiency

2008-1

Condition: At present, management is not preparing the financial statements, They are being assisted by auditors. The intent of SAS 112 is not to prevent auditors from preparing the client's financial statements. Instead the issue to be considered when determining if a significant deficiency or material weakness exists is whether the client is capable of preparing the financial statements and has the skills and competencies necessary to prevent, detect and correct a material misstatement.

Criteria: Management is responsible for the financial statements, including the preparation of such statements. A system of internal controls over financial reporting does not stop at the general ledger. It includes controls over financial statement preparation, including footnote disclosure.

Effect: A control deficiency exists when the City does not have controls over the preparation of the financial statements that could prevent or detect a misstatement in the financial statements.

Cause: The size of the City's accounting staff prevents them from having the time to prepare the financial statements. As a matter of convenience and efficiency, the auditor is preparing the statements.

Recommendation: I recommend the City provide additional training to provide the skills to set up proper controls to review, prevent and detect material misstatements.

Views of officials: Management concurs with the above finding, and is continuing to strive for proper education and training of accounting staff.

Significant Deficiency

2008-2

Condition: In the General, SPLOST and Water and Sewer Funds there were adjusting entries required to correct assets, liabilities, revenues and expenditures balances at year end.

Criteria: Management is responsible for the inclusion of all items that could have a material effect on the financial statements of the City.

Effect: A control deficiency exists when the City does not have controls over the preparation of the financial statements that could prevent or detect a misstatement in the financial statements.

Cause: Controls were not in place to capture all necessary year end adjustments.

Recommendation: I recommend the City provide additional training to provide the skills to set up proper controls to review, prevent and detect material misstatements.

Views of officials: Management concurs with the above finding, and is in the process of completing a corrective action plan.

Section II - Findings Related to the Audit of the Financial Statements(Continued)

Significant Deficiency

2008-3

Condition:	There is not an appropriate segregation of duties between recording, distribution, reconciliation of cash accounts and other operational functions within various City departments.
Criteria:	Internal controls should be in place, which provide reasonable assurance that an individual cannot misappropriate funds without such actions being detected during the normal course of business.
Effect:	The failure to segregate out the accounting duties among multiple persons presents the opportunity for misappropriation of assets, mainly cash.
Recommendation:	The duties of recording, distribution, reconciliation of cash accounts and other operational functions should be segregated between employees.
Views of officials:	Management concurs with the above finding, and is working toward developing better internal controls over the accounting functions with the limited number personnel available.

City of Nicholls, Georgia
Schedule of Projects Undertaken
With Special Sales Tax Proceeds
For the Year Ended June 30, 2011

Project	Original Estimated Cost	Current Estimated Cost	Expenditures		
			Prior Years	Current Year	Total To Date
2000 SPLOST:					
Public Safety Facilities	$ 125,000	$ 104,879	$ 5,539	$ 96,373	$ 101,912
Public Safety Equipment	125,000	107,893	107,893	-	107,893
Road Improvements	323,290	301,530	301,530	-	301,530
Recreation Facilities	50,000	85,905	85,905	-	85,905
Cultural Facilities	50,000	-	-	-	-
Administrative Buildings	76,400	48,202	41,894	6,308	48,202
Community Center	100,000	-	-	-	-
Library	105,210	67,975	48,756	19,219	67,975
Water/Sewer Utility Improvements	127,100	19,908	89,776	-	89,776
Total	$ 1,082,000	$ 736,292	$ 681,293	$ 121,900	$ 803,193
2006 SPLOST:					
Public Safety Facilities	$ 353,000	$ 353,000	$ -	$ -	$ -
Roads, Streets and Bridges	250,000	250,000	-	-	-
Recreation	350,000	350,000	-	-	-
Water Tank Improvements	100,000	100,000	-	-	-
Total	$ 1,053,000	$ 1,053,000	$ -	$ -	$ -