CITY OF BYRON, GEORGIA

AUDIT REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2010

CITY OF BYRON, GEORGIA

TABLE OF CONTENTS
DECEMBER 31, 2010

INDEPENDENT AUDITOR'S REPORT 1-2

MANAGEMENT'S DISCUSSION AND ANALYSIS 3-9

BASIC FINANCIAL STATEMENTS

Government-wide Financial Statements:
- Statement of Net Assets 10
- Statement of Activities 11

Fund Financial Statements:
- Balance Sheet – Governmental Funds 12
- Reconciliation of Governmental Fund Balance Sheet to the Statement of Net Assets 13
- Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds 14
- Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities 15
- Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual: General Fund 16-18
- Statement of Net Assets – Proprietary Funds 19-20
- Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds 21-22
- Statement of Cash Flows – Proprietary Funds 23-25

Notes to the Financial Statements 26-46

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress and Schedule of Employer's Contributions 47

SUPPLEMENTARY INFORMATION

Combining and Individual Fund Statements and Schedules:

Combining Balance Sheet – Nonmajor Governmental Funds 48

Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds 49

Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual: Special Revenue Funds 50-51

CITY OF BYRON, GEORGIA

TABLE OF CONTENTS
DECEMBER 31, 2010
(CONTINUED)

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual: Debt Service Fund 52

Schedule of Projects Constructed with Special Sales Tax Proceeds 53

SINGLE AUDIT SECTION

Schedule of Expenditures of Federal Awards 54

Notes to the Schedule of Expenditures of Federal Awards 55

Summary Schedule of Prior Audit Findings and Questioned Costs 56

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* 57-58

Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133 59-60

Schedule of Findings and Questioned Costs 61-70

CLHP

CLIFTON, LIPFORD, HARDISON & PARKER, LLC

J. Russell Lipford, Jr., CPA
Mark O. Hardison, CPA
Terry I. Parker, CPA
Christopher S. Edwards, CPA
Lynn S. Hudson, CPA
Kevin E. Lipford, CPA

Member of
American Institute of
Certified Public Accountants
Truman W. Clifton (1902-1989)

INDEPENDENT AUDITOR'S REPORT

Mayor and City Council
City of Byron
Byron, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Byron, 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 Byron, Georgia's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Byron, Georgia as of December 31, 2010, and the respective changes in financial position and cash flows, where applicable, and the budgetary comparison for the General Fund 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 August 3, 2011, on our consideration of the City of Byron, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contacts, 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 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 our audit.

1503 Bass Road
P.O. Box 6315 Macon, Georgia 31208-6315
Phone 478-742-3313 ▪ Fax 478-742-0316

www.clhp.com

468 South Houston Lake Road
Warner Robins, Georgia 31088
Phone 478-953-0125 ▪ Fax 478-953-0983

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding progress and schedule of employer's contributions on pages 3 through 9, pages 16 through 18 and page 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Byron, Georgia's financial statements as a whole. The combining and individual nonmajor fund financial statements and the schedule of projects constructed with special sales tax proceeds are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The combining and individual nonmajor fund financial statements, the schedule of projects constructed with special sales tax proceeds and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Macon, Georgia
August 3, 2011

MANAGEMENT'S DISCUSSION & ANALYSIS

As management of the City of Byron, Georgia (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the year ended December 31, 2010.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities as of December 31, 2010, by $21,553,307.
- The government's total net assets increased by $2,534,750 for the year ended December 31, 2010
- As of December 31, 2010, total net assets consisted of $13,495,480 invested in capital equipment net of related debt, $2,466,378 restricted, and $5,591,449 unrestricted.
- As of December 31, 2010, the City's governmental funds reported an ending fund balance of $5,090,708, a decrease of $712,044 in comparison with the prior year.
- For the year ended December 31, 2010, unreserved fund balance for the General Fund increased from $2,050,441 to $2,305,591.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements

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

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as earned but unused vacation leave.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through administrative fees and charges (business-type activities). The governmental activities of the City include general government, public safety, and public works. The business-type activities of the City include a Water and Sewerage Fund, Natural Gas Fund and Solid Waste Fund.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains nine individual governmental funds: the General Fund, Hotel/Motel Tax Fund, Law Enforcement Confiscation Fund, SPLOST 1994 Fund, SPLOST 1999 Fund, SPLOST 2004 Fund, SPLOST 2008 Fund, Capital Improvements Fund and the Debt Service Fund.

The City adopts an annual appropriated budget for the General Fund, Special Revenue Funds and the Debt Service Fund. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

Proprietary Funds

The City maintains three proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the enterprise funds to account for the activities of the Water and Sewerage Fund, Natural Gas Fund, and Solid Waste Fund.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by $21,553,307, at the close of the most recent year.

A portion of the City's net assets reflects its investment in capital assets, less any related debt outstanding. As of December 31, 2010, the investment consists of $26,273,570 in assets, accumulated depreciation of $7,107,677 net of outstanding debt of $5,670,413.

An additional portion of the City's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the government's ongoing obligations.

For the year ended December 31, 2010, capital assets increased $2,748,251. Long-term liabilities decreased $280,980 as of December 31, 2010, compared to 2009. The decrease is the result of principal payments on debt.

	Governmental Activities		Business-type Activities		Total Net Assets	
	2010	2009	2010	2009	2010	2009
Assets						
Current and other assets	$ 5,781,487	$ 6,374,983	$ 3,466,614	$ 2,664,843	$ 9,248,101	$ 9,039,826
Capital assets	12,297,697	11,194,319	6,868,196	5,223,323	19,165,893	16,417,642
Total Assets	18,079,184	17,569,302	10,334,810	7,888,166	28,413,994	25,457,468
Liabilities						
Current and other liabilities	377,872	195,610	716,043	195,549	1,093,915	391,159
Long-term liabilities	4,952,781	5,186,952	813,991	860,800	5,766,772	6,047,752
Total Liabilities	5,330,653	5,382,562	1,530,034	1,056,349	6,860,687	6,438,911
Net Assets						
Invested in capital assets, net of related debt	7,428,117	6,111,250	6,067,363	4,374,996	13,495,480	10,486,246
Restricted	2,451,378	3,309,691	15,000	15,000	2,466,378	3,324,691
Unrestricted	2,869,036	2,765,799	2,722,413	2,441,821	5,591,449	5,207,620
Total net assets	$ 12,748,531	$ 12,186,740	$ 8,804,776	$ 6,831,817	$ 21,553,307	$ 19,018,557

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues						
Program revenues						
Charges for services	$ 842,909	$ 753,192	$ 2,030.410	$ 1.890.099	$ 2,873,319	$ 2.643,291
Operating grants and contributions	518,431	62,564	-	-	518,431	62,564
Capital grants and contributions	63,763	361,575	1,883,463	157,838	1,947,226	519,413
General revenues						
Property tax	1,431,498	1,443,477	-	-	1,431,498	1,443,477
Sales tax	302,347	288,453	-	-	302,347	288,453
Other taxes	972,171	902,515	-	-	972,171	902,515
Investment Earnings	12,729	19,701	26.761	49.432	39,490	69,133
Other	53,415	49,479	-	-	53,415	49,479
Total Revenues	4,197,263	3,880,956	3,940,634	2,097,369	8,137,897	5,978,325
Expenses						
General government	1,217,240	1,137.748	-	-	1,217,240	1,137,748
Public safety	1,948,419	1,935,856	-	-	1,948,419	1,935,856
Public works	615,199	960,249	-	-	615,199	960,249
Economic development	-	199,633	-	-	-	199,633
Interest on long-term debt	200,405	38,776	-	-	200,405	38,776
Water and sewer	-	-	987.932	1,098,676	987,932	1,098,676
Natural Gas	-	-	419.130	356,807	419,130	356,807
Solid Waste	-	-	214.822	199,597	214,822	199,597
Total Expenses	3,981,263	4,272,262	1,621.884	1,655,080	5,603,147	5,927,342
Excess (deficiency) before transfers	216,000	(391,306)	2,318.750	442,289	2,534,750	50,983
Transfers	345,791	347,429	(345.791)	(347,429)	-	-
Changes in net assets	561,791	(43.877)	1,972.959	94,860	2,534,750	50,983
Net assets beginning	12,186,740	12,230,617	6,831.817	6,736,957	19,018,557	18,967,574
Net assets ending	$ 12,748,531	$ 12,186,740	$ 8,804.776	$ 6,831,817	$ 21,553,307	$ 19.018,557

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2010, the City's governmental funds reported ending fund balance of $5,090,708. The unreserved fund balance reflects a surplus of $2,639,196. A total of $2,451,512 is reserved to indicate that it is not available for new spending because it has already been committed for restricted purposes.

The fund balance of the City's governmental funds decreased $712,044 or 12.3 percent during the current fiscal year.

Proprietary Funds

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

The Water and Sewerage Fund provides water to the City's residential and commercial customers. The Solid Waste Fund provides garbage pick-up to the City's residential and commercial customers. Prior to November 1, 2008, the Natural Gas Fund provided natural gas to residential and commercial customers. Effective November 1, 2008, Mayor and Council merged the Natural Gas System of the City of Byron with and into Jointly Owned Natural Gas (JONG), and at that time the separate existence of the natural gas system of the City of Byron ceased. JONG acquired and operates the natural gas system of the City of Byron, which was a substantial saving to the City of Byron customers. As of November 1, 2008, the City of Byron owns a ten percent share of Section "A" of the JONG system.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, the City made some budget amendments that resulted in an increase in both budgeted revenue and budgeted appropriations. The following are the main components of the amendments in the General Fund:

- Administration budgeted expenditures increased $46,451 for software subscription and license fees.
- Police department budgeted expenditures increased $113,581 for the purchase of a vehicle and salaries and equipment for new officers hired with grant funds. A revenue budget amendment was also made for Department of Justice grant funds.
- Streets department budgeted expenditures increased $321,655 for construction projects. A revenue budget amendment was also made for Department of Transportation grant funds.
- Debt service budgeted expenditures increased $46,191 for lease payments.

A detailed comparison of the general fund budget to actual amounts can be found on pages 16 through 18 of this report.

The City is ever cognizant of the necessity of being good stewards of public funds while at the same time having the responsibility of accumulating sufficient funds to effectively promote growth and development of the economy through purchase of land, providing infrastructure, etc. to entice prospective industry into the City.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities, as of December 31, 2010, amounts to $19,165,893, net of accumulated depreciation. The investment in capital assets includes land, buildings, distribution system, machinery and equipment, and vehicles. For the current year, the investment in capital assets increased $2,748,251. The net change is the result of capital acquisition of $3,552,965, disposals of $38,910, net of accumulated depreciation, and depreciation expense of $765,804.

