CITY OF ARABI, GEORGIA

FINANCIAL STATEMENTS TOGETHER

WITH AUDITOR'S REPORT AS OF DECEMBER 31, 2010

CITY OF ARABI, GEORGIA
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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Arabi
Arabi, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and the remaining fund information of the City of Arabi, Georgia, as of and for the year ended December 31, 2010 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 Arabi'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, and the business-type activities, and the remaining fund infomration of the City of Arabi, Georgia, as of December 31, 2010, and the respective changes in financial position and cash flows, where applicable, 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, we have also issued our report dated December 9, 2011 on our consideration of the City of Arabi's internal control over financial reporting and on our 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 our testing of internal control over financial reporting and compliance and the results of 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 our audit.

The budgetary information on pages 23 is not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We 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, we did not audit the information and express no opinion on it.

707 South Grant Street, P.O. Box 936, Fitzgerald, GA 31750, (229)423-9477, Fax (229)423-9358

The City of Arabi has not presented management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Arabi's basic financial statements. The individual fund and account group schedules listed in the table of contents as Supplementary Information, and the Schedule of Projects Constructed with Special Sales Tax Proceeds, as required by Official Code of Georgia Annotated Section, 48-8-121, are presented for purposes of additional analysis and are not a required part of the basic financial statements of City of Arabi, Georgia. The individual fund and account group schedules listed in the table of contents as Supplementary Information, and the Schedule of Projects Constructed with Special Sales Tax Proceeds as required by the Official Code of Georgia Annotated Section, 48-8-121, has been subjected to the auditing procedures applied in the audit of the basic financial statements taken as a whole, and in our opinion are fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Wade f Hasley, CPA, P.C.

December 9, 2011
Fitzgerald, GA

CITY OF ARABI, GEORGIA
STATEMENT OF NET ASSETS
DECEMBER 31, 2010

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash	$ 423,696	$ 223,032	$ 646,728
Due from Other Funds	5,225	(5,225)	-
Receivables:			
Accounts	0	6,018	6,018
Loans	36,080	0	36,080
Other	16,519	0	16,519
Prepaid Items	3,018	0	3,018
Other Assets	9,697	0	9,697
Capital Assets			
Nondepreciable Capital Assets	744,745	0	744,745
Depreciable Capital Assets, net	370,331	1,066,119	1,436,450
Total Assets	$ 1,609,311	$ 1,289,944	$ 2,899,255
Liabilities			
Current Liabilities			
Accounts Payable	6,844	1,808	8,652
Accrued Liabilities	1,782	4,931	6,713
Notes Payable	0	24,374	24,374
Long Term Liabilities			
Notes Payable	0	162,869	162,869
Total Liabilities	8,626	193,982	202,608
Net Assets			
Invested in Capital Assets, Net of Related Debt	1,115,076	880,078	1,995,154
Restricted For:			
Debt Service	224,485	0	0
Capital Projects	173,315	0	0
Unrestricted	87,809	215,884	701,493
Total Net Assets	$ 1,600,685	$ 1,095,962	$ 2,696,647

See Accompanying Notes to the Basic Financial Statements.

CITY OF ARABI, GEORGIA
Statement of Activities
For the Year Ended December 31, 2010

Activities	Expenses	Fees, Fines and Charges for Services	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Business-Type Activities	Total
Governmental:					
General Government	$ 124,510	$ 11,645	$ (112,865)	$ 0	$ (112,865)
Public Protection:					
Law Enforcement	44,114	37,214	(6,900)	0	(6,900)
Fire Department	41,838	0	(41,838)	0	(41,838)
Public Ways and Facilities	47,971	0	(47,971)	0	(47,971)
Total Governmental Activities	258,433	48,859	(209,574)	0	(209,574)
Business-Type:					
Water Works	149,194	72,624	0	(76,570)	(76,570)
Total Business-Type Activities	149,194	72,624	0	(76,570)	(76,570)
Total City of Arabi	$ 407,627	$ 121,483	$ (209,574)	$ (76,570)	$ (286,144)
General Revenues:					
Taxes:					
Beer Taxes			$ 11,277	0	11,277
Liquor Taxes			4,738	0	4,738
Intangible Tax			259	0	259
Insurance Prem Tax			24,547	0	24,547
Sales Taxes			84,303	0	84,303
Other:					
Commissions			51,991	0	51,991
Grants			0	399,044	399,044
Intergovernmental Revenue			47,513	0	47,513
Earnings on Investments			5,592	1,311	6,903
Miscellaneous			6,809	0	6,809
Total General Revenues			$ 237,029	$ 400,355	$ 637,384
Transfers			10,519	(10,519)	0
Extraordinary Item			(775,302)	0	(775,302)
Change in Net Assets			$ (737,328)	$ 313,266	$ (424,062)
Net Assets-Beginning			$ 2,357,634	$ 782,696	$ 2,840,330
Restatement –Beginning Balance			2,338,013	0	3,120,709
Net Assets-Ending			$ 1,600,685	$1,095,962	$ 2,696,647

See Accompanying Notes to the Basic Financial Statements.

