# CITY OF CAIRO, GEORGIA

Annual Financial Report

For the Year Ended June 30, 2008

**CITY OF CAIRO, GEORGIA**
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For the Year Ended June 30, 2008


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**CITY OF CAIRO, GEORGIA**
LIST OF ELECTED AND APPOINTED OFFICIALS
June 30, 2008

## ELECTED

**Mayor**
Richard VanLandingham

**City Council**
Ernest W. Cloud, Jr.

Lannis Thornton

James H. Douglas

Robert L. Gwaltney

Kermit Gilliard

## APPOINTED

**City Manager**
Chris Addleton

**Finance Director**
Cecil M. Rash, CPA

**City Clerk**
Carolyn Lee

**Human Resources Director**
Carolyn Meades

**City Attorney**
Thomas L. Lehman

Bowen, Phillips & Carmichael
Certified Public Accountants & Consultants

202 Love Avenue
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## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council
City of Cairo, 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 Cairo, Georgia, as of and for the year ended June 30, 2008, which collectively comprise the City of Cairo, Georgia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Cairo, Georgia's elected officials and management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, based on our audit, 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 Cairo, Georgia, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2008, on our consideration of the City of Cairo, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 read in conjunction with this report in considering the results of our audit.



*L.A. Bowen, Jr., C.P.A.*
*Jane Freeman Phillips, C.P.A.*
*Tom E. Carmichael, Jr., C.P.A.*

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Cairo, Georgia's basic financial statements. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Cairo, Georgia. The accompanying Schedule of Special Purpose Local Option Sales Tax Expenditures is presented as required by the Official Code of Georgia Annotated. The Schedule of Special Purpose Local Option Sales Tax Expenditures is not a required part of the basic financial statements. The combining and individual fund financial statements and schedules and the Schedule of Special Purpose Local Option Sales Tax Expenditures have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

Bowen, Phillips & Carmichael, LLP

December 29, 2008
Tifton, Georgia

# *Management's Discussion and Analysis*

As management of the City of Cairo, Georgia, we offer readers of our financial statements this narrative overview and analysis of the financial activities of the City for the year ended June 30, 2008. We encourage readers to read the information presented here in conjunction with the City's financial statements, which follow this narrative.

## FINANCIAL HIGHLIGHTS

- The City has $54.0 million in total assets of which $35.4 million are capital assets.
- The City has $25.7 million in total liabilities of which $20.3 million are long-term.
- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by $28.3 million (net assets). Of this amount, $6.5 million (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors while $16.9 million is invested in capital assets net of related debt.
- The City's total net assets increased by $2.6 million.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $8.3 million, an increase of $1.2 million in comparison with the prior year. This amount consists of $4.0 million reserved for specific projects and public services and an unreserved balance of $4.3 million.
- At the end of the current fiscal year, unreserved fund balance for the general fund was $4.2 million, or 71% of total general fund expenditures.
- The City's long-term debt decreased by $951 thousand during the current fiscal year as a result of scheduled principle payments.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (which serves as an introduction to the City's basic financial statements), the *basic financial statements*, and *supplementary information* that presents combining statements for nonmajor governmental funds and nonmajor enterprise funds as well as other selected information. The City's basic financial statements consist of three components: 1) Government-Wide financial statements, 2) Fund financial statements and 3) Notes to financial statements.

### Government-Wide Financial Statements

The primary role of the Government-Wide financial statements is to demonstrate operational accountability. Operational accountability requires that a government demonstrate the extent to which it has met its operating objectives efficiently and effectively, using all resources available for that purpose, and whether it can continue to do so.

The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Cairo's finances, in a manner similar to a private-sector business. It provides both long-term and short-term information about the City's overall financial status. The *statement of net assets* and the *statement of activities* report information about the City as a whole and about its activities in a way that helps answer the question - is the City's financial health improving or deteriorating?

The *statement of net assets* presents information on all the City's assets and liabilities, with the difference between the two reported as net assets. The statement is a tool to measure the City's financial health or financial position. 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 reader would need to consider other non-financial factors, such as changes in the City's property tax base and the condition of the City's infrastructure to assess the overall health of the City.

The *statement of activities* presents information showing how the City'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 the 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 (e.g., uncollected taxes and 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 user fees and charges *(business-type activities*). The governmental activities of the City include general government, public safety, public works, parks and recreation, community development, and interest on long-term debt. The business-type activities of the City include water and sewer, electric, gas, cable TV, solid waste, landfill, airport operations, and telecommunications.

The government-wide financial statements include not only the City of Cairo itself (known as the *primary government*), but also a legally separate City of Cairo Development Authority, for which the City has some degree of financial accountability. Financial information for the *component unit* is reported separately from the financial information presented for the primary government itself.

**Fund Financial Statements**

The primary role of the Fund financial statements is to demonstrate fiscal accountability. Fiscal accountability requires that a government demonstrate compliance with public decisions concerning the raising and spending of public monies in the short term (usually one budgetary cycle or one year).

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

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. Both 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 seven (7) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund only, because it is considered to be a major fund. Data from the other six (6) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary Funds

The City maintains one type of 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 enterprise funds to account for its Water and Sewer Fund, Electric Revenue Fund, Cable TV Fund, Solid Waste Fund, Airport Fund, Telecommunications Fund, Landfill Fund and Gas Revenue Fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Fund, Electric Revenue Fund, and the Cable TV Fund, all of which are considered to be major funds of the City. Conversely, the non-major enterprise funds are combined into single aggregated presentations in the proprietary fund financial statements. Individual fund data for the non-major enterprise funds is provided in the form of *combining statements* elsewhere in this report.

**Notes to the Financial Statements**

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

Table 1 below summarizes the major features of the basic financial statements.

***Table 1***
**Major Features of the Basic Financial Statements**

| | | Fund Financial Statements | |
|---|---|---|---|
| | **Government-wide Statements** | **Governmental Funds** | **Proprietary Funds** |
| Scope | Entire City government (except fiduciary funds) and the City's component units | Activities of the City that are not proprietary or fiduciary | Activities of the City that are operated similar to private business |
| Required financial statements | Statement of Net Assets<br><br>Statement of Activities | Balance Sheet<br><br>Statement of Revenues, Expenditures, and Changes in Fund Balances | Statement of Net Assets<br><br>Statement of Revenues, Expenditures, and Changes in Net Assets<br><br>Statement of Cash Flows |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus | Accrual accounting and economic resources focus |
| Type of asset/liability information | All assets and liabilities, both financial and capital, and short-term and long-term | Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included | All assets and liabilities, both financial and capital, and short-term and long-term |
| Type of inflow/outflow information | All revenues and expenses during the year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter | All revenues and expenses during the year, regardless of when cash is received or paid |

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### Condensed Statement of Net Assets

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 $28.3 million at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (60%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 2 below presents the City's condensed statement of net assets as of June 30, 2008 and 2007.