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	$ 646,092	$ 621,850	$ 156,769	$ 156,769	$ 802,861	$ 778,619
Construction in process	1,097,004	-	2,522,056	1,228,863	3,619,060	1,228,863
Infrastructure	5,561,607	5,246,450	-	-	5,561,607	5,246,450
Building	6,723,881	6,723,881	-	-	6,723,881	6,723,881
Distribution system	-	-	7,106,527	6,523,645	7,106,527	6,523,645
Machinery and equipment	654,096	638,906	865,750	851,900	1,519,846	1,490,806
Vehicles	855,526	819,366	-	-	855,526	819,366
Intangibles	84,262	-	-	-	84,262	-
Total	$ 15,622,468	$14,050,453	$10,651,102	$ 8,761,177	$26,273,570	$22,811,630

Additional information on the City's capital assets can be found in Note 8 on pages 37-39 of this report.

Long-Term Debt

As of December 31, 2010, the City reflects $4,900,000 in bonds payable as long-term debt in the governmental-wide financial statements. The Water and Sewerage Fund reflects GEFA loans and revenue bonds as long-term debt as of December 31, 2010. GEFA loans equal $706,833, including $37,217 due within one year. Bonds payable equal $94,000, including $12,000 due within one year.

Additional information on the City's long-term debt can be found in Note 9 on pages 39-42 of this report.

Accomplishments/Growth for 2010

In 2010, the City experienced annexations resulting in new homes and commercial building, increasing the building permit revenue, as well as water, sewer, and solid waste revenue. This growth will increase the property tax base and also increase the Georgia Power, Flint EMC, Cable, and Alltel franchise tax revenue. The City continued to expand its water and sewer infrastructure.

Several new retail and distribution businesses located in the North Peach Industrial Park in Byron created jobs and will add to the property tax base.

On March 18, 2009 an agreement was entered into, amended on October 2, 2009, between the City of Byron and Peach Hill Properties to build the Benjamin Hawkins Parkway connecting Boy Scout Road and Chapman Road, funded in part by 2008 SPLOST Funds and a Department of Transportation grant. This project is pending completion; waiting for DOT to issue a certificate of completion.

On September 1, 2009, a wastewater agreement was signed between Macon Water Authority and the City of Byron to run a force main to carry sewage from Byron to the Macon Water Authority plant in Bibb County. This project alleviates the City of Byron from building an expansion sewage treatment plant, saving money by transporting sewage to the Macon Water Authority plant. In 2010, the City continued to obtain the necessary easements. A construction bid was awarded in July 2011.

On October 8, 2009, the City of Byron executed a clean water state revolving fund contract administer by GEFA. Byron was awarded $2,720,820 stimulus funds under the American Recovery and Reinvestment Act of 2009 for sanitary sewer rehabilitation. A contract was awarded to CaJenn Construction and Rehabilitation, Inc. to perform the work. A substantial amount of work was done in 2010 and the project is still in construction.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for anyone with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to City of Byron, Georgia, P.O. Box 129, Byron, Georgia 31008.

BASIC FINANCIAL STATEMENTS

CITY OF BYRON, GEORGIA

STATEMENT OF NET ASSETS
DECEMBER 31, 2010

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Development Authority
ASSETS				
Cash and cash equivalents	$ 4,583,637	$ 2,046,255	$ 6,629,892	$ 985,267
Receivables, net of allowance				
Taxes	1,421,465	-	1,421,465	-
Accounts	6,691	114,235	120,926	-
Due from Jointly Owned Natural Gas	-	65,607	65,607	-
Due from other government	47,614	545,828	593,442	-
Internal balances	(375,914)	375,914	-	-
Restricted assets	-	162,256	162,256	-
Investment in Jointly Owned Natural Gas	-	156,519	156,519	-
Deferred charge	97,994	-	97,994	-
Capital assets:				
Nondepreciable	1,743,096	2,678,825	4,421,921	1,007,284
Depreciable	10,554,601	4,189,371	14,743,972	-
Total Assets	18,079,184	10,334,810	28,413,994	1,992,551
LIABILITIES				
Accounts payable	318,630	579,877	898,507	-
Accrued interest	33,326	4,612	37,938	-
Customer deposits	-	131,554	131,554	-
Unearned revenue	25,916	-	25,916	-
Noncurrent liabilities				
Due within one year	245,720	60,402	306,122	-
Due in more than one year	4,707,061	753,589	5,460,650	-
Total Liabilities	5,330,653	1,530,034	6,860,687	-
NET ASSETS				
Invested in capital assets, net of related debt	7,428,117	6,067,363	13,495,480	1,007,284
Restricted for				
Capital outlay	2,433,591	-	2,433,591	-
Public safety	17,787	-	17,787	-
Debt retirement	-	15,000	15,000	-
Unrestricted	2,869,036	2,722,413	5,591,449	985,267
Total Net Assets	$ 12,748,531	$ 8,804,776	$21,553,307	$ 1,992,551

The accompanying notes are an integral part of the statements.

CITY OF BYRON, GEORGIA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Unit: Development Authority
Primary Government:								
Governmental Activities								
General government	$ 1,217,240	$ 159,806	$ 518,431	$ -	$ (539,003)	$ -	$ (539,003)	$ -
Public safety	1,948,419	683,103	-	-	(1,265,316)	-	(1,265,316)	-
Public works	615,199	-	-	63,763	(551,436)	-	(551,436)	-
Interest on long-term debt	200,405	-	-	-	(200,405)	-	(200,405)	-
Total governmental activities	3,981,263	842,909	518,431	63,763	(2,556,160)	-	(2,556,160)	-
Business-type Activities								
Water and sewerage	987,932	1,310,461	-	1,883,463	-	2,205,992	2,205,992	-
Natural gas	419,130	484,745	-	-	-	65,615	65,615	-
Solid Waste	214,822	235,204	-	-	-	20,382	20,382	-
Total Business-type Activities	1,621,884	2,030,410	-	1,883,463	-	2,291,989	2,291,989	-
Total Primary Government	$ 5,603,147	$ 2,873,319	$ 518,431	$ 1,947,226	(2,556,160)	2,291,989	(264,171)	-
Development Authority	$ (11,228)	$ -	$ 4,127	$ -				15,355
Total Component Units	$ (11,228)	$ -	$ 4,127	$ -				15,355
General Revenues								
Property tax					1,431,498	-	1,431,498	-
Sales tax					302,347	-	302,347	-
Insurance premium					155,412	-	155,412	-
Franchise taxes					299,698	-	299,698	-
Beer and wine					129,543	-	129,543	-
Other taxes					387,518	-	387,518	-
Investment earnings					12,729	26,761	39,490	23,998
Miscellaneous					53,415	-	53,415	-
Total General Revenues					2,772,160	26,761	2,798,921	23,998
Transfers					345,791	(345,791)	-	-
Total General Revenues and Transfers					3,117,951	(319,030)	2,798,921	23,998
Change in Net Assets					561,791	1,972,959	2,534,750	39,353
Net Assets - Beginning of year					12,186,740	6,831,817	19,018,557	1,953,198
Net Assets - End of year					$ 12,748,531	$ 8,804,776	$ 21,553,307	$ 1,992,551

The accompanying notes are an integral part of the statements.

CITY OF BYRON, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2010

	General Fund	SPLOST 2008	SPLOST 1999	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 1,471,599	$ 1,876,917	$ 9,657	$ 1,225,464	$ 4,583,637
Receivables, net of allowance					
Taxes	1,377,568	-	-	43,897	1,421,465
Accounts	6,691	-	-	-	6,691
Due from other governments	47,614	-	-	-	47,614
Due from other funds	244,353	26,439	-	46,667	317,459
Total Assets	$ 3,147,825	$ 1,903,356	$ 9,657	$ 1,316,028	$ 6,376,866
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 97,266	$ 163,884	$ 39,595	$ 17,885	$ 318,630
Due to other funds	496,729	-	118,016	78,628	693,373
Deferred revenues	248,239	-	-	25,916	274,155
Total Liabilities	842,234	163,884	157,611	122,429	1,286,158
Fund Balances:					
Reserved for:					
Capital outlay	-	1,739,472	-	694,119	2,433,591
Debt service	-	-	-	134	134
Public safety	-	-	-	17,787	17,787
Unreserved, undesignated reported in:					
General Fund	2,305,591	-	-	-	2,305,591
Capital Projects Funds	-	-	(147,954)	481,559	333,605
Total Fund Balances (deficit)	2,305,591	1,739,472	(147,954)	1,193,599	5,090,708
Total Liabilities and Fund Balances	$ 3,147,825	$ 1,903,356	$ 9,657	$ 1,316,028	$ 6,376,866

The accompanying notes are an integral part of the statements.

CITY OF BYRON, GEORGIA

RECONCILIATION OF THE BALANCE SHEET
OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET ASSETS
DECEMBER 31, 2010

Total governmental fund balances	$	5,090,708
Amounts reported for governmental activities in the Statement of Net Assets differ from amounts reported in the Balance Sheet of Governmental Funds due to the following:		
Deferred charge for issuance costs		97,994
Capital Assets		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Land and construction in progress		1,743,096
Cost of the assets		13,879,372
Accumulated depreciation		(3,324,771)
Revenues		
Some of the government's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.		248,239
Long-term Liabilities		
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities both current and long-term are reported in the Statement of Net Assets. Long-term liabilities at year-end consist of the following:		
Compensated absences		(83,201)
Bonds payable		(4,900,000)
Bonds discount		30,420
Accrued interest payable		(33,326)
Total Net Assets of Governmental Activities	$	12,748,531

The accompanying notes are an integral part of the statements.

CITY OF BYRON, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	General Fund	SPLOST 2008	SPLOST 1999	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes					
Property tax	$ 1,489,039	$ -	$ -	$ -	$ 1,489,039
Sales tax	302,347	-	-	-	302,347
Insurance premium	155,412	-	-	-	155,412
Franchise taxes	299,698	-	-	-	299,698
Beer and wine	129,543	-	-	-	129,543
Other taxes	214,855	-	-	172,663	387,518
License and permits	131,968	-	-	-	131,968
Intergovernmental	518,431	-	-	-	518,431
Charges for services	27,838	-	-	-	27,838
Fines	662,655	-	-	20,448	683,103
Investment earnings	8,580	11,152	29	9,182	28,943
Other revenues	53,415	-	-	-	53,415
Total Revenues	3,993,781	11,152	29	202,293	4,207,255
Expenditures:					
Current:					
General government	916,028	-	-	69,066	985,094
Public safety	1,977,884	-	-	9,709	1,987,593
Public works	759,017	-	-	-	759,017
Debt Service:					
Principal	45,390	-	-	170,000	215,390
Interest	801	-	-	199,654	200,455
Capital Outlay	-	875,668	157,611	84,262	1,117,541
Total Expenditures	3,699,120	875,668	157,611	532,691	5,265,090
Excess (Deficiency) of Revenues Over (Under) Expenditures	294,661	(864,516)	(157,582)	(330,398)	(1,057,835)
Other Financing Sources (Uses):					
Transfers from other funds	365,126	-	-	488,899	854,025
Transfers to other funds	(404,637)	-	-	(103,597)	(508,234)
Total other financing sources (uses)	(39,511)	-	-	385,302	345,791
Net change in fund balances	255,150	(864,516)	(157,582)	54,904	(712,044)
Fund Balance - Beginning of year	2,050,441	2,603,988	9,628	1,138,695	5,802,752
Fund Balance (deficit) - End of year	$ 2,305,591	$ 1,739,472	$ (147,954)	$ 1,193,599	$ 5,090,708

The accompanying notes are an integral part of the statements.