CITY OF ARABI, GEORGIA
GOVERNMENTAL FUNDS
BALANCE SHEET
December 31, 2010

	General Fund	Community Development Fund	S.P.L.O.S.T Fund	Industrial Development Authority	Total Governmental Funds
ASSETS					
Cash in Bank	$ 70,632	$ 178,708	$ 173,315	$ 1,041	$ 423,696
S.P.L.O.S.T. Receivable	0	0	0	0	0
Loans Receivable	0	36,080	0	0	36,080
Prepaid Insurance	3,018	0	0	0	3,018
Other Asset	0	9,697	0	0	9,697
Due From Water Fund	5,225	0	0	0	5,225
Other Receivables	16,519	0	0	0	16,519
Total Assets	$ 95,394	$ 224,485	$ 173,315	$ 1,041	$ 494,235
LIABILITIES					
Accounts Payable	$ 6,844	$ 0	$ 0	$ 0	$ 6,844
Accruals	1,782	0	0	0	1,782
Total Liabilities	$ 8,626	$ 0	$ 0	$ 0	$ 8,626
FUND BALANCES					
Reserved:					
S.P.L.O.S.T.-Capital Projects	0	0	173,315	0	173,315
Unreserved, reported in					
Special Revenue Funds	0	224,485	0	1,041	225,526
General Fund	86,768	0	0	0	86,768
Total Fund Balances	$ 86,768	$ 224,485	$ 173,315	$ 1,041	$ 485,609
Total Liabilities and Fund Balance	$ 95,394	$ 224,485	$ 173,315	$ 1,041	$ 494,235

See Accompanying Notes to Financial Statements.

CITY OF ARABI, GEORGIA
RECONCILATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

Total fund balances for governmental funds (Page 7)	$ 485,609
Total net assets is reported for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets are listed in Note 2 in the accompanying "Notes To Financial Statements".	1,115,076
Total net assets of governmental funds. (Page 5)	$ 1,600,685

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CITY OF ARABI, GEORGIA
Governmental Funds
Statement of Revenue, Expenditures, and Changes in Fund Balances
For the Year Ended December 31, 2010

REVENUES:	General Fund	Community Development Fund	S.P.L.O.S.T Fund	Other Governmental Funds	Total Governmental Funds
Taxes & Licenses	$ 27,919	$ 0	$ 0	$ 0	$ 27,919
Sales Taxes	84,303	0	0	0	84,303
Intergovernmental Revenue	0	0	47,513	0	47,513
Commissions	51,991	0	0	0	51,991
Fines and Fees	37,214	0	0	0	37,214
Grant Revenue	0	0	0	0	0
Insurance Premium Tax	24,547	0	0	0	24,547
Interest	995	4,457	137	3	5,592
Miscellaneous	6,809	0	0	3	6,809
Total Revenues	$ 233,778	$ 4,457	47,650	3	$ 285,888
EXPENDITURES:					
Current:					
General Government	122,008	775,302	0	0	897,310
Public Safety	81,737	0	0	0	81,737
Public Ways and Facilities	33,924	0	0	0	33,924
Capital Outlay:					
General Government	0	0	0		0
Public Safety	0	0	0		0
Public Ways and Activtiies	0	0	2,980	0	2,980
Total Expenditures	$ 237,669	$ 775,302	2,980	0	$ 1,015,951
Other Financing Sources (Uses):					
Transfers In	10,519	0	0	0	10,519
Sale of Asset	0	0	0	0	0
Total other Financing Sources (Uses)	0	0	0	0	0
Excess(deficiency) of revenues over expenditures	$ 6,628	(770,845)	44,670	3	$ (719,544)
Net Change in Fund Balance	$ 6,628	(770,845)	44,670	3	$ (719,544)
Fund Balance-Beginning	$ 99,826	$ 995,330	128,645	1,038	$ 1,224,839
Fund Balance – Restated	$ 80,140				$ 1,205,153
Fund Balance-Ending	$ 86,768	$ 224,485	173,315	1,041	$ 485,609

See Accompanying Notes to Financial Statements.