***Table 2***
**Condensed Statement of Net Assets**

| | Governmental Activities | | Business – type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| **Assets** | | | | | | |
| Current and other assets | $ 8,653,454 | $ 7,497,201 | $ 9,933,611 | $ 10,506,338 | $ 18,587,065 | $ 18,003,539 |
| Capital assets | 3,607,335 | 3,566,597 | 31,801,621 | 31,348,420 | 35,408,956 | 34,915,017 |
| Total assets | 12,260,789 | 11,063,798 | 41,735,232 | 41,854,758 | 53,996,021 | 52,918,556 |
| **Liabilities** | | | | | | |
| Other liabilities | 213,148 | 205,867 | 5,179,023 | 5,712,591 | 5,392,171 | 5,918,458 |
| Long-term liabilities | 98,260 | 98,260 | 20,167,751 | 21,118,704 | 20,266,011 | 21,216,964 |
| Total liabilities | 311,408 | 304,127 | 25,346,774 | 26,831,295 | 25,658,182 | 27,135,422 |
| **Net assets** | | | | | | |
| Invested in capital assets, net of related debt | 3,607,335 | 3,566,597 | 13,304,002 | 11,674,537 | 16,911,337 | 15,241,134 |
| Restricted | 4,004,112 | 3,509,185 | 891,704 | 1,104,774 | 4,895,816 | 4,613,959 |
| Unrestricted | 4,337,934 | 3,683,889 | 2,192,752 | 2,244,152 | 6,530,686 | 5,928,041 |
| Total net assets | $ 11,949,381 | $ 10,759,671 | $ 16,388,458 | $ 15,023,463 | $ 28,337,839 | $ 25,783,134 |

Net assets may serve over time as a useful indicator of a government's financial position. The City's combined net assets exceed liabilities by $28.34 million for 2008 as compared to $25.78 million for 2007 for an increase of 10%. Of this amount $16.39 million came from business-type activities and $11.95 million came from governmental activities.

An additional portion of the City's net assets (17.3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets ($6.53 million) may be used to meet the City's ongoing obligations to citizens and creditors. This is an increase of $603 thousand or 10%.

For governmental activities, the City reported a balance of $4.34 million in unrestricted net assets. This is an increase of $654 thousand from 2007. The business-type activities unrestricted net assets were $2.19 million, a decrease of $51 thousand from 2007.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the City as a whole, as well as for its separate governmental and business-type activities.

## Condensed Statement of Activities

Table 3 below presents the City's condensed statement of activities for the years ended June 30, 2008 and 2007. Over time, increases or decreases in net assets measure whether the City's financial position is improving or deteriorating.