CITY OF BYRON, 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	$ (712,044)
Amounts reported for governmental activities in the Statement of Activities differ from amounts reported in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances due to the following:	
Capital Assets	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.	
Total capital outlays	1,615,462
Total depreciation	(520,752)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, donations, annexing) is to increase (decrease) net assets	8,668
Long-term Debt	
Repayment of general obligation, debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	215,390
Compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	20,682
Accrued interest on debt	(50)
Amortization of issuance costs	(8,024)
Revenues	
Because some revenues will not be collected for several months after the government's year end, they are not considered available revenues and are deferred in the governmental funds. Deferred revenues increased by this amount during the year.	(57,541)
Change in Net Assets of Governmental Activities	$ 561,791

The accompanying notes are an integral part of the statements.

CITY OF BYRON, GEORGIA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budget Amounts			Variance Positive
	Original	Final	Actual	(Negative)
Taxes:				
General property taxes	$ 1,299,344	$ 1,299,344	$ 1,489,039	$ 189,695
Local option sales tax	281,798	281,798	302,347	20,549
Other taxes:				
Beer and wine	134,600	134,600	129,543	(5,057)
Insurance premium	160,064	160,064	155,412	(4,652)
Recording intangible	16,649	16,649	12,624	(4,025)
Real estate transfer	3,917	3,917	3,745	(172)
Franchise tax	269,666	269,666	299,698	30,032
Auto and mobile home	107,548	107,548	117,915	10,367
Business and occupation taxes	46,745	46,745	34,620	(12,125)
Public utility taxes	32,023	32,023	35,252	3,229
Financial institutions	14,793	14,793	10,214	(4,579)
Other	503	503	485	(18)
Total Taxes	2,367,650	2,367,650	2,590,894	223,244
Licenses and Permits:				
Building permits	45,640	45,640	96,148	50,508
Business license	10,000	10,000	10,920	920
Alcohol beverage licenses	26,600	26,600	24,900	(1,700)
Total Licenses and Permits	82,240	82,240	131,968	49,728
Fines and Forfeitures:				
Fines	646,948	646,948	653,131	6,183
Other police revenue	14,658	14,658	9,524	(5,134)
Total Fines and Forfeitures	$ 661,606	$ 661,606	$ 662,655	$ 1,049

The accompanying notes are an integral part of the statements.

CITY OF BYRON, GEORGIA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010
(CONTINUED)

	Budget Amounts			Variance Positive
	Original	Final	Actual	(Negative)
Intergovernmental Revenues:				
Local government payment in lieu of taxes	$ 475	$ 475	$ -	$ (475)
Georgia Department of Transportation	-	357,323	357,323	-
Department of Justice - ARRA	-	157,794	157,794	-
Other grants	1,000	1,850	3,314	1,464
Total Intergovernmental Revenues	1,475	517,442	518,431	989
Charges for Services:				
Rents	14,680	14,680	22,530	7,850
Administrative fees	2,593	2,593	5,273	2,680
Animal control fees	110	110	35	(75)
Total Charges for Services	17,383	17,383	27,838	10,455
Miscellaneous:				
Interest earnings	11,850	11,850	8,580	(3,270)
Insurance proceeds	5,000	15,081	37,289	22,208
Miscellaneous	28,334	28,334	16,126	(12,208)
Total Miscellaneous	45,184	55,265	61,995	6,730
Total Revenues	$ 3,175,538	$ 3,701,586	$ 3,993,781	$ 292,195

The accompanying notes are an integral part of the statements.

CITY OF BYRON, GEORGIA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010
(CONTINUED)

	Budget Amounts			Variance Positive
	Original	Final	Actual	(Negative)
Current:				
General Government:				
Administrative	$ 340,800	$ 387,251	$ 387,251	$ -
Executive	172,012	149,428	149,428	-
Municipal Court	224,862	224,811	224,811	-
Library	-	1,934	1,934	-
Planning and zoning	142,571	152,604	152,604	-
Public Safety:				
Police department	1,401,211	1,514,792	1,514,792	-
Fire department	250,973	262,798	262,798	-
Marshal	177,004	200,294	200,294	-
Public Works:				
Street	191,729	513,384	513,384	-
Public works administration	246,636	246,240	245,633	607
Debt Service:				
Capital leases - principal payments	-	45,390	45,390	-
Interest	-	801	801	-
Total expenditures	3,147,798	3,699,727	3,699,120	607
Excess (Deficiency) of Revenues Over (Under) Expenditures	27,740	1,859	294,661	292,802
Other Financing Sources (Uses):				
Transfer from:				
Hotel motel tax fund	84,050	84,050	103,597	19,547
Solid waste fund	28,653	28,653	28,653	-
Natural gas fund	-	-	28,210	28,210
Water and sewerage fund	245,600	245,600	204,666	(40,934)
Transfers to:				
Debt service fund	(369,654)	(369,654)	(369,637)	17
Capital improvements fund	(35,000)	(35,000)	(35,000)	-
Total Other Financing Sources (Uses)	(46,351)	(46,351)	(39,511)	6,840
Net change in fund balances	$ (18,611)	$ (44,492)	255,150	$ 299,642
Fund Balance - Beginning of year			2,050,441	
Fund Balance - End of year			$ 2,305,591	

The accompanying notes are an integral part of the statements.

(THIS PAGE INTENTIONALLY LEFT BLANK)

CITY OF BYRON, GEORGIA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2010

	Business-type Activities - Enterprise Funds			
	Water and Sewerage Fund	Natural Gas Fund	Nonmajor Solid Waste Fund	Total
ASSETS				
Current assets:				
Cash and cash equivalents	$ 1,475,897	$ 512,471	$ 57,887	$ 2,046,255
Restricted cash and cash equivalents: investments:				
Revenue bond covenant accounts	21,055	-	-	21,055
Certificates of deposit	141,201	-	-	141,201
Accounts receivable (Net of allowance for uncollectible)	82,000	-	32,235	114,235
Due from Jointly Owned Natural Gas	-	65,607	-	65,607
Due from other governments	545,828	-	-	545,828
Due from other funds	500,895	6,092	-	506,987
Total current assets	2,766,876	584,170	90,122	3,441,168
Noncurrent assets:				
Investment in Jointly Owned Natural Gas	-	156,519	-	156,519
Capital assets:				
Nondepreciable	2,678,825	-	-	2,678,825
Depreciable	4,189,371	-	-	4,189,371
Total noncurrent assets	6,868,196	156,519	-	7,024,715
Total Assets	9,635,072	740,689	90,122	10,465,883

The accompanying notes are an integral part of the statements.

CITY OF BYRON, GEORGIA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2010
(CONTINUED)

	Business-type Activities - Enterprise Funds			
			Nonmajor	
	Water and Sewerage Fund	Natural Gas Fund	Solid Waste Fund	Total
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable	$ 512,526	$ 52,404	$ 14,947	$ 579,877
Accrued interest payable	4,612	-	-	4,612
Due to other funds	13,150	100,031	17,892	131,073
Customer deposits	131,554	-	-	131,554
Accrued absences - current	11,185	-	-	11,185
Notes payable - current	37,217	-	-	37,217
Revenue bonds payable - current	12,000	-	-	12,000
Total current liabilities	722,244	152,435	32,839	907,518
Noncurrent liabilities:				
Accrued absences	1,973	-	-	1,973
Revenue bonds payable	82,000	-	-	82,000
Notes payable	669,616	-	-	669,616
Total noncurrent liabilities	753,589	-	-	753,589
Total Liabilities	1,475,833	152,435	32,839	1,661,107
Net Assets:				
Invested in capital assets, net of related debt	6,067,363	-	-	6,067,363
Restricted for debt retirement	15,000	-	-	15,000
Unrestricted	2,076,876	588,254	57,283	2,722,413
Total Net Assets	$ 8,159,239	$ 588,254	$ 57,283	$ 8,804,776

The accompanying notes are an integral part of the statements.

CITY OF BYRON, GEORGIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Business-type Activities - Enterprise Funds			
			Nonmajor	
	Water and Sewerage Fund	Natural Gas Fund	Solid Waste Fund	Total
Operating Revenues:				
Charges and fees	$ 1,281,967	$ 471,103	$ 233,343	$ 1,986,413
Penalties	28,449	-	1,397	29,846
Other	45	13,642	464	14,151
Total Operating Revenues	1,310,461	484,745	235,204	2,030,410
Operating Expenses:				
Salaries and benefits	273,513	-	33,516	307,029
Utilities	178,780	414,133	-	592,913
Maintenance and repairs	5,902	-	159	6,061
Operating materials	87,422	-	735	88,157
Contractual charges	-	-	171,157	171,157
Other operating expenses	109,715	4,997	7,816	122,528
Depreciation	243,613	-	1,439	245,052
Total Operating Expenses	898,945	419,130	214,822	1,532,897
Operating Income (Loss)	411,516	65,615	20,382	497,513
Nonoperating Revenues (Expenses):				
Interest revenue	9,078	2,908	270	12,256
Net income from joint venture	-	14,505	-	14,505
Interest expense	(88,987)	-	-	(88,987)
Total Nonoperating Revenues (Expenses)	$ (79,909)	$ 17,413	$ 270	$ (62,226)

The accompanying notes are an integral part of the statements.

CITY OF BYRON, GEORGIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010
(CONTINUED)

	Business-type Activities - Enterprise Funds			
			Nonmajor	
	Water and Sewerage Fund	Natural Gas Fund	Solid Waste Fund	Total
Income (loss) before contributions and transfers	$ 331,607	$ 83,028	$ 20,652	$ 435,287
Capital contributions	1,883,463	-	-	1,883,463
Transfers (out)	(204,666)	(112,472)	(28,653)	(345,791)
Change in net assets	2,010,404	(29,444)	(8,001)	1,972,959
Net Assets - Beginning of Year	6,148,835	617,698	65,284	6,831,817
Net Assets - End of Year	$ 8,159,239	$ 588,254	$ 57,283	$ 8,804,776

The accompanying notes are an integral part of the statements.