CITY OF ARABI, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2010

Net changes in fund balances-total governmental funds (page 9)	$(719,544)
The change in net assets reported for governmental activities in the statement of activities in different because:	
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 of $20,764 exceeds capital outlay of $2,980 in the current period.	(17,784)
Revenues in the Statement of Activities that do not provide current financial Resources are not reported as revenues in the Funds.	
Change in net assets of governmental activities. (page 6)	(737,328)

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CITY OF ARABI, GEORGIA
WATERWORKS FUND
STATEMENT OF NET ASSETS
December 31, 2010

	AT 12-31-10
Assets	
Current Assets	
Cash	$ 223,032
Accounts Receivable	6,018
	229,050
Capital Assets	
Property, Plant and Equipment	
Water System	1,660,138
Less: Accumulated Depreciation	(594,019)
	1,066,119
Total Assets	1,295,169
Liabilities	
Current Liabilities	
Accounts Payable	1,808
Customer Deposits	4,931
Due to General Fund	5,225
Notes Payable	24,374
	$ 36,338
Long-Term Liabilities	
Notes Payable	162,869
Total Liabilities	199,207
Net Assets	
Invested in Capital Assets, Net of Related Debt	880,078
Unrestricted	215,884
	$ 1,095,962

The Accompanying Notes are an Integral Part of these Financial Statements.

CITY OF ARABI, GEORGIA
WATERWORKS FUND
STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND NET ASSETS
DECEMBER 31, 2010

Operating Revenues	
Charges For Services	$ 70,604
Other Fees	2,020
Total Operating Revenues	72,624
Operating Expenses	
Personnel Services	13,691
Office Expense	2,053
Insurance	6,391
Repairs/Maintenance	4,284
Utilities	8,802
Depreciation	100,853
Supplies	9,188
Other	1,293
Total Operating Exp	146,555
Operating Income (Loss)	(73,931)
Non-Operating Revenues (Expenses)	
Interest Expense	(2,639)
Interest Income	1,311
CDBG Grant	361,883
GEFA Grant	37,161
Total Non-Operating Revenues (Expenses)	397,716
Transfers to General Fund	(10,519)
Net Income (Loss)	313,266
Change in Net Assets	313,266
Net Assets Beginning of Year	$ 782,696
Net Assets End of Year	$ 1,095,962

The Accompanying Notes are an Integral Part of these Financial Statements.

CITY OF ARABI, GEORGIA
WATERWORKS FUND
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2010

		AT 12-31-10
Cash Flows From Operating activities:		
Cash From Customers		$ 72,706
Cash Paid For Utilities		(8,802)
Cash Paid For Supplies		(8,881)
Cash Paid Other		(7,630)
		$ 47,393
Cash Flows From Noncapital Financing Activities:		
Transfer from General Fund		$ (25,375)
Cash Flows From Capital and Related Financing Activities:		
Additions To Water System		$ (421,300)
Principal paid on Debt		(20,719)
Interest Paid		(2,639)
CDBG Grant		361,883
GEFA Grant		37,161
		$ (45,614)
Cash Flows From Investing Activities:		
Interest Received		$ 1,311
Net Increase (Decrease) In Cash		$ (22,285)
Cash	**1/1/2010**	245,317
Cash	**12/31/2010**	$ 223,032
Reconciliation of Net Income to Net Cash Provided by Operating Activities:		
Operating Income (Loss)		$ (73,931)
Adjustments:		
Depreciation		100,853
(Increase) Decrease in Receivables/Prepaid		(194)
Increase (Decrease) in Payables/Accruals		584
Cash paid for General Fund Expenses		14,781
Allocations from General Fund		5,300
		$ 47,393

The Accompanying Notes are an Integral Part of these Financial Statements.

CITY OF ARABI, GEORGIA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AT DECEMBER 31, 2010

Assets

Cash	$	10,805
Fines Receivable (net allowance for uncollectible accounts)		2,845
Total Assets	$	13,650

Liabilities

Other Liabilities	$	13,650
Total Liabilities	$	13,650

The Accompanying Notes are an Integral Part of these Financial Statements.

NOTE 1 Summary of Significant Accounting Policies

A. Reporting Entity

The City of Arabi was established in 1917. The City operates under a mayor/council and clerk form of Government and provides the following services: public safety, police and fire, streets and sidewalks, recreation and general administrative services. In addition, the City operates a public utilities for water and sewage. Arabi Industrial Development Authority (The Authority) is a component unit of the City. The Authority is so intertwined with the city that it is in substance, the same as the city and, therefore, is blended and reported as if it were part of the city. The city appoints all the members of the Authority. There are no financial statements on the Authority.

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units.

B. Basis of Presentation, Basis of Accounting

Basis of Presentation

Government- Wide Statements: The Statement of Net Assets and the Statement of Activities display information about the City of Arabi's primary government (The City). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City, and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statements of activities. Program revenues include (A) fees, fines, and charges paid by the recipients of goods or services offered by the programs, and (B) grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

The City did not submit a "Management discussion and analysis" to be included in the audited financial statements for the year ended December 31, 2010.

Fund financial statements: The fund financial statements provide information about the City's funds, including its blended component unit. Separate statements for each fund category-governmental, and proprietary are presented. The City's only fiduciary fund, is the Fines & Fees Account. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charged to customers for sales and service. Operating expenses for enterprise funds include the cost of sales 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.