***Table 3***
**Condensed Statement of Activities**

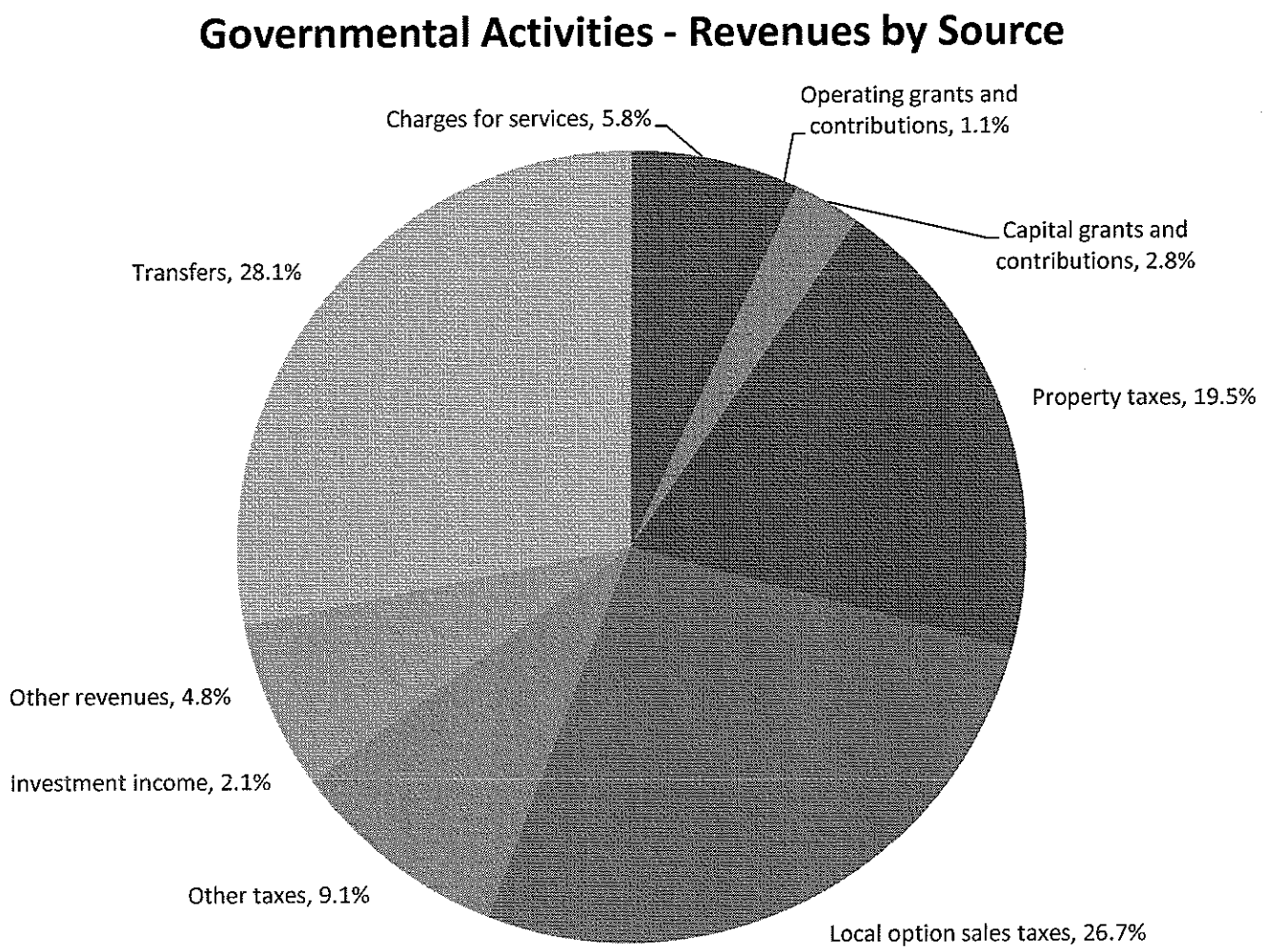
| | Governmental Activities | | Business – type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| **Revenues** | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | $ 428,954 | $ 455,718 | $ 23,414,785 | $ 21,207,611 | $ 23,843,739 | $ 21,663,329 |
| Operating grants and contributions | 80,937 | 40,670 | 110,835 | 614,735 | 191,772 | 655,405 |
| Capital grants and contributions | 204,799 | 961,744 | -- | -- | 204,799 | 961,744 |
| General revenues: | | | | | | |
| Property taxes | 1,445,795 | 1,357,866 | -- | -- | 1,445,795 | 1,357,866 |
| Local option sales taxes | 1,974,712 | 2,254,244 | -- | -- | 1,974,712 | 2,254,244 |
| Other taxes | 670,534 | 643,214 | -- | -- | 670,534 | 643,214 |
| Investment income | 155,584 | 133,217 | 148,882 | 89,961 | 304,466 | 223,178 |
| Gain (loss) on disposal of capital assets | 1,217 | (194,967) | 465,601 | 465,601 | 466,818 | 270,634 |
| Other revenues | 354,314 | 294,164 | 89,113 | 532,409 | 443,427 | 826,573 |
| Total revenues | 5,316,846 | 5,945,870 | 24,229,216 | 22,910,317 | 29,546,062 | 28,856,187 |
| **Expenses** | | | | | | |
| General government | 1,670,347 | 1,274,533 | -- | -- | 1,670,347 | 1,274,533 |
| Public safety | 2,994,754 | 2,793,865 | -- | -- | 2,994,754 | 2,793,865 |
| Public works | 794,339 | 1,046,209 | -- | -- | 794,339 | 1,046,209 |
| Parks and recreation | 535,173 | 512,837 | -- | -- | 535,173 | 512,837 |
| Community development | 212,799 | 954,244 | -- | -- | 212,799 | 954,244 |
| Interest - long-term debt | -- | -- | -- | -- | -- | -- |
| Water and sewer | -- | -- | 3,295,927 | 3,338,694 | 3,295,927 | 3,338,694 |
| Electric revenue | -- | -- | 11,548,395 | 9,982,781 | 11,548,395 | 9,982,781 |
| Gas revenue | -- | -- | 1,443,681 | 1,623,571 | 1,443,681 | 1,623,571 |
| Cable TV | -- | -- | 2,514,437 | 2,524,381 | 2,514,437 | 2,524,381 |
| Garbage and trash | -- | -- | 958,335 | 844,179 | 958,335 | 844,179 |
| Airport | -- | -- | 145,175 | 138,387 | 145,175 | 138,387 |
| Telecommunications | -- | -- | 192,692 | 159,468 | 192,692 | 159,468 |
| Landfill | -- | -- | 685,300 | 672,698 | 685,300 | 672,698 |
| Total expenses | 6,207,412 | 6,581,688 | 20,783,942 | 19,284,159 | 26,991,354 | 25,865,847 |
| Increase (decrease) in net assets before transfers | (890,566) | (635,818) | 3,445,274 | 3,626,158 | 2,554,708 | 2,990,340 |
| Transfers | 2,080,280 | 1,923,218 | (2,080,280) | (1,923,218) | -- | -- |
| **Change in net assets** | $ 1,189,714 | $ 1,287,400 | $ 1,364,994 | $ 1,702,940 | $ 2,554,708 | $ 2,990,340 |

Governmental activities during the fiscal year ended June 30, 2008, increased the City's net assets by $1.19 million. Business-type activities during the same period increased net assets by $1.36 million. The net change in net assets was an increase of $2.55 million. The Table above shows the revenue and expenses by activity for the total primary government. This Table shows total 2008 revenues from governmental activities at $5.32 million while expenses were $6.21 million. Business-type activities total revenues for 2008 were $24.23 million while expenses were $20.78 million. Transfers from business-type activities are the largest governmental activity revenue source at $2.08 million or 28.1%. The next largest revenue source for governmental activities comes from local option sales taxes of $1.97 million which is 26.7% of the total governmental activity funding. Revenues from property taxes are the third largest governmental activity revenue source at $1.45 million or 19.5%. Business-type activities program revenues exceeded expenses by $3.45 million before internal transfers to support the governmental activities.