CITY OF BYRON, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Business-type Activities - Enterprise Funds			
			Nonmajor	
	Water and Sewerage Fund	Natural Gas Fund	Solid Waste Fund	Total
Cash Flows from Operating Activities:				
Cash received from customers	$ 800,684	$ 474,196	$ 231,840	$ 1,506,720
Cash paid to suppliers	(335,536)	(326,325)	(171,541)	(833,402)
Cash paid to employees	(272,828)	-	(33,516)	(306,344)
Net Cash Provided by (Used for) Operating Activities	192,320	147,871	26,783	366,974
Cash Flows from Noncapital Financing Activities:				
Transfer to other funds	(204,666)	(112,472)	(28,653)	(345,791)
Net Cash Provided by (Used for) Noncapital Financing Activities	(204,666)	(112,472)	(28,653)	(345,791)
Cash Flows from Capital and Related Financing Activities:				
Principal paid on note	(35,494)	-	-	(35,494)
Interest paid on note	(89,264)	-	-	(89,264)
Acquisition and construction of capital assets	(1,889,926)	-	-	(1,889,926)
Principal paid on revenue bonds	(12,000)	-	-	(12,000)
Capital contributions	1,883,463	-	-	1,883,463
Net Cash Provided by (Used for) Capital and Related Financing Activities	$ (143,221)	$ -	$ -	$ (143,221)

The accompanying notes are an integral part of the statements.

CITY OF BYRON, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010
(CONTINUED)

	Business-type Activities - Enterprise Funds			
			Nonmajor	
	Water and Sewerage Fund	Natural Gas Fund	Solid Waste Fund	Total
Cash Flows from Investing Activities:				
Purchase of investments	$ (1,972)	$ -	$ -	$ (1,972)
Net income from JONG	-	14,505	-	14,505
Interest earnings	9,078	2,908	270	12,256
Net Cash Provided by (Used for) Investing Activities	7,106	17,413	270	24,789
Net Increase (Decrease) in Cash and Cash Equivalents	(148,461)	52,812	(1,600)	(97,249)
Cash and Cash Equivalents at Beginning of Year	1,645,413	459,659	59,487	2,164,559
Cash and Cash Equivalents at End of Year	$ 1,496,952	$ 512,471	$ 57,887	$ 2,067,310
Classified as:				
Current assets	$ 1,475,897	$ 512,471	$ 57,887	$ 2,046,255
Restricted assets	21,055	-	-	21,055
Total Cash and Cash Equivalents	$ 1,496,952	$ 512,471	$ 57,887	$ 2,067,310

The accompanying notes are an integral part of the statements.

CITY OF BYRON, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010
(CONTINUED)

	Business-type Activities - Enterprise Funds			
			Nonmajor	
	Water and Sewerage Fund	Natural Gas Fund	Solid Waste Fund	Total
Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities:				
Net operating income	$ 411,516	$ 65,615	$ 20,382	$ 497,513
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	243,613	-	1,439	245,052
Changes in Assets and Liabilities:				
(Increase) decrease in accounts receivable	36,051	3,956	(3,364)	36,643
(Increase) decrease in due from other governments	(545,828)	-	-	(545,828)
(Increase) decrease in due from other funds	(447,805)	-	(4,426)	(452,231)
(Increase) decrease in investment in JONG	-	(14,505)	-	(14,505)
Increase (decrease) in accounts payable	513,576	6,112	1,085	520,773
Increase (decrease) in accrued vacation absences	685	-	-	685
Increase (decrease) in due to other funds	(19,488)	86,693	11,667	78,872
Total Adjustments	(219,196)	82,256	6,401	(130,539)
Net Cash Provided by Operating Activities	$ 192,320	$ 147,871	$ 26,783	$ 366,974

The accompanying notes are an integral part of the statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Byron was incorporated in 1874 under the provision of an Act of the General Assembly of Georgia. The City operates under a mayor-council form of government and provides the following services as authorized by its charter: public safety, highways and streets, sanitation, health and social services, recreation and general administrative services.

The accounting policies of the City of Byron conform to generally accepted accounting principles as applicable to governments. The following is a summary of the City's more significant policies applied in the preparation of the accompanying financial statements.

A. Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Byron, Georgia (primary government) and any component units. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. In addition, a component unit can be another organization for which the nature and significance of its relationship with a primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Blended component units, although legally separate entities, are, in substance, part of the City's operations.

The component unit discussed below is included in the City's reporting entity because of the significance of its operational and financial relationship with the City. In conformity with generally accepted accounting principles, as set forth in Statement of Governmental Accounting Standards No. 14, *The Financial Reporting Entity*, the financial statements of the component unit have been included as a discretely presented component unit.

Blended Component Unit

The City of Byron Redevelopment Authority (the "Authority") was created April 11, 1979 to promote projects in connection with the redevelopment or revitalization of urban, central city or downtown areas for the public good and welfare of the City of Byron, Georgia. The governing board of the Authority is appointed by City Council for a three-year term. The Authority is presented as a debt service fund. The Redevelopment Authority does not issue separate financial statements.

Discretely Presented Component Units

The City of Byron Development Authority (the "Authority") was formed in 1998 to promote and expand industry, welfare and trade for the public good and welfare of the City of Byron, Georgia. The governing board of the Authority is appointed by City Council for a four-year term. The Development Authority is audited along with the primary government financial statements and separate financial statements are not prepared.

The City of Byron Downtown Development Authority was inactive and had no assets or liabilities as of December 31, 2010.

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

Middle Georgia Regional Commission
175-C Emery Highway
Macon, Georgia 31217

Related Organizations

The Housing Authority of the City of Byron, Georgia, is considered a related organization based upon the criteria in GASB Statement 14. The Housing Authority is a legally separate entity having a board composed of members appointed originally by the City of Byron, Georgia. The City of Byron, Georgia is not able to impose its will upon the Housing Authority and a financial benefit/burden relationship does not exist between them. Therefore, based upon the criteria above, the Housing Authority of the City of Byron, Georgia is a related organization.

The City of Byron Georgia joined the Jointly Owned Natural Gas (JONG) in November 2008. The JONG was established to provide maintenance and related services for a natural gas transmission line serving the cities of Perry, Warner Robins, Hawkinsville, Cochran and their customers. A board of directors, composed of one member from each of the cities, manages the JONG. The JONG's major source of revenue consists of reimbursements for operating expense and capital outlays from member cities. JONG's financial records are maintained on a fiscal year ending September 30 of each year. A separately issued financial report is available and may be obtained from:

Jointly Owned Natural Gas
P.O. Box 1545
Warner Robins, GA 31099

As of December 31, 2010, the City has an approximate 10 percent equity interest in the JONG. This equity interest is recorded in the proprietary funds statement of net assets.

B. Government-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to 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 of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

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 reported 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 fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The government reports the following major governmental funds:

General Fund – The General Fund 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 Purpose Local Option Sales Tax (SPLOST) 2008 – The Construction Fund accounts for the proceeds of a bond issued by Peach County, Georgia and the related capital expenditures.

Special Purpose Local Option Sales Tax (SPLOST) 1999 – The SPLOST Fund accounts for capital expenditures paid with the special purpose local option sales tax.

The government reports the following major proprietary funds:

Water & Sewer – The Water and Sewer Fund accounts for the activities of the water and sewer distributions system.

Natural Gas – The Natural Gas Fund accounts for the activities of the natural gas distribution system.

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Water and Sewer Fund, Natural Gas Fund and Solid Waste Fund are charges to customers for sales and services. 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 nonoperating revenues and expenses.

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

The City applies all applicable Governmental Accounting Standards Board (GASB) pronouncements in accounting and reporting for its proprietary operations as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, APB opinions, and ARBS.

D. Deposits and Investments

The government's cash and cash equivalents are considered cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

E. Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

F. Other Receivables

All trade and property tax receivables are shown net of an allowance for doubtful accounts. The allowance is determined based upon prior experience.

G. Inventory

Inventories of expendable supplies held for consumption are not considered material and are recorded as expenditures, or expenses, as appropriate, when purchased.

H. Restricted Assets

Certain assets of the enterprise funds are classified as restricted assets because their use is restricted by bond covenants.

I. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more

than $5,000 and an estimated useful life in excess of two years. Such assets are valued at cost or estimated historical cost if purchased or constructed. Donated capital assets are valued at their estimated fair market value on the date donated.

General infrastructure assets acquired prior to January 1, 2004 are not reported in the basic financial statements.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

	Estimated Lives	
Asset Class	Governmental Activities	Business-type Activities
Buildings and improvements	5-30 years	n/a
Infrastructure	30 years	30 years
Equipment, vehicles, intangibles	5-10 years	5-10 years
Distribution system	n/a	10-50 years

J. Deferred Revenue

The City of Byron reports deferred revenue on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the City of Byron before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City of Byron has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

K. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest 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 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 the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

L. 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 use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

M. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; and errors or omissions. The City purchases commercial insurance for these types of risk. For these risks, settlements have not exceeded coverage for the past three years. The City had no significant reduction in insurance coverage from coverage in the prior year.

N. Prepaid Expense

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING

A. Budget Process

An annual operating budget is prepared for the General Fund and the Special Revenue Funds. Budgets are prepared for the Capital Projects Funds on a project-length basis, which usually covers two or more fiscal years. The budget officer formulates and remits the budget to the Mayor and Council. After a review by the Mayor and Council and public hearing, a final budget is approved when the budget resolution is adopted.

The City Clerk is delegated the authority, upon the direction of and approval by the Mayor and Council to transfer sums from one budget line item to another. No increase in the overall budget for the City may be made without the approval of the Mayor and Council and amendment to the budget.

The legal level of budgetary control is the department level. The council made supplemental budgetary appropriations throughout the year, which were not considered material.

All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual has been prepared on the basis described above.

B. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City. Budget to Generally Accepted Accounting Principal Basis reconciliations are not required.

C. Deficit Fund Equity

The SPLOST 1999 capital projects fund had a deficit fund balance of $147,954. The fund incurred expenditures prior to the receipt of special local option sales taxes. In 2011, the intergovernmental agreement was modified to provide the City with additional funds.

NOTE 3 – DEPOSITS AND INVESTMENTS

A. Custodial Credit Risk - Deposits

The custodial credit risk for deposits is the risk that in the event of the failure of the bank, the government will not be able to recover deposits. The City's bank balances of deposits as of December 31, 2010 are entirely insured or collateralized with securities held by the City's agent in the City's name. State statues 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.

The Byron Development Authority, a discretely presented component unit, bank balances of deposits as of December 31, 2010 are entirely insured or collateralized with securities held by the Authority's agent in the Authority's name. 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.