NOTE 1 Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation, Basis of Accounting (Continued)

The City reports the following major governmental funds:

General Fund
This is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds
The Community Development Fund is used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specific purposes. The SPLOST Fund is a Capital Project Fund use to account for the SPLOST Revenue and Expenditures.

The City reports the following major enterprise fund:

Water Fund
This fund accounts for the operation, and maintenance of the City's Water Department. The fund is used to account for those operations that are financed and operated in a manner similar to private business.

Measurement Focus, Basis of Accounting

Government-Wide and Proprietary Fund Financial Statements. The Government-Wide and Proprietary Fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which The City gives (or receives) value without directly receiving (or giving) equal value in exchange, including taxes, grants entitlements, and donations. On an accrual basis, revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental Funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Taxes, Licenses and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general funds.

All governmental and business-type activities and enterprise funds of the City follow all FASB Statements and interpretations issued on or before November 30, 1989; Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

NOTE 1 Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation, Basis of Accounting (Continued)

Accumulated Unpaid Vacation or Sick Pay
These amounts are accounted for when paid. Such amounts are not accrued, and do not exceed normal year's accumulations.

Prepaids
Payments made to vendors for services that will benefit periods beyond December 31, 2010 are recorded as prepaid Items.

Inventories
The City of Arabi, Georgia reports materials purchased as expenditures when acquired due to lack of materiality.

Capitalization of Assets and Depreciation

Assets with an estimated life of five or more years are capitalized for both the General Fund Assets and Water Fund Assets. Depreciation is computed using the straight-line method with lives ranging from five (5) years fifty (50) years depending on the estimated life of the assets.

Asset	Years
Infrastructure	15-40
Buildings and structures	10-40
Equipment and furnishings	5-20
Water System	50

Investments
The City's cash is considered to be cash on hand, demand deposits, short-term investments, and monies invested in the Georgia local government investment pool. State statutes authorize the City to invest in obligations of the state of Georgia, the U.S. Government and Corporations of the U.S. Government, obligations insured by the by the U.S. Government, and the local government investment pool. The City has no other investments except certificates of deposit in various local banks.

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

NOTE 2 **Fixed Assets**

Changes in General Fund Fixed Assets	Balance 1/1/2010	Increases	Decreases	Balance 12/31/2010
Capital Assets, Not Being Depreciated				
Land	$ 150,000	0	0	$ 150,000
Drainage Project	459,278	0	0	459,278
Well	8,870	0	0	8,870
Paving and Signs – City Hall	123,617	2980	0	126,597
	741,765	2980	0	744,745
Capital assets being depreciated				
Buildings	318,206	0	0	318,206
Furniture and Fixtures	26,569	0	0	26,569
Vehicles	149,457	0	(26,008)	123,449
Equipment	213,002	0	0	213,002
Pool and Fence	31,423	0	0	31,423
Total Capital Assets	1,480,422	2980	(26,008)	1,457,394
Less: Accumulated Depreciation				
Buildings	(47,322)	(7,887)	0	(55,209)
Furniture and Fixtures	(10,126)	(2,106)	0	(12,232)
Vehicles	(165,215)	16,437	27,108	(121,670)
Equipment	(112,132)	(24,067)	0	(137,502)
Pool and Fence	(12,564)	(3,141)	0	(15,705)
Total Accumulated Depreciation	(347,359)	(20,764)	27,108	(342,318)
Net Capital Assets	$ 1,133,063			$ 1,115,076

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General Government	$ 2,502
Law Enforcement	4,215
Public Ways & Facilities	14,047
Total depreciation – Governmental Activities	$20,764

Due to a transpositional error on the prior years report, the beginning balance of Paving and Signs above was corrected by $90. The beginning of accumulated depreciation was also corrected in the amount of $178.00.

Prior year changes are reflected in the decrease columns above, due to the assets not being removed when sold and too much depreciation being taken.

NOTE 2 FIXED ASSETS (CONTINUED)

SUMMARY OF PROPRIETARY-TYPE PROPERTY

WATERWORKS FUND

	Balance 1/1/2010	Increases	Decrease	Balance 12/31/2010
Water System and Extensions	$ 670,560	$ 421,300	0	$ 1,091,860
Water Tanks and Additions	420,588	0	0	420,588
Buildings, Equipment and Fence	147,690	0	0	147,690
Total Capital Assets	1,238,838	421,300	0	1,660,138
Less Accumulated Depreciation				
Water System and Extensions	(173,769)	(8,207)	0	(181,976)
Water Tanks and Additions	(195,582)	(15,394)	0	(210,976)
Buildings, Equipment and Fence	(123,814)	(77,253)	0	(201,067)
	(493,165)	(100,854)	0	(594,019)
TOTAL	$ 745,673			$ 1,066,119

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NOTE 3 C.D.B.G. Funds-Notes receivable

During 2010, the City wrote off bad debt in the amount of $775,302 due to the foreclosure process initiated by the bank on Engineered Stone Products, Inc. This bad debt expense was due to Engineered Stone Products, Inc. not paying loans back to the City that it had received through the EIP Revolving Loan Fund (RLF).