**Program Revenues and Expenses for Governmental Activities**

Governmental Activities - Revenues by Source

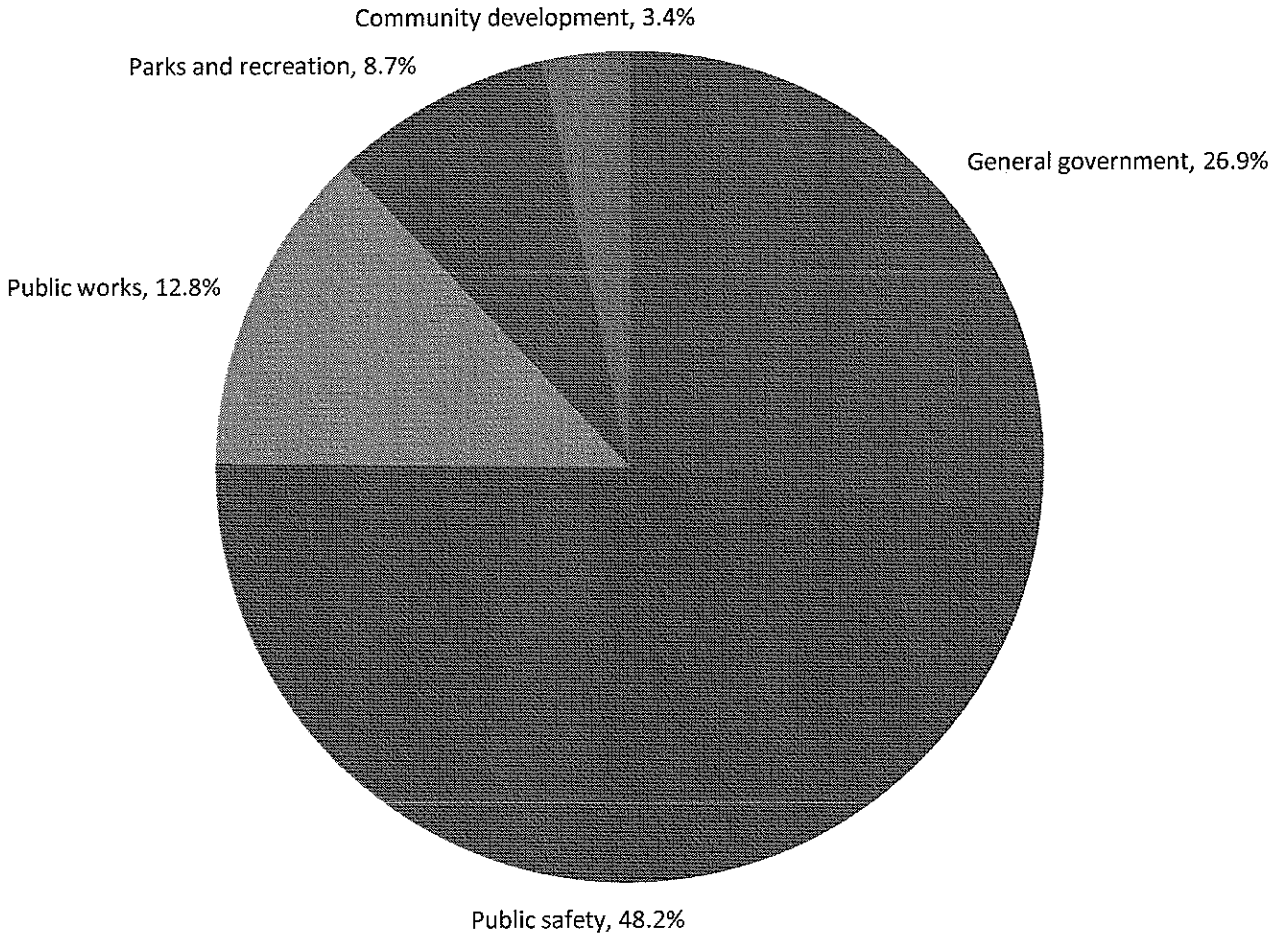
The following chart shows the governmental activities revenues by major source and includes revenues from transfers. It is easy to see from the chart that governmental activities are funded to a great degree through local option sales taxes (26.7%) of the primary government. For the year ended June 30, 2008, these revenues were $1.97 million.



Governmental Activities – Expenses by Source

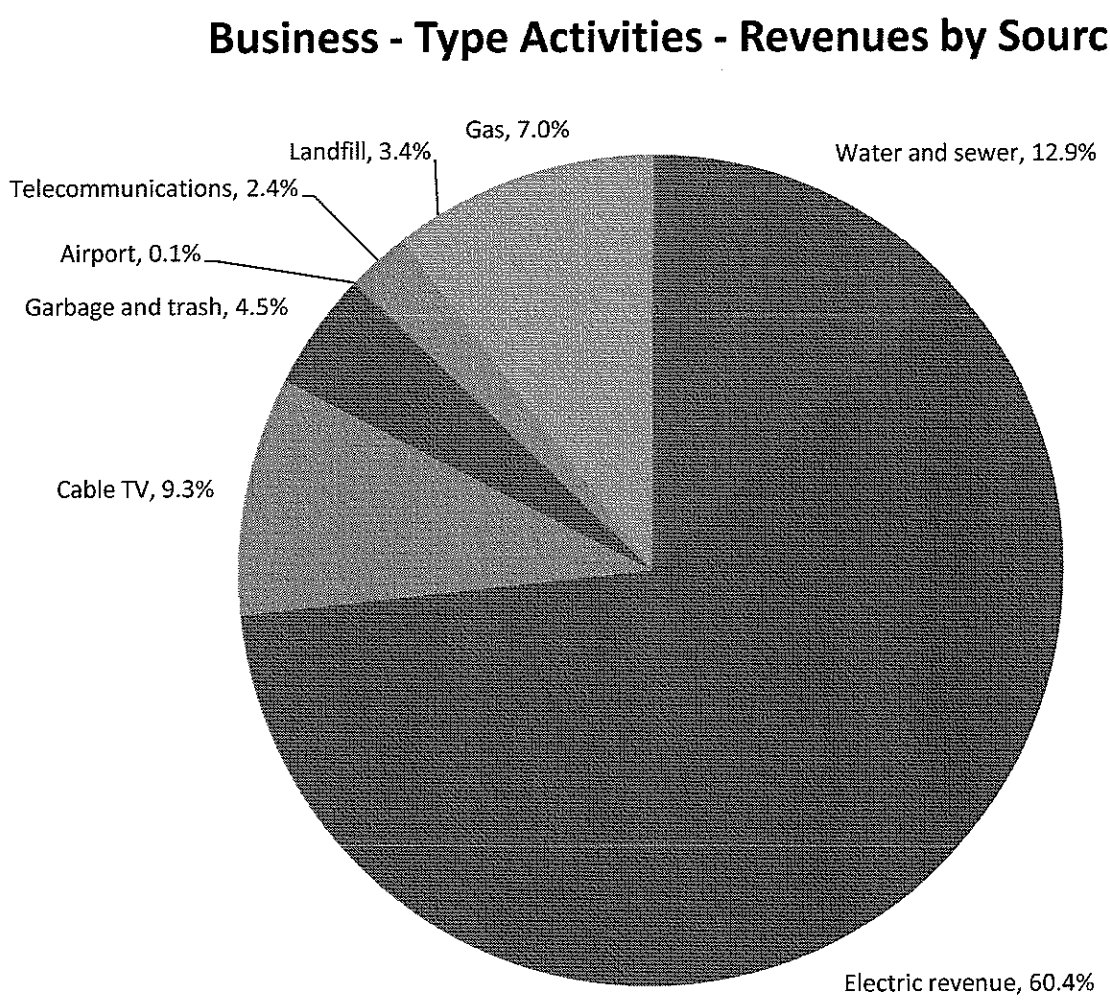
The following chart shows the governmental activities expenses by source. The City of Cairo spent the greatest amount of its available funding on Public safety (48.2%). The next largest funding was required for general government at (26.9%).