B. Investments

Custodial credit risk. For an investment, the custodial risk is the risk that in the event of the failure of the counter-party to a transaction, an entity will not be able to recover the value of the investment or collateral securities that are in possession of an outside party. The City had no such investments with such risk as of December 31, 2010.

Interest rate risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. Georgia law allows investments in obligations of the U.S. Treasury, other U.S. Governmental Agencies, State of Georgia, other states, prime banker's acceptance, repurchase agreements, other political subdivisions of Georgia.

NOTE 4 – TAX REVENUE

A. Property Taxes

State law requires that property taxes be based on assessed value, which is 40% of market value. All real and personal property (including motor vehicles) are valued as of January 1 of each year and must be returned for tax purposes by March 1. With the exception of motor vehicles and the property of public utilities, which are valued by the State Revenue Department, all assessments are made by a joint Board of Tax Assessors of Peach County.

Upon completion of all assessments and tax returns, the information is turned over to the Peach County Tax Commissioner for compilation of the tax digest. The completed tax digest must be submitted to the State Revenue Commissioner for approval. The State Revenue Commissioner must ascertain that real property on the tax digest has been assessed at the state mandated forty percent (40%) of fair market value. The Commissioner has the option to withhold certain state funding if the mandated 40% level is not reached.

Taxes were levied on December 14th and were due and payable on or before February 15th.

B. Hotel/Motel Excise Tax

A summary of the hotel/motel excise tax expenditures and receipts for the year ended December 31, 2010, are as follows:

Expenditures by Purpose	Amount	Hotel/Motel Tax Receipts	Percentage
Convention & Visitors Bureau	$ 69,066	$ 172,663	40%
General fund	103,597	172,663	60%

NOTE 5 – OTHER RECEIVABLES

Receivables have been reduced to their estimated net realizable value, based upon historical experience rates. Receivables at December 31, 2010, consist of the following:

	General Fund	Water Sewerage	Natural Gas	Nonmajor Enterprise Fund	Nonmajor Governmental Funds	Total
Receivables:						
Taxes	$ 1,673,618	$ -	$ -	$ -	$ 43,897	$ 1,717,515
Accounts	6,691	159,306	22,123	60,165	-	248,285
Gross Receivables	1,680,309	159,306	22,123	60,165	43,897	1,965,800
Less: Allowance for uncollectibles	(296,050)	(77,306)	(22,123)	(27,930)	-	(423,409)
Net Total Receivables	$ 1,384,259	$ 82,000	$ -	$ 32,235	$ 43,897	$ 1,542,391

NOTE 6 – DUE FROM OTHER GOVERNMENTS

The General Fund reflects $47,614 in Due from Other Governments, which represents $24,425 in local option sales tax due from the Georgia Department of Revenue and $23,189 in grant funds due from the Department of Justice.

The Water and Sewerage Fund reflects $545,828 in Due from Other Governments, which represents grant funds due from the Georgia Environmental Facilities Authority (GEFA).

NOTE 7 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The interfund receivables and payables at December 31, 2010, were as follows:

Receivable Fund	Payable Fund	Amount
General	SPLOST 1999	$ 110,016
	Natural Gas	92,482
	Nonmajor Enterprise	8,622
	Nonmajor Governmental	33,233
SPLOST 2008	General	13,289
	Water and Sewerage	13,150
Water and Sewerage	General	436,773
	SPLOST 1999	8,000
	Natural Gas	7,549
	Nonmajor Enterprise	3,178
	Nonmajor Governmental	45,395
Natural Gas	Nonmajor Enterprise	6,092
Nonmajor Governmental	General	46,667
Total		$ 824,446

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

A reconciliation of transfers is as follows:

	Transfer In:		
Transfer out:	General Fund	Nonmajor Governmental	Total
General Fund	$ -	$ 404,637	$ 404,637
Water and Sewerage	204,666	-	204,666
Natural Gas Fund	28,210	84,262	112,472
Nonmajor Enterprise	28,653	-	28,653
Nonmajor Governmental	103,597	-	103,597
Total	$ 365,126	$ 488,899	$ 854,025

Transfers are used to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

NOTE 8 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2010, was as follows:

Primary Government

	Balance January 1, 2010	Increases	Decreases	Balance December 31, 2010
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 621,850	$ 24,242	$ -	$ 646,092
Construction in progress	-	1,097,004	-	1,097,004
Capital assets, being depreciated:				
Infrastructure	5,246,450	315,157	-	5,561,607
Buildings and improvements	6,723,881	-	-	6,723,881
Vehicles	819,366	127,185	(91,025)	855,526
Intangible	-	84,262	-	84,262
Machinery and equipment	638,906	15,190	-	654,096
Total capital assets	14,050,453	1,663,040	(91,025)	15,622,468
Less: accumulated depreciation				
Infrastructure	(452,613)	(179,027)	-	(631,640)
Buildings and improvements	(1,150,716)	(206,466)	-	(1,357,182)
Vehicles	(629,543)	(70,416)	52,115	(647,844)
Intangible	-	(27,877)	-	(27,877)
Machinery and equipment	(623,262)	(36,966)	-	(660,228)
Total accumulated depreciation	(2,856,134)	(520,752)	52,115	(3,324,771)
Governmental activities capital assets, net	$ 11,194,319	$ 1,142,288	$ (38,910)	$ 12,297,697

The following is a summary of proprietary fund-type capital assets at December 31, 2010:

	Balance January 1, 2010	Increases	Decreases	Reclassifications	Balance December 31, 2010
Business-type activities:					
Capital assets, not being depreciated:					
Land	$ 156,769	$ -	$ -	$ -	$ 156,769
Construction in progress	1,228,863	1,876,075	-	(582,882)	2,522,056
Capital assets, being depreciated:					
Distribution system	6,523,645	-	-	582,882	7,106,527
Equipment and vehicles	851,900	13,850	-	-	865,750
Total capital assets	8,761,177	1,889,925	-	-	10,651,102
Less: accumulated depreciation					
Distribution system	(2,879,451)	(192,127)	-	-	(3,071,578)
Equipment and vehicles	(658,403)	(52,925)	-	-	(711,328)
Total accumulated depreciation	(3,537,854)	(245,052)	-	-	(3,782,906)
Business-type activities capital assets, net	$ 5,223,323	$ 1,644,873	$ -	$ -	$ 6,868,196

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

Governmental activities:

General government	$ 244,733
Public safety	96,679
Public works	179,340
Total	$ 520,752

Business-type activities:

Water and sewerage	$ 243,613
Solid waste	1,439
Total	$ 245,052

Discretely presented component unit

Activity for the Development Authority for the year ended December 31, 2010, was as follows:

	Balance January 1, 2010	Increases	Decreases	Balance December 31, 2010
Capital assets, not being depreciated:				
Land	$ 332,863	$ 1,007,284	$ (332,863)	$ 1,007,284
Total capital assets	$ 332,863	$ 1,007,284	$ (332,863)	$ 1,007,284
Development Authority capital assets	$ 332,863	$ 1,007,284	$ (332,863)	$ 1,007,284

NOTE 9 – LONG-TERM DEBT

Capital Leases

The government has entered into lease agreements as lessee for financing the acquisition of a fire truck and police cars. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. All leases were paid off in 2010.

The assets acquired through capital leases are as follows:

	Governmental Activities
Asset:	
Vehicles	$ 96,788
Less: accumulated depreciation	(77,430)
Total	$ 19,358

Revenue Bonds

The City has one series of Revenue Bonds issued in the amount of $282,000 at an interest rate of 5% in the Water and Sewerage Fund:

	Water and Sewerage Fund
Principal Outstanding December 31, 2010	$ 94,000
Interest rate	5%
Interest Payable on	June 1st and December 1st
Principal Payable on	December 1st

The bonds are secured by a pledge of the revenues from the operation of the City's Water and Sewerage fund subject to payment of the reasonable and necessary costs of operating and maintaining the fund's facilities and systems.

The bonds were issued to provide funds to finance, in whole or in part, the cost of adding to, extending, improving and equipping the City's water and sewerage system, acquiring the necessary property and to pay related expenses.

The bond ordinances require that all revenues arising from the operations of the systems be deposited into the system revenue accounts and disbursed in the following manners and order:

1. Payment of reasonable and necessary costs of operating, maintaining and repairing the system into the operations and maintenance account. The ordinance also allows the City to maintain in reserve an amount equal to thirty days working capital.

2. Payment on or before the 15th of the month an amount equal to one-sixth of the interest payable on the next ensuing interest payment date and an amount equal to one-twelfth of the principal payable on the next ensuing principal payment date.

3. Payments into the Renewal and Extension of all remaining funds.

4. Revenue bond debt service to maturity is as follows:

	Principal	Interest
2011	$ 12,000	$ 4,700
2012	12,000	4,100
2013	12,000	3,500
2014	14,000	2,900
2015	14,000	2,200
2016-2017	30,000	2,300
Total	$ 94,000	$ 19,700

Notes Payable

On February 27, 2001, the City entered into a contract with the Georgia Environmental Facilities Authority to provide financing for the improvement of its sewerage treatment facilities. The total proceeds for the loan were $497,333. The loan is to be paid over a twenty-year period starting November 1, 2002, on a quarterly basis. Interest is at 5.15%.

On September 26, 2007, the City entered into a contract with the Georgia Environmental Facilities Authority to provide financing to purchase a sewer lift station from Fort Valley. The

total proceeds for the loan were $394,646. The loan is to be paid over a twenty year period starting November 1, 2007, on a monthly basis. Interest is at 4.2%.

The annual requirements to amortize the two notes at December 31, 2010, are as follows:

	2001 GEFA Loan			2007 GEFA Loan		
	Interest	Principal	Total	Interest	Principal	Total
2011	$ 17,923	$ 22,057	$ 39,980	$ 14,437	$ 15,160	$ 29,597
2012	16,765	23,215	39,980	13,787	15,809	29,596
2013	15,546	24,434	39,980	13,111	16,486	29,597
2014	14,264	25,716	39,980	12,405	17,192	29,597
2015	12,913	27,067	39,980	11,669	17,928	29,597
2016-2020	54,612	158,201	212,813	46,149	101,834	147,983
2021-2025	4,441	75,518	79,959	22,399	125,584	147,983
2026-2027	-	-	-	1,292	40,632	41,924
Total	$136,464	$356,208	$492,672	$135,249	$350,625	$485,874

Blended component unit

Revenue Bonds

In 2007, the Redevelopment Authority issued $5,070,000 of revenue bonds to finance the construction of the new municipal complex. Revenue bonds outstanding at year end are $5,070,000 with an interest rate that varies from 3.35% to 4.25%. The maturity date of the revenue bonds is 2029.