Based on a review by Georgia Department of Community Affairs (the department) of the City's RLF, the Department has decided to close the City's RLF. The City is required to remit all funds greater than $2500 to DCA.

During 2008, the City utilized Revolving Loan Funds to assist Wanda Lynn Pate in the purchase of land, furniture, equipment and inventory for Pate's Country Store. The original amount of the loan was $40,000 at (5%) interest, and remaining is to be paid back by a monthly payment of $316 over 15 years.

	Interest	Principle	Total
2011	1,757	2,040	3,797
2012	1,653	2,144	3,797
2013	1,543	2,254	3,797
2014	1,428	2,369	3,797
2015	1,307	2,490	3,797
2016-2023	5,279	24,783	30,062
Total	12,967	36,080	49,047

NOTE 4 Litigation

Officials of the City of Arabi, Georgia advice us that there were no material litigations, claims or assessments for or against the City at December 31, 2010.

NOTE 5 Contingent Liabilities

There were no contingent liabilities at December 31, 2010.

NOTE 6 Interfund Receivables and Payables

The Waterworks Fund owes the General Fund $5,225 for the year ending December 31, 2010. The purpose of these interfund balances is due to the allocation of payments of salaries and related payroll expense paid by the General Fund.

NOTE 7 Pension Plan

At December 31, 2010 the City did not have a pension plan.

NOTE 8 Other Required Individual Fund Disclosures

Generally accepted accounting principles require disclosure of certain information concerning individual funds, including a deficit balance of retained earnings of proprietary type funds. No deficit balance existed at 12-31-10.

NOTE 9 EXCESS OF EXPENDITURES OVER APPROPRIATION

The original 2010 budget was not amended during the year. The individual major fund which has expenditures in excess of appropriations for the year ended December 31, 2010 is as follows:

	Expenditures	Appropriations	Variance
Law Enforcement	39,899	38,000	1,899

The City Council will review budget spending and amend the budget as necessary.

NOTE 10 Note Payable –Water Works

The City owes Georgia Environmental Facilities Authority (G.E.F.A.) a note payable (G.E.F.A. #1) in the original amount of $52,000 for the purpose of Arabi Water System Instrumentation. This loan is being paid with monthly payments of $820.26 at two (2%) percent interest.

G.E.F.A. #1

	Interest	Principal	Total
Year 2011	$ 218	$ 9,632	$ 9,850
Year 2012	38	5,710	5,748
Year 2013	0	0	0
Year 2014	0	0	0
Year 2015	0	0	0
	$ 256	$ 15,342	$ 15,598

The City owes Georgia Environmental Facilities Authority (G.E.F.A.) a note payable (G.E.F.A. #2) in the original amount of $168,789 for the purpose of Arabi Water System Instrumentation. This loan is being paid with monthly payments of $853.87 at two (2%) percent interest.

G.E.F.A. # 2

	Interest	Principal	Total
Year 2011	$ 3,219	$ 7,027	$ 10,246
Year 2012	3,079	7,167	10,246
Year 2013	2,932	7,314	10,246
Year 2014	2,785	7,461	10,246
Year 2015	2,635	7,611	10,246
2016-2020	10,807	40,425	51,232
2021-2025	6,558	44,674	51,232
2026-2030	1,904	42,506	44,410
	$ 33,919	$ 164,185	$ 198,104

The current portion of notes payable to G.E.F.A. is:

G.E.F.A. #1	$ 9,632
G.E.F.A. #2	7,027
Total Current	$ 16,659

The Accompanying Notes are an Integral Part of these Financial Statements.

NOTE 10 Note Payable –Water Works (Continued)

The City has entered into a 10 year long term contract with Utility Service Co. Inc., for maintenance of the City's water tanks. The contract renews each year. There is no interest associated with the contract.

Utility Services Co. Inc.	Payment	Total
Year 2010	$ 7,715	$ 7,715
Year 2011	$ 7,715	$ 7,715
Year 2012	$ 7,715	$ 7,715
Year 2013	$ 7,715	$ 7,715
Year 2014	$ 7,715	$ 7,715
Year 2015	$ 7,715	$ 7,715
Year 2016	$ 7,715	$ 7,715
Year 2017	$ 7,715	$ 7,715
Year 2018	$ 7,715	$ 7,715
Year 2019	$ 7,715	$ 7,715
Year 2020	$ 7,715	$ 7,715

Water Works – Long Term Debt
Changes in long – term debt

Description	Beginning Balance	Increase	Decrease	Ending Balance
Utility Service Co., Inc	$ 14,390	$ -	$ 6,675	$ 7,715
G.E.F.A	24,782	-	9,440	15,342
G.E.F.A # 2	168,789	-	4,603	164,186
	$ 207,961	$ -	$ 20,718	$ 187,243

NOTE 11 Risk Management

The City is exposed to various risks of losses related to torts, thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other municipalities in the state as a part of the Georgia Inter-local Risk Management Agency and the Georgia Municipal Association Workers Compensation Self Insurance Fund, Public Entity Risk Pools currently operating as common risk management and insurance programs for member local governments.