## Governmental Activities - Expenses by Source



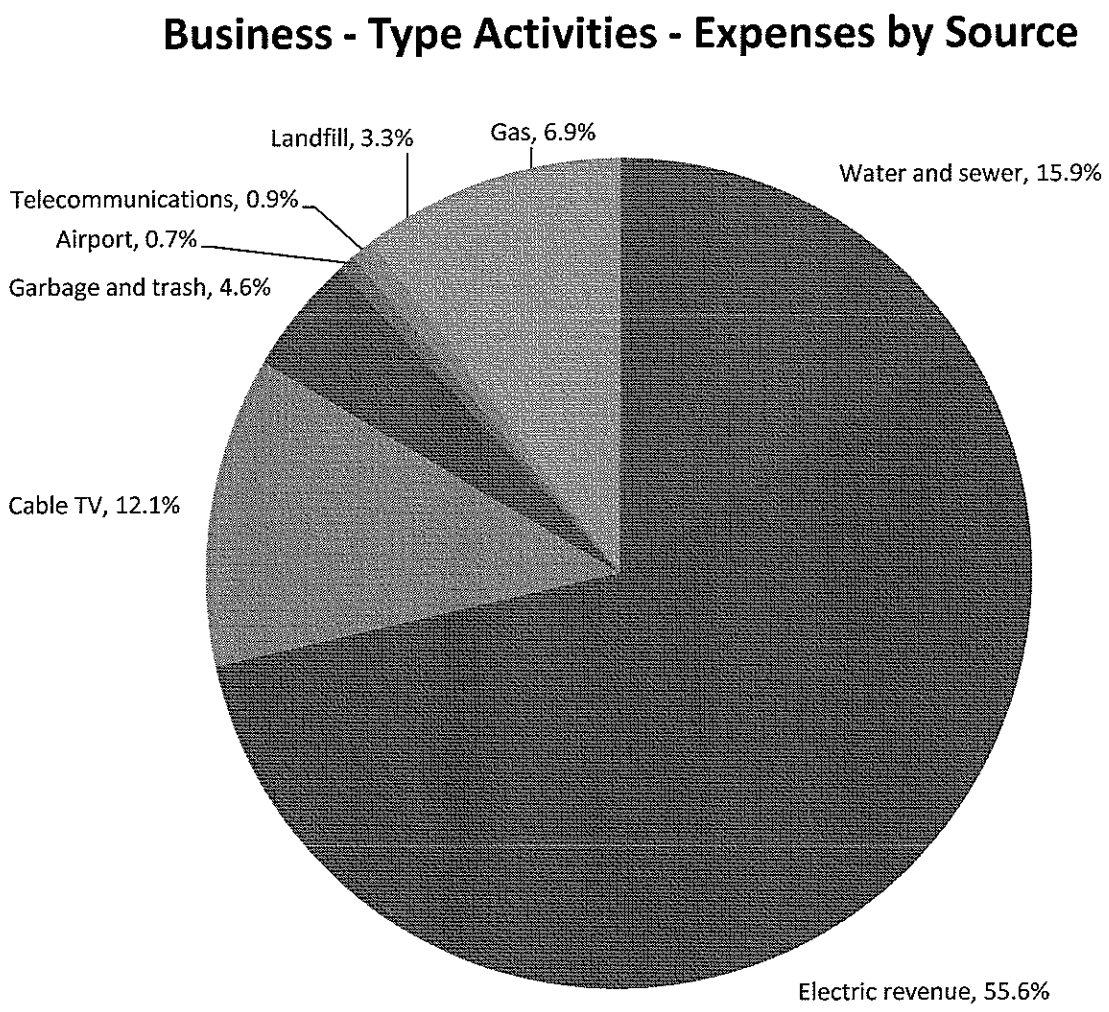
**Program Revenues and Expenses for Business-Type Activities**

Business-Type Activities – Revenues by Source
The business-type activities largest revenue source is from the Electric Revenue Fund. More revenues (60.4%) or $14.6 million are generated by the Electric Revenue Fund than all other business-type activities combined at (39.6%) or $9.6 million.



Business-Type Activities – Expenses by Source

The Electric Revenue fund has the largest amount of expenses as expected at 55.6% or $11.5 million but generated profits of $3.1 million before its transfers to governmental activities.



## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

### Governmental Funds

The City of Cairo has only one major governmental fund which is the General Fund. At June 30, 2008, the General Fund had a fund balance of $4.20 million. This is an increase of $685 thousand from the beginning fund balance. The reason for the increase in the fund balance was due primarily to the increased revenues from intergovernmental grants, other taxes and licenses, local option sales taxes and transfers from other funds. Increases for salary, worker's compensation insurance, retirement contributions and other personnel expenses also affected the final fund balance

The fund balances for the other governmental funds increased by $495 thousand. The final fund balance for these funds was $4.10 million at the end of the year.

### Enterprise Funds

The Enterprise Funds, which include the City's Water and Sewer Fund, Electric Revenue Fund, Cable TV Fund, and the non major enterprise funds consisting of the Solid Waste, Airport, Telecommunications, Landfill, and Gas Revenue Funds showed a combined cash balance of $5.84 million for the year ended June 30, 2008. This was a decrease of $503 thousand from the previous year.

The Water and Sewer Fund had an ending cash balance of $1.96 million at June 30, 2008. This was a decrease of $630 thousand from the previous year.

The Electric Fund had an ending cash balance of $385 thousand. This is an increase of $59 thousand from the previous year.

The Cable TV Fund showed an ending cash balance of $833 thousand which is a decrease of $9 thousand from the beginning cash balance.

The combined cash balance of the non-major enterprise funds at the end of the year was $2.66 million. This is an increase of $77 thousand from the beginning cash balance. The cash balance is principally from the operations of the City's Landfill Fund.

## GENERAL FUND BUDGETARY HIGHLIGHTS

Generally, budget amendments fall into one of the following categories: 1) amendments made to adjust the estimates that are used to prepare the original budget once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Amendments to the original budget for 2008 related to the transfer of budgeted amounts between departments and did not result in additional appropriations.