Revenue bond debt service requirements to maturity are as follows:

	Principal	Interest
2011	$ 175,000	$ 193,958
2012	185,000	188,009
2103	190,000	181,626
2014	195,000	174,976
2015	205,000	167,976
2016-2020	1,150,000	718,581
2021-2025	1,415,000	471,028
2026-2029	1,385,000	149,568
Total	$ 4,900,000	$ 2,245,722

Discretely Presented Component Unit

In 2010, the Development Authority obtained a $225,000 line of credit with Atlantic Southern Bank to help cover the cost of the development of 40.15 acres in Peach County, known as the Holleman Tract, The Roost. $0 has been drawn down on the line of credit as of December 31, 2010.

Changes in Long-Term Obligations

The following is a summary of long-term debt transactions of the City for the year ended December 31, 2010:

	Beginning Balance	Additions	Deductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Long-term debt					
Capital leases	$ 45,390	$ -	$ (45,390)	$ -	$ -
Compensated absences	103,883	60,569	(81,251)	83,201	70,720
Redvelopment Authority:					
Bonds payable	5,070,000	-	(170,000)	4,900,000	175,000
Less: deferred amounts					
Discount on bonds	(32,321)	-	1,901	(30,420)	-
Total Long-term debt	$ 5,186,952	$ 60,569	$ (294,740)	$ 4,952,781	$ 245,720

For the governmental activities, compensated absences are generally liquidated by the General Fund.

	Beginning Balance	Additions	Deductions	Ending Balance	Amounts Due Within One Year
Business-type Activities:					
Long-term debt					
Revenue bonds	$ 106,000	$ -	$ (12,000)	$ 94,000	$ 12,000
GEFA loan 2001	377,164	-	(20,956)	356,208	22,057
GEFA loan 2007	365,163	-	(14,538)	350,625	15,160
Compensated absences	12,473	11,249	(10,564)	13,158	11,185
Total Long-term debt	$ 860,800	$ 11,249	$ (58,058)	$ 813,991	$ 60,402

NOTE 10 – RESTRICTED ASSETS

The balances of the restricted asset accounts in the enterprise funds are as follows:

Water and Sewerage Fund	
Revenue bond debt service account	$ 21,055
Certificate of deposit	141,201
Total restricted assets	162,256

NOTE 11 – PENSION PLAN

Plan Description

The City's defined benefit pension plan, City of Byron Retirement Plan, (the Plan) provides retirement, disability and death benefits to plan members and beneficiaries. These retirement provisions were established by an adoption agreement executed by City Council. The Plan is affiliated with the Georgia Municipal Employees Benefit System (GMEBS) an agent multiple-employer pension plan administered by the Georgia Municipal Association. The Georgia Municipal Association issues a publicly available financial report on GMEBS that includes financial statements and required supplementary information. That report may be obtained by writing to Georgia Municipal Association, 201 Pryor Street, Atlanta, Georgia 30303-3606.

Significant Accounting Policies

Basis of Accounting. The City of Byron financial statements are prepared using the modified accrual basis. Employer contributions are recognized in the period that the contributions are due.

Funding Policy

The plan members are not required to contribute to the plan. The City is required to contribute at an actuarially determined rate; the current rate is 18.33% of annual covered payroll. The contribution requirements of the City are established and may be amended by the GMEBS Board of Trustees.

The City had the following changes to their actuarial assumptions since the last valuation:

- The mortality table for healthy participants was changed from the 1983 Group Annuity Mortality Table without Margin to the sex-distinct RP-2000 Combined Mortality Table set forward two years in age for males and one year in age for females.
- The mortality table for disabled participants was changed from the 1944 Railroad Retirement Board Male Ultimate Disabled Mortality to the sex-distinct RP-2000 Disabled Retiree Mortality Table set forward two years in age for males and one year in age for females.
- The salary increase assumption was changed from 5.50% each year to a table of rates based on age and service.

- The investment return assumption was changed from 8.00% to 7.75% per annum.
- The inflation rate assumption was changed from 5.00% to 3.50% per annum.
- The COLA assumption was changed from 5.00% to 3.50% for participants hired prior to 4/1/92.
- The asset method was changed to temporarily widen the corridor.

Annual Pension Cost

For the plan year, the City's annual pension cost of $424,136 was equal to the City's required and actual contributions.

The City's annual pension cost and net pension obligation (asset) for the pension plan for the current year were determined as follows:

Normal cost	$ 424,136
Payment on unfunded actuarial accrued liability	-
Annual pension cost	424,136
Contributions	(424,136)
Increase in pension obligation (asset)	-
Net pension obligation (asset) 12/31/09	-
Net pension obligation (asset) 12/31/10	$ -

Three-Year Trend Information for the Plan

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
2010	$ 424,136	100%	$ -
2009	312,319	100%	-
2008	210,961	100%	-

The required contribution was determined as part of the July 1, 2010 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), and (b) projected salary increases of 3.5% plus age and service based merit increases. The Plan's unfunded actuarial accrued liability is being amortized (closed level dollar method) over 30 years from 1982 and changes in the unfunded actuarial accrued liabilities over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods.

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2010, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll ((b-a)/c)
7/1/2010	$ 5,369,881	$ 6,207,269	$ 837,388	86.51%	$ 1,727,283	48.48%

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of December 31, 2010.

Additional Information

Additional information as of the latest actuarial valuation follows:

Valuation date	7/1/2010
Actuarial cost method	projected unit credit
Amortization method	closed level dollar for remaining unfunded liability
Remaining amortization period	10 years
Asset valuation method	Sum of actuarial value at beginning of year and the cash flows during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at the end of the year. The actuarial value is adjusted, if necessary, to be within 50% of market value for 2009, 44% of market value for 2010, 38% of market value for 2011, 32% market value for 2012, 26% market value for 2013, and 20% market value for 2014 and later years.
Actuarial Assumptions:	
Investment rate of return	7.75%
Projected salaries increases	3.50%
COLAs	3.50% for participants hired prior to 4/1/92 3.00% for participants hired on or after 4/1/92

Membership of the plan:	
Retirees and beneficiaries receiving benefits	15
Terminated plan members entitled to, but not yet receiving benefits	12
Active plan members	52
Total	79

NOTE 12 – POST-EMPLOYMENT BENEFITS

In accordance with City resolution, the City provides life insurance in the amount of $7,500 to retired employees. Currently, 5 retirees participate in the life insurance benefits plan. The accounting and funding policies followed by the City are on a pay-as-you-go basis. For 2010, the cost of retirees' life insurance benefits was $158. The amounts associated with the plan are immaterial to the financial statements and accordingly, the City has elected not to implement Governmental Accounting Standards Board Statement 43, "Financial Reporting for Postretirement Benefit Plans Other Than Pension Plans".

NOTE 13 – CONTINGENT LIABILITIES

Litigation

During the course of normal operations of the City, various claims and lawsuits arise. The City attorney has advised that there are no potential liabilities that will impair the City's financial position as of the date of this audit report.

Grants

Amounts received or receivable from grant 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 that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BYRON, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2010

GEORGIA MUNICIPAL EMPLOYEES BENEFIT SYSTEM
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Year	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Funded Ratio (a/b)	Unfunded/ (Assets in Excess of) AAL (b-a)	Covered Payroll (c)	Unfunded/ (Assets in Excess of) AAL as a Percentage of Covered Payroll {(b-a)/c}
7/1/2010	$ 5,369,881	$ 6,207,269	86.51%	$ 837,388	$ 1,727,283	48.48%
7/1/2009	4,086,155	5,975,909	68.38%	1,889,754	1,680,118	112.48%
7/1/2008	5,429,900	5,649,122	96.12%	219,222	1,635,364	13.41%
7/1/2007	5,163,945	5,226,411	98.80%	62,466	1,559,030	4.01%
7/1/2006	4,868,177	4,953,989	98.27%	85,812	1,422,534	6.03%
7/1/2005	4,574,789	4,825,123	94.81%	250,334	1,185,103	21.12%

SCHEDULE OF EMPLOYER'S CONTRIBUTIONS

Year Ended December 31,	Annual Required Contribution	Percentage Contributed
2010	$ 424,136	100%
2009	312,319	100%
2008	210,961	100%

SUPPLEMENTARY INFORMATION

(THIS PAGE INTENTIONALLY LEFT BLANK)

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Law Enforcement Confiscation Fund – This fund is used to account for funds confiscated from criminal activity and their expenditures in compliance with State and Federal laws.

Hotel/Motel Tax Fund – This fund is used to account for funds collected from the hotel/motel tax and disbursed to other governmental agencies.

Debt Service Fund

Debt service funds account for the accumulation of resources for the principle payment, interest and related costs of long-term debt.

Capital Projects Funds

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary and trust funds.

Special Purpose Local Option Sales Tax (SPLOST) 1994 Fund – This fund is used to account for capital expenditures paid with the special purpose local option sales tax.

Special Purpose Local Option Sales Tax (SPLOST) 2004 Fund – This fund is used to account for capital expenditures paid with the special purpose local option sales tax.

Capital Improvements Fund – This fund is used to account for the purchase or construction of major capital facilities or equipment for the City.