As part of these risks, the government is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim or loss. The government is also to allow the pool's agents and attorneys to represent the government in investigation, settlement discussions and all levels of litigation arising out of any claim made against the government within the scope of loss protection furnished by the funds.

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member government contract and in accordance with the Worker's Compensation Law of Georgia. The Funds are to pay all cost taxed against members in any legal proceedings defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

NOTE 12 Joint Venture

Under Georgia Law, the City, in conjunction with other cities and counties in the eight county West Central Georgia area, is a member of the River Valley Regional Commission (RVRC) (formerly Middle Flint Regional Development Center (RDC)) and is required to pay annual dues thereto During the year ended December 31, 2010, the City paid $ 451 in such dues. Membership in RVRC is required by the Official Code of Georgia Annotated (OCGA) section 50-8-34 which provides for the organizational structure of the RVRC in Georgia. The RVRC board membership includes the chief elected official of each municipality and county of the area OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of RVRC. Separate financial statements may be obtained from:

RIVER VALLEY REGIONAL COMMISSION
228 WEST LAMAR STREET
AMERICUS, GEORGIA 31709

NOTE 13 Bank Deposits

At December 31, 2010, the carrying amount of the City's deposits was $656,492 and the bank balance was $657,927. All funds were covered by federal depository insurance. The carrying amount of the City's deposits held at Planters First bank was $309,186 and the bank balance was $309,604. This entire amount is covered by FDIC insurance due to the bank's participation in the FDIC's Transaction Guarantee Program, which covers all demand deposits up to any amount that have an interest rate less than 0.05%.

NOTE 14 Changes in Fund Balance

Changes were made to prior years fund balance due to transfer between funds not booked in previous years and SPLOST Capital Outlays being booked to the General Fund in previous years.

NOTE 15 Extraordinary Item

During the years 1999-2003 Engineering Stone Products, Inc. (ESP) borrowed a total of $929,582 from the City's EIP Fund. Over the past several years, extension to pay interest only had failed. No interest or principle payment was received in 2010 and ESP would not answer attempts to contact them by the City. A local bank also had outstanding loans that were not being paid. The bank foreclosed on ESP in 2010. The City's total loss due to this foreclosure is $755,302.

Based on a review by Georgia Department of Community Affairs (the department) of the City's RLF, the Department has decided to close the City's RLF. The City is required to remit all funds greater than $2500 to DCA.

Note 16 Interfund Transfers

Generally, Interfund Transfers between funds reported as Transfers on the statement of Revenues, Expenses and changes in Fund Net Assets include reimbursement by one fund to another for services or goods and other miscellaneous expenses between funds.

A summary of Interfund Transfers at December 31, 2010 follows:

Transferred From	Transferred To	Amount
Water Fund	General Fund	$10,519

SUPPLEMENTAL

INFORMATION

CITY OF ARABI, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE-BUDGET AND ACTUAL
AT DECEMBER 31, 2010

	2010			
	Original Budget	Amended Budget	Actual	Variance
Revenues				
Taxes	$ 123,890	$ 123,890	$ 125,125	$ 1,235
Licenses	10,450	10,450	11,644	1,194
Commissions	50,300	50,300	51,991	1,691
Law Enforcement	38,000	38,000	37,214	(786)
Other Revenues	33,360	33,360	7,804	(25,556)
	$ 256,000	$ 256,000	$ 233,778	$ (22,222)
Expenditures				
Current Operating:				
General	$ 128,400	$ 128,400	$ 122,008	$ 6,392
Public Protection:				
Law Enforcement	38,000	38,000	39,899	(1,899)
Fire Department	42,500	42,500	41,838	662
Public Ways and Facilities	43,100	43,100	33,924	9,176
Capital Outlay	4,000	4,000	0	4,000
	256,000	256,000	237,669	18,331
Other Financing Sources			10,519	
Revenue over (under) Expenditures	0	0	(6,628)	(3,891)
Fund Balance – Beginning	0	0	99,826	
Restated Fund Balance			80,140	
Fund Balance - Ending	$ 0		$ 86,768	

The Accompanying Notes are an Integral Part of these Financial Statements.