The actual revenues of the General Fund were more than final budgeted amounts by $27 thousand for the year ended June 30, 2008. The major factor contributing to this difference was additional revenues from fines, forfeitures and fees.

The actual expenditures of the General Fund were less than final budgeted amounts by $602 thousand for the year ended June 30, 2008. The major factor contributing to this difference was a decrease in actual expenditures for public safety and public works.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2008, governmental activities and business-type activities had capital assets of $35.41 million (net of accumulated depreciation) invested in land, buildings, system improvements, machinery and equipment and recreation and park facilities.

The net capital assets from governmental activities increased $41 thousand from the 2007 amount due to current year acquisitions net of depreciation costs. The net capital assets from business-type activities increased by $453 thousand from the prior year due to current year acquisitions net of depreciation costs.

Additional information on the City's capital assets can be found in Note F of the Notes to Financial Statements.

### Long-term Debt

The City's total long-term debt consists of revenue bonds, capital leases, compensated absences and other long-term liabilities.

At June 30, 2008, the City had $98 thousand of outstanding long-term liabilities related to governmental activities and $20.17 million of long-term liabilities related to business-type activities for a total of $20.27 million compared to the previous year's total of $21.22 million. This is a decrease of $951 thousand as a result of scheduled principle payments.

The City's component unit had $1.81 million in long-term debt outstanding in connection with City of Cairo Development Authority Taxable Revenue Bonds used to construct a United States Post Office. Under a lease agreement with the Postal Service, the Postal Service is to make rental payments to be used for the purpose of paying the principle and interest payments on the bonds until April of 2020.

The City's component unit also had $5.81 million in long-term debt outstanding in connection with City of Cairo Development Authority Taxable Revenue Bonds used for the acquisition, construction, and equipping of a cable television and telecommunications system The Authority and the City of Cairo entered into a lease contract whereby the Authority will lease to the City of Cairo the cable television and communications system. The lease contract appoints the City of Cairo as the agent for the Authority to contract for and complete the acquisition, construction and equipping of the project. The term of the lease begins with the issuance and delivery by the Authority of the bonds and shall continue in full force and effect until all bonds which shall have been issued and are outstanding and the interest thereon have been paid or provision for the payment thereof shall have been made but in no event shall the term exceed thirty years.

Additional information on the City's long-term debt can be found in Note H of the Notes to Financial Statements.

## FACTORS AFFECTING THE 2008 BUDGET

The Mayor and Council of the City of Cairo considered many factors when approving the City's 2008 budget and are very aware of present economic conditions and their effect on its citizens. The Mayor and Council chose to continue to use additional transfers from certain business-type activities to other business-type activities and to fund governmental activities and to use reserves and reductions in fund balances to fund operations and capital expenses in 2008 instead of increasing taxes or rates to provide the necessary funds required for the City's governmental and business-type activities.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions about this report or requests for additional information may be addressed to:

City Finance Department
City of Cairo
119 North Broad Street
Cairo, Georgia 31728

## *Basic Financial Statements*

## CITY OF CAIRO, GEORGIA
## STATEMENT OF NET ASSETS
June 30, 2008

| | Primary Government | | | Component Unit |
|---|---|---|---|---|
| | Governmental Activities | Business-Type Activities | Total | City of Cairo Development Authority |
| **ASSETS** | | | | |
| Cash and cash equivalents | $ 855,798 | $ 873,292 | $ 1,729,090 | $ 240 |
| Investments | - | 2,771,384 | 2,771,384 | - |
| Accounts receivable, net | 64,966 | 2,465,357 | 2,530,323 | - |
| Property tax receivable | - | - | - | - |
| Inventories | - | 1,047,091 | 1,047,091 | - |
| Other current assets | 141,910 | 173,316 | 315,226 | 37,817 |
| Due from other governments | - | 9,057 | 9,057 | - |
| Due from component unit | - | - | - | - |
| Due from primary government | - | - | - | 398 |
| Internal balances | 3,485,666 | (3,485,666) | - | - |
| Restricted assets: | | | | |
| Cash and cash equivalents | 3,210,844 | 4,965,278 | 8,176,122 | 90,621 |
| Investments | - | - | - | 6,165,880 |
| Sales tax receivable | 89,645 | - | 89,645 | - |
| Program receivables | 804,625 | - | 804,625 | 2,636,124 |
| Investment in SGBDA | - | 854,053 | 854,053 | - |
| Other noncurrent assets | - | 260,449 | 260,449 | 131,991 |
| Capital assets: | | | - | |
| Land | 425,666 | 1,601,315 | 2,026,981 | - |
| Construction in progress | - | 264,850 | 264,850 | - |
| Other capital assets, net of accumulated depreciation | 3,181,669 | 29,935,456 | 33,117,125 | - |
| Total assets | 12,260,789 | 41,735,232 | 53,996,021 | 9,063,071 |
| **LIABILITIES** | | | | |
| Accounts payable | 192,967 | 1,398,584 | 1,591,551 | - |
| Accrued expenses | 19,283 | 67,780 | 87,063 | 217,612 |
| Customer deposits | - | 262,000 | 262,000 | - |
| Deferred revenues | 500 | 3,441,540 | 3,442,040 | 1,291,306 |
| Due to other governments | - | - | - | - |
| Due to primary government | - | - | - | - |
| Due to component unit | 398 | - | 398 | - |
| Short term notes payable | - | 9,119 | 9,119 | - |
| Liabilities payable from restricted assets | - | 1,089,559 | 1,089,559 | 580,000 |
| Long-term liabilities: | | | | |
| Due within one year | - | 133,896 | 133,896 | - |
| Due in more than one year | 98,260 | 18,944,296 | 19,042,556 | 7,035,000 |
| Total liabilities | 311,408 | 25,346,774 | 25,658,182 | 9,123,918 |
| **NET ASSETS** | | | | |
| Invested in capital assets, net of related debt | 3,607,335 | 13,304,002 | 16,911,337 | - |
| Restricted for: | | | | |
| Debt service | - | 891,704 | 891,704 | - |
| Capital projects | 3,974,307 | - | 3,974,307 | - |
| Public services | 18,729 | - | 18,729 | - |
| Perpetual care - nonexpendable | 11,076 | - | 11,076 | - |
| Unrestricted (deficit) | 4,337,934 | 2,192,752 | 6,530,686 | (60,847) |
| Total net assets | $ 11,949,381 | $ 16,388,458 | $ 28,337,839 | $ (60,847) |