CITY OF BYRON, GEORGIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2010

	Special Revenue Funds			Capital Projects Funds			Total Nonmajor Governmental Funds
	Law Enforcement Confiscation	Hotel/Motel Tax Fund	Debt Service Fund	SPLOST 1994	SPLOST 2004	Capital Improvements	
ASSETS							
Cash and cash equivalents	$ 17,787	$ 33,137	$ 134	$ 11,642	$ 727,872	$ 434,892	$ 1,225,464
Receivables, net of allowance							
Taxes	-	43,897	-	-	-	-	43,897
Due from other funds	-	-	-	-	-	46,667	46,667
Total Assets	$ 17,787	$ 77,034	$ 134	$ 11,642	$ 727,872	$ 481,559	$ 1,316,028
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	$ -	$ 17,885	$ -	$ -	$ -	$ -	$ 17,885
Due to other funds	-	33,233	-	4,855	40,540	-	78,628
Deferred revenue	-	25,916	-	-	-	-	25,916
Total Liabilities	-	77,034	-	4,855	40,540	-	122,429
Fund Balances:							
Unreserved, reported in							
Capital Projects Funds	-	-	-	-	-	481,559	481,559
Reserved for capital outlay	-	-	-	6,787	687,332	-	694,119
Reserved for debt service	-	-	134	-	-	-	134
Reserved for public safety	17,787	-	-	-	-	-	17,787
Total Fund Balances	17,787	-	134	6,787	687,332	481,559	1,193,599
Total Liabilities and Fund Balances	$ 17,787	$ 77,034	$ 134	$ 11,642	$ 727,872	$ 481,559	$ 1,316,028

CITY OF BYRON, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Special Revenue Funds			Capital Projects Funds			Total
	Law Enforcement Confiscation	Hotel/Motel Tax Fund	Debt Service Fund	SPLOST 1994	SPLOST 2004	Capital Improvements	Nonmajor Governmental Funds
Revenues:							
Taxes							
Other taxes	$ -	$ 172,663	$ -	$ -	$ -	$ -	$ 172,663
Fines	20,448	-	-	-	-	-	20,448
Investment earnings	58	-	35	35	4,998	4,056	9,182
Total Revenues	20,506	172,663	35	35	4,998	4,056	202,293
Expenditures:							
Current:							
General government	-	69,066	-	-	-	-	69,066
Public safety	9,709	-	-	-	-	-	9,709
Debt Service:							
Principal	-	-	170,000	-	-	-	170,000
Interest	-	-	199,654	-	-	-	199,654
Capital Outlay	-	-	-	-	-	84,262	84,262
Total Expenditures	9,709	69,066	369,654	-	-	84,262	532,691
Excess (Deficiency) of Revenues Over (Under) Expenditures	10,797	103,597	(369,619)	35	4,998	(80,206)	(330,398)
Other Financing Sources (Uses):							
Transfers from other funds	-	-	369,637	-	-	119,262	488,899
Transfers to other funds	-	(103,597)	-	-	-	-	(103,597)
Total other financing sources (uses)	-	(103,597)	369,637	-	-	119,262	385,302
Net change in fund balances	10,797	-	18	35	4,998	39,056	54,904
Fund Balance - Beginning of year	6,990	-	116	6,752	682,334	442,503	1,138,695
Fund Balance - End of year	$ 17,787	$ -	$ 134	$ 6,787	$ 687,332	$ 481,559	$ 1,193,599

CITY OF BYRON, GEORGIA

LAW ENFORCEMENT CONFISCATION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Fines and forfeitures	$ 50,000	$ 20,448	$ (29,552)
Interest income	-	58	58
Total Revenues	50,000	20,506	(29,494)
Expenditures:			
Current:			
Public safety	50,000	9,709	40,291
Total Expenditures	50,000	9,709	40,291
Net change in fund balances	$ -	10,797	$ 10,797
Fund Balance - Beginning of year		6,990	
Fund Balance - End of year		$ 17,787	

CITY OF BYRON, GEORGIA

HOTEL MOTEL TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Hotel Motel Tax	$ 172,663	$ 172,663	$ -
Total Revenues	172,663	172,663	-
Expenditures:			
Current:			
Convention and Visitors Bureau	69,066	69,066	-
Total Expenditures	69,066	69,066	-
Excess of Revenues Over (Under) Expenditures	103,597	103,597	-
Other Financing Sources (Uses):			
Transfers to General Fund	(103,597)	(103,597)	-
Total Other Financing Sources (Uses)	(103,597)	(103,597)	-
Net change in fund balances	$ -	-	$ -
Fund Balance - Beginning of year		-	
Fund Balance - End of year		$ -	

CITY OF BYRON, GEORGIA

DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Interest income	$ -	$ 35	$ 35
Total Revenues	-	35	35
Expenditures:			
Debt Service:			
Principal	170,000	170,000	-
Interest	199,654	199,654	-
Total Expenditures	369,654	369,654	-
Excess (deficiency) of revenues over (under) expenditures	(369,654)	(369,619)	35
Other Financing Sources (Uses):			
Transfers from General Fund	369,654	369,637	17
Total Other Financing Sources (Uses)	369,654	369,637	17
Net change in fund balances	$ -	18	$ 18
Fund Balance - Beginning of year		116	
Fund Balance - End of year		$ 134	

CITY OF BYRON, GEORGIA

SCHEDULE OF PROJECTS CONSTRUCTED
WITH SPECIAL SALES TAX PROCEEDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Original Estimated Cost	Revised Estimated Cost	Expenditures			Estimated Percentage of Completion
			Prior Years	Current Year	Total	
Special Local Option Sales Tax 1994						
Water System Improvements	$ 1,225,000	$ 1,225,000	$ 1,731,041	$ -	$ 1,731,041	141%
Total Local EDA Projects	1,050,000	1,050,000	1,050,000	-	1,050,000	100%
Total Expenditures	$ 2,275,000	$ 2,275,000	$ 2,781,041	$ -	$ 2,781,041	N/A
Special Local Option Sales Tax 1999						
Roads, Streets and Bridges	$ 250,000	$ 250,000	$ 330,740	$ -	$ 330,740	132%
Wastewater Collection and Treatment	-	5,500,000	1,040,709	157,611	1,198,320	22%
Total Expenditures	$ 250,000	$ 5,750,000	$ 1,371,449	$ 157,611	$ 1,529,060	N/A
Special Local Option Sales Tax 2004						
Recreational Facility/ Complex Building	$ 500,000	$ 500,000	$ 519,490	$ -	$ 519,490	104%
Sewer and Water System Improvements	750,000	750,000	146,833	-	146,833	20%
Total Expenditures	$ 1,250,000	$ 1,250,000	$ 666,323	$ -	$ 666,323	N/A
Special Local Option Sales Tax 2008						
Roads, Streets and Bridges	$ 1,566,000	$ 1,566,000	$ -	$ 813,701	$ 813,701	52%
Cultural, Historical and Recreational Facilities	75,000	75,000	-	15,853	15,853	21%
Sewer and Water System	1,044,000	1,044,000	-	46,114	46,114	4%
Bond interest and Costs of Issuance	390,000	390,000	-	-	-	0%
Total Expenditures	$ 3,075,000	$ 3,075,000	$ -	$ 875,668	$ 875,668	N/A

(THIS PAGE INTENTIONALLY LEFT BLANK)

SINGLE AUDIT SECTION

CITY OF BYRON, GEORGIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010

Federal/Grantor/Pass-Through Grantor/Program Title or Cluster Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Program or Award Amount	Federal Expenditures
U.S. Department of Justice				
Direct Programs				
ARRA - COPS	2009-SD-B9-0089	16.710	$ 348,421	$ 157,795
Federal Forfeiture Program	GA1110200	16.000	5,440	-
Total U.S. Department of Justice				157,795
Environmental Protection Agency				
Passed through Georgia Environmental Finance Authority:				
ARRA - Sewer Line Rehabilitation	CWSRF 09-003	66.458	2,720,820	1,535,762
Total Environmental Protection Agency				1,535,762
Total Expenditures of Federal Awards				$ 1,693,557

The accompanying notes are an integral part of these financial statements

CITY OF BYRON, GEORGIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City of Byron, Georgia under programs of the federal government for the year ended December 31, 2010. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the City of Byron, Georgia, it is not intended to and does not present the financial position, changes in net assets or cash flows of the City of Byron, Georgia.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

NOTE 3 – SUBRECIPIENTS

The City of Byron, Georgia had no major programs that provided amounts to subrecipients.

CITY OF BYRON, GEORGIA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2010

FEDERAL AWARD FINDINGS

Findings noted on the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with *OMB Circular A-133:*

NONE REPORTED

CLH&P CLIFTON, LIPFORD, HARDISON & PARKER, LLC

J. Russell Lipford, Jr., CPA
Mark O. Hardison, CPA
Terry I. Parker, CPA
Christopher S. Edwards, CPA
Lynn S. Hudson, CPA
Kevin E. Lipford, CPA

Member of
American Institute of
Certified Public Accountants
Truman W. Clifton (1902-1989)

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*

Mayor and City Council
City of Byron
Byron, Georgia

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Byron, Georgia as of and for the year ended December 31, 2010, which collectively comprise the City of Byron, Georgia's basic financial statements and have issued our report thereon dated August 3, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. 2009-03, 2010-01, 2010-02, 2010-03, 2010-04, 2010-05, 2010-06, and 2010-07.

1503 Bass Road
P.O. Box 6315 Macon, Georgia 31208-6315
Phone 478-742-3313 ▪ Fax 478-742-0316

www.clhp.com

468 South Houston Lake Road
Warner Robins, Georgia 31088
Phone 478-953-0125 ▪ Fax 478-953-0983

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Byron, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2010-08.

We noted certain matters that we reported to management of City of Byron, Georgia, in a separate letter dated August 3, 2011.

City of Byron, Georgia's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit City of Byron, Georgia's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, City Council, others within the entity, U.S. Department of Justice, Georgia Environmental Finance Authority, and Environmental Protection Agency and is not intended to be and should not be used by anyone other than these specified parties.

Macon, Georgia
August 3, 2011

CLH&P

CLIFTON, LIPFORD, HARDISON & PARKER, LLC

J. Russell Lipford, Jr., CPA
Mark O. Hardison, CPA
Terry I. Parker, CPA
Christopher S. Edwards, CPA
Lynn S. Hudson, CPA
Kevin E. Lipford, CPA

Member of
American Institute of
Certified Public Accountants
Truman W. Clifton (1902-1989)

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

Honorable Mayor and Members
of City Council
City of Byron, Georgia

Compliance

We have audited the City of Byron, Georgia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Byron, Georgia's major federal programs for the year ended December 31, 2010. The City of Byron, Georgia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Byron, Georgia's management. Our responsibility is to express an opinion on the City of Byron, Georgia's compliance based on our audit.

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

In our opinion, the City of Byron, Georgia complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

1503 Bass Road
P.O. Box 6315 Macon, Georgia 31208-6315
Phone 478-742-3313 ▪ Fax 478-742-0316

www.clhp.com

468 South Houston Lake Road
Warner Robins, Georgia 31088
Phone 478-953-0125 ▪ Fax 478-953-0983

Internal Control over Compliance

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

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

Our consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, City Council, others within the entity, U.S. Department of Justice, Georgia Environmental Finance Authority, and Environmental Protection Agency and is not intended to be and should not be used by anyone other than these specified parties.

Macon, Georgia
August 3, 2011

CITY OF BYRON, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2010

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
Significant deficiency(ies) identified that are not considered to be material weakness(es)	None Reported
Noncompliance material to financial statements noted?	Yes

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	None Reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	No

Identification of Major Programs:

CFDA Numbers	Name of Federal Program
Environmental Protection Agency	
66.458	ARRA – Sewer Line Rehabilitation

Dollar threshold used to distinguish between Type A and Type B program	$ 300,000
Auditee qualified as low-risk auditee	No

Section II – Financial Statement Findings

Findings noted on the 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*:

2009-03 Subsidiary Records Reconciliation (reiteration of prior year)

CRITERIA
An adequate system of internal controls requires that subsidiary records are reconciled to their general ledger control accounts on a timely basis.

CONDITION
Various bank accounts were not reconciled to the general ledger on a timely basis.

Monthly billing registers and accounts receivable aging reports were not reconciled to the enterprise funds on a monthly basis.