CITY OF ARABI, GEORGIA
COMMUNITY DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2010

Revenues	
Interest Earned	$ 4,457
E.I.P. Funds	0
Proceeds from Clinic Building	0
	4,457
Expenditures	
Clinic Repair/Maintenance	0
	0
Excess revenue over Expenditures	4,457
Extraordinary Loss	(775,302)
Excess Expenditures over Revenue	(770,845)
Fund Balance – Begin	995,330
Fund Balance – End	$ 224,485

The Accompanying Notes are an Integral Part of these Financial Statements.

CITY OF ARABI, GEORGIA
SPLOST – CAPITAL PROJECT FUND
SCHEDULE OF ASSETS, LIABILITIES, & FUND BALANCES
DECEMBER 31, 2010

ASSETS	
Cash in Bank	$ 173,315
SPLOST Receivable	0
Total Assets	$ 173,315
LIABILITIES AND FUND BALANCES	
Liabilities	$ 0
Total Liabilities	$ 0
Fund Balances	
Reserved	$ 173,315
Total Fund Balances	$ 173,315
TOTAL LIABILITIES AND FUND BALANCES	$ 173,315

The Accompanying Notes are an Integral Part of these Financial Statements.

CITY OF ARABI, GEORGIA
SPLOST – CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, & CHANGES IN FUND BALANCES
DECEMBER 31, 2010

REVENUES	
Intergovernmental Revenue	$ 47,513
Interest Income	137
Total Revenues	$ 47,650
CAPITAL OUTLAY	
Equipment	$ 0
Roads and Paving	2,980
Total Expenditures	$ 2,980
Other Financing Sources (Uses):	
Sale of Asset	0
Total other Financing Sources (uses)	0
NET CHANGE IN FUND BALANCE	44,670
FUND BALANCES – BEGINNING	$ 128,645
FUND BALANCES - ENDING	$ 173,315

The Accompanying Notes are an Integral Part of these Financial Statements.

CITY OF ARABI, GEORGIA
ARABI INDUSTRIAL DEVELOPMENT AUTHORITY SPECIAL REVENUE FUND
SCHEDULE OF ASSETS, LIABILITIES, & FUND BALANCES
DECEMBER 31, 2010

ASSETS	
Cash and Cash Equivalents	$ 1,041
Total Assets	$ 1,041
LIABILITIES AND FUND BALANCES	
Bond Payable	$ 1,041
Total Liabilities	$ 1,041
Fund Balances	
Unreserved	$ 0
Total Fund Balances	$ 0
TOTAL LIABILITIES AND FUND BALANCES	$ 1,041

The Accompanying Notes are an Integral Part of these Financial Statements.

CITY OF ARABI, GEORGIA
Arabi Industrial Development Authority
Schedule of Revenues, Expenditures, & Changes in Fund Balances
December 31, 2010

REVENUES	
Interest Income	$ 3
Total Revenues	$ 3
EXPENDITURES	
Tourism and promotion	$ 0
Miscellaneous	$ 0
Total Expenditures	$ 0
NET CHANGE IN FUND BALANCE	3
FUND BALANCES – BEGINNING	$ 1,038
FUND BALANCES - ENDING	$ 1,041

The Accompanying Notes are an Integral Part of these Financial Statements.

On July 14, 1992, the City of Arabi Entered into a contract agreement with the Georgia Interlocal Risk Management
Agency (GIRMA) for insurance coverage as follows:

Combined Property, Casualty, and Crime Coverage Description

Coverage period:
From: 05-01-10 at 12:01 A.M. local time at the named members address
To: Continuous

Coverage Description-Property		
Buildings and contents	$	1,553,865
Boiler and Machinery	$	113,440
Automobile physical damage	Per Application	
Coverage Description-Casualty		
General Liability	$	1,000,000
Law Enforcement Liability	$	1,000,000
Automobile Liability	$	1,000,000
Errors and omissions (Public Officials) Liability	$	1,000,000
Employee Benefits Liability	$	1,000,000
Pollution Liability	N/A	
Coverage Description-Crime		
Blanket Bond/Employee Dishonesty	$	500,000
Depositors Forgery	$	500,000
Money and securities-loss inside and outside the premises	$	500,000

Deductible:
All coverage's are subject to a per occurrence deductible of $ 1,000.

Coverage Exceptions:
None

Coverages subject to retroactive date:
(Unless stated otherwise in the coverage exceptions)

Public officials liability	7/19/1992
Employee benefits liability	7/19/1992
Pollution liability	N/A

Coverage is subject to all terms conditions, and internal limits as specified in the G.I.R.M.A. agreement.

The City continues workman compensation and employer liability coverage under the Georgia Municipal Association
Self-insured Fund (GMASIF-250) with standard coverage provisions.

WANDA J. USSERY, CPA, P.C.