*See accompanying notes to financial statements.*

## CITY OF CAIRO, GEORGIA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2008

| Functions / Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions | Net (Expense) Revenue |
|---|---|---|---|---|---|
| Primary Government: | | | | | |
| Governmental activities: | | | | | |
| General government | $ 1,670,347 | $ 428,954 | $ 80,937 | $ - | $ (1,160,456) |
| Public safety | 2,994,754 | - | - | - | (2,994,754) |
| Public works | 794,339 | - | - | - | (794,339) |
| Parks and recreation | 535,173 | - | - | - | (535,173) |
| Community development | 212,799 | - | - | 204,799 | (8,000) |
| Interest on long-term debt | - | - | - | - | - |
| Total governmental activities | 6,207,412 | 428,954 | 80,937 | 204,799 | (5,492,722) |
| Business-type activities: | | | | | |
| Water and sewer | 3,295,927 | 2,954,513 | 110,835 | - | (230,579) |
| Electric revenue | 11,548,395 | 14,509,455 | - | - | 2,961,060 |
| Gas revenue | 1,443,681 | 1,684,920 | - | - | 241,239 |
| Cable TV | 2,514,437 | 1,923,441 | - | - | (590,996) |
| Garbage and trash | 958,335 | 1,106,063 | - | - | 147,728 |
| Airport | 145,175 | 22,385 | - | - | (122,790) |
| Telecommunications | 192,692 | 559,814 | - | - | 367,122 |
| Landfill | 685,300 | 654,194 | - | - | (31,106) |
| Total business-type activities | 20,783,942 | 23,414,785 | 110,835 | - | 2,741,678 |
| Total primary government | 26,991,354 | 23,843,739 | 191,772 | 204,799 | (2,751,044) |
| Component unit: | | | | | |
| City of Cairo Development Authority | 145,329 | $ - | $ - | $ - | $ (145,329) |

*See accompanying notes to financial statements.*

## CITY OF CAIRO, GEORGIA
STATEMENT OF ACTIVITIES (continued)
For the Year Ended June 30, 2008

| | Primary Government | | | Component Unit |
|---|---|---|---|---|
| | Governmental Activities | Business-Type Activities | Total | City of Cairo Development Authority |
| Change in net assets: | | | | |
| Net (expense) revenue | $ (5,492,722) | $ 2,741,678 | $ (2,751,044) | $ (145,329) |
| General revenues: | | | | |
| Taxes: | | | | |
| Property taxes | 1,445,795 | - | 1,445,795 | - |
| Local option sales taxes | 1,974,712 | - | 1,974,712 | - |
| Other taxes | 670,534 | - | 670,534 | - |
| Investment income | 155,584 | 148,882 | 304,466 | 111,630 |
| Gain (loss) on disposal of capital assets | 1,217 | 465,601 | 466,818 | - |
| Other revenues | 354,314 | 89,113 | 443,427 | - |
| Transfers | 2,080,280 | (2,080,280) | - | - |
| Total general revenues and transfers | 6,682,436 | (1,376,684) | 5,305,752 | 111,630 |
| Change in net assets | 1,189,714 | 1,364,994 | 2,554,708 | (33,699) |
| Net assets, beginning of year | 10,759,667 | 15,023,464 | 25,783,131 | (27,148) |
| Net assets, end of year | $ 11,949,381 | $ 16,388,458 | $ 28,337,839 | $ (60,847) |

*See accompanying notes to financial statements.*

## CITY OF CAIRO, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008

| | General Fund | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | $ 740,771 | $ 115,027 | $ 855,798 |
| Investments | - | - | - |
| Accounts receivable, net | 61,563 | 3,403 | 64,966 |
| Property tax receivable | - | - | - |
| Inventories | - | - | - |
| Other current assets | - | - | - |
| Due from other governments | - | - | - |
| Due from component unit | - | - | - |
| Due from general fund | - | - | - |
| Due from other funds | 4,804,904 | - | 4,804,904 |
| Restricted assets: | | - | - |
| Cash and cash equivalents | 30,803 | 3,180,041 | 3,210,844 |
| Investments | - | - | - |
| Sales tax receivable | 89,645 | - | 89,645 |
| Program receivables | - | 804,625 | 804,625 |
| Total assets | 5,727,686 | 4,103,096 | 9,830,782 |
| **LIABILITIES AND FUND BALANCES** | | | |
| Liabilities | | | |
| Accounts payable | 192,967 | - | 192,967 |
| Accrued expenses | 19,283 | - | 19,283 |
| Customer deposits | - | - | - |
| Deferred revenues | - | 500 | 500 |
| Due to other governments | - | - | - |
| Due to General Fund | - | 2,042 | 2,042 |
| Due to other funds | 1,317,196 | - | 1,317,196 |
| Due to component unit | 398 | - | 398 |
| Liabilities payable from restricted assets | - | - | - |
| Total liabilities | 1,529,844 | 2,542 | 1,532,386 |
| Fund balances | | | |
| Reserved for: | | | |
| Debt service | - | - | - |
| Specific projects | - | 3,973,590 | 3,973,590 |
| Public services | - | 29,805 | 29,805 |
| Unreserved (deficit), reported in | | | - |
| General Fund | 4,197,842 | - | 4,197,842 |
| Capital projects funds | - | 97,159 | 97,159 |
| Total fund balances (deficit) | 4,197,842 | 4,100,554 | 8,298,396 |
| Total liabilities and fund balances (deficit) | $ 5,727,686 | $ 4,103,096 | $ 9,830,782 |

*See accompanying notes to financial statements.*

## CITY OF CAIRO, GEORGIA
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
June 30, 2008

| | | |
|---|---|---|
| Total governmental fund balances | $ | 8,298,396 |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | 3,607,335 |
| Prepaid expenses are reported as an expenditure of current financial resources in the period purchased in governmental activities and, therefore, are not reported in the funds. | | 141,910 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds: | | |
| Compensated absences | | (98,260) |
| Net assets of governmental activities | $ | 11,949,381 |