EFFECT
Subsidiary records do not agree with the general ledger control accounts.

CAUSE
The City personnel have not been properly trained on the necessary monthly reconciliation procedures in the enterprise funds. In addition, the accounting software conversion created delays in performing timely bank reconciliations.

RECOMMENDATION
We recommend that the City provide the appropriate training to assist personnel in performing monthly reconciliations between the billing reports, accounts receivable aging report and the general ledger and clearly identify any differences that occur each month. Additionally, all bank accounts should be reconciled to the general ledger on a monthly basis.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
The City agrees with the finding. The City's new accounting software which was converted to early in 2010 requires less manual entries, going forward, reconciliations will be done on a timely basis.

2010-01 Accounting Software Conversion

CRITERIA
When the financial records of the City are transferred from one accounting system to another, procedures must be in place to insure a complete and accurate transition of the financial transactions.

CONDITION
Account balances and transactions were not systematically transferred from the old general ledger to the new accounting system. Audit trails or other transaction detail reports documenting the transfer of data were not prepared during the conversion process. During the first quarter of 2010, the City had financial transactions recorded on two accounting systems.

EFFECT
The newly implemented accounting software did not reflect all of the City's financial transactions which occurred during the year. Accordingly, subsidiary records were unable to be reconciled to the general ledger on a timely basis. Material adjustments were required by the auditor to complete the transfer of financial data. The following audit adjustments related to the software conversion were necessary:

- Adjustments of $70,305 to correct fund balance in the General Fund.
- An adjustment of $747 in the Law Enforcement Confiscation Fund to reverse transactions that were posted twice.
- Net adjustments of $21,002 to correct fund balance in the Hotel/Motel Tax Fund.
- Adjustments in the SPLOST 1999 fund for $2,111 and $8,000 for interfund activity recorded in the General Fund and Water & Sewerage Fund.
- An adjustment of $40,540 to correct fund balance in the SPLOST 2004 Fund.
- Net adjustments of $3,103,195 to correct net assets in the Water & Sewerage Fund.

CAUSE
The City did not have an adequate plan for the transfer of data from the old accounting system to the new software.

RECOMMENDATION
For future software conversions, the City should develop procedures to insure the following:
- A proper roll forward of all balances from the old system to the new accounting software.
- A proper cutoff for newly executed transactions.
- Timely reconciliation of subsidiary records to the new general ledger control accounts.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
The City agrees with the finding. While there is no plan going forward to convert to new software, if the need arises, more planning would be performed in insure ALL current year activity would be recorded in the new system and properly reconciled.

2010-02 Interfund Balances

CRITERIA
Governmental accounting standards require that interfund loan transactions be recorded as interfund receivables and interfund payables in the lender and borrower funds, respectively. Additionally, these balances are required to be liquidated on a timely basis.

CONDITION
Various funds reflect interfund receivables and payables which are over a year old.

EFFECT
Interfund balances which are not expected to be paid should be reduced and the amount not expected to be repaid should be reported as a transfer from/to the fund that made/received the loan.

CAUSE
The City did not monitor outstanding interfund balances.

RECOMMENDATION
Procedures should be established to monitor interfund balance and insure the timely payment of outstanding amounts.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
The City agrees with the finding. All interfund loan transactions will be liquidated on a monthly basis.

2010-03 Segregation of Duties

CRITERIA
An effective system of internal controls over financial reporting safeguards the assets of the City and provides reasonable assurance that material errors will be detected and corrected in a reasonable amount of time by employees during the normal course of performing their assigned duties. A key component to an effect system of internal control is the proper segregation of incompatible duties.

CONDITION
During 2010, the various incompatible functions within the accounting system were vested in a single employee.

EFFECT
An inadequate system of controls reduces the effectiveness of the financial reporting system and increases the likelihood that errors or defalcation could go undetected.

CAUSE
The City did not adequately utilize staff to provide for a proper segregation of duties within the accounting system.

RECOMMENDATION
When possible, incompatible accounting functions should be segregated. For instances where a proper segregation of duties is not possible or practical, compensating controls should be established to mitigate the risk to the accounting system.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
The City agrees with the finding. Duties will be properly segregated for FY 2011 and the future.

2010-04 Debt Service Fund

CRITERIA
The City's accounting system should reflect all of the financial transactions of the City.

CONDITION
During 2010, the accounting system did not reflect the transactions of the debt service fund.

EFFECT
The accounting system did not reflect all of the financial transactions which were required to be reported by governmental accounting standards. Adjustments were necessary to record debt service payments of $369,653 and transfers from the General Fund of $369,637.

CAUSE
The City staff had not established a fund to record debt transactions.

RECOMMENDATION
A debt service fund should be established in the accounting system to record the related debt service transactions.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
The City agrees with the finding. Personnel should have been aware that a separate fund should have been established for Debt Service. The fund will be created, accounted for and reconciled monthly along with all other city funds.

2010-05 Accounts Receivable/Revenue

CRITERIA
Accounting procedures should be designed to insure that revenue is accrued and recognized when they become both measurable and available to finance expenditures of the fiscal period.

CONDITION
Various revenue items were not recorded in the proper fiscal period.

EFFECT
The City produced financial reports, which contained material errors. The audit procedures for 2010 identified the need for a large number of material adjustments to correct accounting records and financial reports. The adjustments are summarized as follows:

- Net material adjustments totaling $568,876 were needed to correct property taxes receivable and $1,298,763 to correct deferred revenue in the General Fund.
- Adjustments were needed to record current year receivables for the Local Option Sales Taxes of $24,425 and reverse prior year receivables of $24,189.
- Adjustments were needed to record grants receivable of $23,189 and reverse prior year grants receivable of $59,384 in the General Fund.
- Adjustments in the Hotel/Motel Tax Fund to reverse prior year receivables of $9,971, record current year receivables of $43,897 and record deferred revenue of $25,916. Adjustments were also needed in the Hotel/Motel Tax Fund and the General Fund to record transfers between the two funds in the amount of $28,733.
- A material adjustment in the Water and Sewerage Fund was necessary to record grants receivable of $545,828.
- An adjustment in the Natural Gas Fund was necessary to record the current year net income of $14,505 from Jointly Owned Natural Gas.

CAUSE
The City does not have adequate accounting procedures in place to insure the accrual of revenues in the proper fiscal year.

RECOMMENDATION
We recommend that the City develop procedures to insure the recording of revenues when they become both measurable and available to finance expenditures of the fiscal period.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
The City agrees with the finding. The new software package that is now fully in place requires fewer manual entries. The City will implement new procedures for year-end that insures all receivables will be properly recorded.

2010-06 Accounts Payable/Expenses

CRITERIA
In accordance with generally accepted accounting principles, expenses are recognized as soon as a liability is incurred. Year end procedures are necessary to ensure that expenses or expenditures and accounts payable are recorded in the appropriate period.

CONDITION
The City does not have adequate accounting procedures to insure that expenses are recorded and properly classified when a liability is incurred.

EFFECT
Material audit adjustments were needed to fairly state and classify expenses for the year ended December 31, 2010. A summary of the required adjustments is as follows:

- Material adjustments were necessary to record payables of $497,082 in the Water and Sewerage Fund.
- Material adjustments were necessary to record payables of $52,079 in the Natural Gas Fund. An adjustment was also needed to reverse prior year payables of $47,090.
- Material adjustments were necessary to record payables of $14,396 in the Solid Waste Fund.
- Material adjustments were necessary to record payables of $39,595 in the SPLOST 1999 Fund.
- Material adjustments were necessary to record payables of $150,239 in the SPLOST 2008 Fund.

CAUSE
The City lacked accounting procedures to insure the recording and proper classification of incurred expenses at the end of the fiscal period.

RECOMMENDATION
The City should establish procedures to insure the proper accrual and classification of all liabilities incurred during the fiscal period

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
The City agrees with the finding. These problems were caused mostly by the previous accounting system not being properly configured and the conversion to the new system. Future payable transactions will be properly accrued and recorded.

2010-07 Capital Assets

CRITERIA
Accounting and control procedures should be designed to insure that capital asset activity is recorded and reported in the business-type activities financial statements. Capital asset records must be supported by detailed records that include location, department, cost, estimated useful life, depreciation and other detail supporting documentation.

CONDITION
The City had not properly posted all capital asset activity to the subsidiary ledgers.

EFFECT
Material audit adjustments were needed to fairly report capital asset information for the year ended December 31, 2010 as follows:

- Material adjustments in the Water and Sewerage Fund were necessary to reclassify capital asset additions of $1,601,517 from expenses.
- Net material adjustments in the Water and Sewerage Fund were necessary to correct depreciation expense for $243,613 (an adjustment of $288,408 to reclassify depreciation expense that was posted to assets and an adjustment of $44,795 to correct depreciation expense).

CAUSE
Accounting personnel may have lacked adequate training in capital asset accounting.

RECOMMENDATION
The City should insure that the proper reconciling procedures are being performed monthly and at year-end to balance and reconcile capital asset records.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
The City agrees with the finding. The old accounting system (prior to conversion) required a spreadsheet created many years ago, while our new software package has an actual fixed asset module. Ongoing, fixed assets will be properly recorded and depreciated, with the proper corresponding entries made to ledger.

COMPLIANCE FINDINGS

2010-08 SPLOST Project Expenditures

CRITERIA
The official Code of Georgia (OCGA) Section 48-8-121(a)(1) requires that SPLOST proceeds cannot in any manner be commingled with other City funds prior to their expenditure. State law also prohibits the expenditure of SPLOST monies for any purposes that were not approved in the SPLOST referendum.

CONDITION
As of December 31, 2010, the General Fund owed the SPLOST 2008 Fund $13,289 and the Water and Sewerage Fund owed the SPLOST 2008 Fund $13,150 for funds which had been disbursed for projects that were not a part of the 2008 SPLOST referendum.

EFFECT
The City has not complied with state law that prohibits the use of SPLOST funds for any purposes that were not approved in the SPLOST referendum.

CAUSE
The City did not have adequate internal controls in place to ensure that expenditures were only for approved SPLOST projects.

RECOMMENDATION
Internal controls should be enhanced, which requires proper documentation and approval for expenditure of SPLOST funds prior to the disbursements. The City should reimburse the SPLOST 2008 Fund.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
The City agrees with the finding, however the majority of these amounts were for easements acquired for a SPLOST approved project, but the easements were outside Peach County. The City was unaware that SPLOST dollars could not be used for that purpose and immediately investigated the amounts and provided information to auditors to reclassify the expenses to the appropriate fund. The Deputy Clerk will request clear language, again, from the elected officials as to exactly what fund is to pay for what project(s), and department heads will be fully briefed on new procedures in insure funds are appropriately expended.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.