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MEMBER
GEORGIA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON SPECIAL PURPOSE LOCAL OPTION SALES TAX

Honorable Mayor
Member of the City Council
City of Arabi, Georgia

We have audited the accompanying Schedule of Special Purpose Local Option Sales Tax for the City of Arabi, Georgia for the year ended December 31, 2010. This schedule is the responsibility of the City of Arabi's management. Our responsibility is to express an opinion on the Schedule of Special Purpose Local Option Sales Tax 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 Schedule of Special Purpose Sales Tax is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule of Special Purpose Sales Tax. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Schedule of Special Purpose Sales Tax. We believe that our audit provides a reasonable bases for our opinion.

The accompanying Schedule of Special Purpose Sales Tax was prepared for the purpose of complying with the Official Code of Georgia Annotated 48-8-121 on the accrual basis as described in Note 1 and is not intended to be a complete presentation of City of Arabi's revenues and expenditures.

In our opinion, the Schedule of Special Purpose Sales Tax referred to above present fairly, in all material respects, the original estimated cost, the current estimated cost, and the current and prior year expenditures for each project in City of Arabi's resolution or ordinance calling for the tax for the year ended December 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

Wanda J. Ussery, CPA, P.C.

Fitzgerald, GA 31750
December 9, 2011

707 South Grant Street, P.O. Box 936, Fitzgerald, GA 31750, (229)423-9477, Fax (229)423-9358

CITY OF ARABI, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL
PURPOSE LOCAL OPTION SALES TAX PROCEEDS
AT DECEMBER 31, 2010

2005 S.P.L.O.S.T

Project	Original Estimated Cost	Prior Years	Expenditures Current Year	Total	Estimated Pct. Of Completion
Medical Clinic	150,000	210,167	0	210,167	140%
Fixed Assets	113,480	158,552	0	158,552	139%
Emergency Weather Alarms	36,520	36,520	0	36,520	100%
Water System Improvements	50,000	30,155	0	30,155	60%
Recreation	50,000	0	0	0	0%
Land Acquisition	25,000	67,768	0	67,768	271%
Industrial Development	25,000	0	0	0	0%
Road Resurfacing	50,000	13,402	2,980	16,382	33%
	500,000	**516,564**	**2,980**	**519,544**	

2006 – 2011 S.P.L.O.S.T.

Project					
Equipment	175,000	60,184	0	60,184	35%
Roads & Paving	105,000	39,592	0	39,592	38%
	280,000	**99,776**	**0**	**99,776**	

REPORTS REQUIRED BY GOVERNMENTAL AUDITING STANDARDS

WANDA J. USSERY, CPA, P.C.

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MEMBER
GEORGIA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

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

Honorable Mayor
Members of the City Council
City of Arabi, GA

We have audited the financial statements of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The City of Arabi, as of and for the year ended December 31, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of American 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

In planning and performing our audit, we considered The City of Arabi's internal control over financial reporting as a basis for designing our auditing procedures and for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The City of Arabi's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Arabi'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 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 in a timely basis.

Our 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. We identified certain deficiencies in internal control over financial reporting described in the accompanying *Schedule of Findings* and *Responses* that we consider to be significant deficiencies in internal control over financial reporting. 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 Arabi'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 my audit, and accordingly, we do not express such an opinion.

The results of test of noncompliance and other matters are disclosed on the following pages in the *Schedule of Findings and Responses.*

The City of Arabi responses to the findings identified in our audit is described in the *Schedule of Findings and Responses.* We did not audit The City of Arabi's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Mayor and Council and is not intended to be and should not be used by anyone other than these specified parties.

Wanda J Hosey, CPA, P.C.

Fitzgerald, Georgia
December 9, 2011

SCHEDULE OF FINDINGS AND RESPONSES

City of Arabi, Georgia
Arabi, Georgia

Year Ended
December 31, 2010

FINANCIAL STATEMENT FINDINGS

2010-1

Condition

The City has not established practices for the identification of risks affecting it and has not developed an appropriate fraud risk assessment and monitoring process.

Recommendation

The City should develop a comprehensive fraud risk assessment and monitoring process and those charged with governance should understand and exercise oversight of the assessment and monitoring process.

View of Responsible Officials and Planned Corrective Action

The City intends to develop a formal risk assessment plan and comprehensive fraud risks assessment and monitoring plan commensurate with the size and complexity of the City.

2010-2

Condition

The City does not have a detailed general ledger system in place.

Recommendation

The City should obtain software that will allow it to have a detailed general ledger system.

View of Responsible Officials and Planned Corrective Action

The City intends to secure appropriate software to allow for a detailed general ledger system.

2010-3

Condition

The City does not prepare the financial statements.

Recommendation

The City should obtain software and qualified assistance in setting up and preparing its financial statements.

View of Responsible Officials and Planned Corrective Action

The City intends to secure appropriate software and qualified assistance in order to prepare its financial statements.