*See accompanying notes to financial statements.*

## CITY OF CAIRO, GEORGIA
## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
## GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008

| | General Fund | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|
| **REVENUES** | | | |
| Property taxes | $ 1,445,795 | $ - | $ 1,445,795 |
| Local option sales taxes | 1,057,689 | 870,523 | 1,928,212 |
| Other taxes and licenses | 672,229 | 44,805 | 717,034 |
| Fines, forfeitures and fees | 351,097 | - | 351,097 |
| Charges for services | 428,954 | - | 428,954 |
| Investment income | 31,088 | 124,496 | 155,584 |
| Intergovernmental | 80,937 | 204,799 | 285,736 |
| Other revenues | 10,169 | 1,217 | 11,386 |
| Total revenues | 4,077,958 | 1,245,840 | 5,323,798 |
| **EXPENDITURES** | | | |
| Current: | | | |
| General government | 949,054 | - | 949,054 |
| Public safety | 2,919,186 | - | 2,919,186 |
| Public works | 976,635 | - | 976,635 |
| Parks and recreation | 462,807 | - | 462,807 |
| Other costs | 636,193 | 67,408 | 703,601 |
| Capital outlays | - | 212,799 | 212,799 |
| Debt service: | | | |
| Principal | - | - | - |
| Interest | - | - | - |
| Total expenditures | 5,943,875 | 280,207 | 6,224,082 |
| Excess (deficiency) of revenues over expenditures | (1,865,917) | 965,633 | (900,284) |
| **OTHER FINANCING SOURCES (USES)** | | | |
| Transfers from other funds | 2,566,159 | - | 2,566,159 |
| Transfers to other funds | (15,175) | (470,704) | (485,879) |
| Sale of capital assets | - | - | - |
| Long - term debt issued | - | - | - |
| Total other financing sources (uses) | 2,550,984 | (470,704) | 2,080,280 |
| Net change in fund balances | 685,067 | 494,929 | 1,179,996 |
| Fund balances (deficit), beginning of year | 3,512,775 | 3,605,625 | 7,118,400 |
| Fund balances (deficit), end of year | $ 4,197,842 | $ 4,100,554 | $ 8,298,396 |

*See accompanying notes to financial statements.*

## CITY OF CAIRO, 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 June 30, 2008

| | | |
|---|---|---|
| Net change in fund balances - total governmental funds | $ | 1,179,996 |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Governmental funds report prepaid expenses as expenditures. However, in the Statement of Activities the cost of the services are recorded as expenses in the period consumed. | | (31,020) |
| Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. | | |
| Capital asset purchases capitalized | | 286,233 |
| Depreciation expense | | (245,495) |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | | |
| Compensated absences | | - |
| Change in net assets of governmental activities | $ | 1,189,714 |

*See accompanying notes to financial statements.*

## CITY OF CAIRO, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2008

| | Original Budget | Final Budget | Actual | Variance With Final Budget |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Property taxes | 1,403,750 | $ 1,403,750 | $ 1,445,795 | $ 42,045 |
| Local option sales taxes | 1,001,539 | 1,001,539 | 1,057,689 | 56,150 |
| Other taxes and licenses | 665,685 | 665,685 | 672,229 | 6,544 |
| Fines, forfeitures and fees | 228,049 | 228,049 | 351,097 | 123,048 |
| Charges for services | 479,731 | 479,731 | 428,954 | (50,777) |
| Investment income | 19,578 | 19,578 | 31,088 | 11,510 |
| Intergovernmental | 240,661 | 240,661 | 80,937 | (159,724) |
| Other revenues | 12,410 | 12,410 | 10,169 | (2,241) |
| Total revenues | 4,051,403 | 4,051,403 | 4,077,958 | 26,555 |
| **EXPENDITURES** | | | | |
| **Current:** | | | | |
| **General government** | | | | |
| City council | 127,706 | 127,706 | 106,805 | 20,901 |
| City manager | 279,720 | 388,416 | 368,874 | 19,542 |
| Finance | 214,511 | 214,511 | 187,125 | 27,386 |
| Purchasing | - | - | - | - |
| Legal | 5,205 | 16,645 | 14,685 | 1,960 |
| Information systems | - | - | - | - |
| Municipal court | 20,638 | 23,638 | 22,947 | 691 |
| Human resources | 91,360 | 91,360 | 81,253 | 10,107 |
| Clerk of council | 176,330 | 176,330 | 167,365 | 8,965 |
| Main street program | - | - | - | - |
| Engineering | - | - | - | - |
| Garage | - | - | - | - |
| Total general government | 915,470 | 1,038,606 | 949,054 | 89,552 |
| **Public safety** | | | | |
| Police | 1,834,822 | 1,834,822 | 1,820,277 | 14,545 |
| School crossing guards | - | - | - | - |
| Fire | 1,153,891 | 1,153,891 | 898,890 | 255,001 |
| Code enforcement | 235,737 | 235,737 | 200,019 | 35,718 |
| Total public safety | 3,224,450 | 3,224,450 | 2,919,186 | 305,264 |
| **Public works** | | | | |
| Office of the director | 140,590 | 140,590 | 140,239 | 351 |
| Streets and sidewalks | 895,278 | 787,582 | 674,231 | 113,351 |
| Maintenance and shop | 165,382 | 165,382 | 162,165 | 3,217 |
| Total public works | 1,201,250 | 1,093,554 | 976,635 | 116,919 |
| **Parks and recreation** | | | | |
| Recreation | 68,871 | 68,871 | 63,900 | 4,971 |
| Parks and cemetery | 330,359 | 330,359 | 320,395 | 9,964 |
| Administration | 86,478 | 86,478 | 78,512 | 7,966 |
| Total parks and recreation | 485,708 | 485,708 | 462,807 | 22,901 |

*See accompanying notes to financial statements.*

## CITY OF CAIRO, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2008

| | Original Budget | Final Budget | Actual | Variance With Final Budget |
|---|---|---|---|---|
| **Other costs** | 719,467 | 704,027 | 636,193 | 67,834 |
| **Capital outlays** | - | - | - | - |
| **Debt service:** | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| Total expenditures | 6,546,345 | 6,546,345 | 5,943,875 | 602,470 |
| Excess (deficiency) of revenues over expenditures | (2,494,942) | (2,494,942) | (1,865,917) | 629,025 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers from other funds | 2,316,497 | 2,316,497 | 2,566,159 | 249,662 |
| Transfers to other funds | (16,555) | (16,555) | (15,175) | 1,380 |
| Sale of capital assets | - | - | - | - |
| Long - term debt issued | 195,000 | 195,000 | - | (195,000) |
| Total other financing sources (uses) | 2,494,942 | 2,494,942 | 2,550,984 | 56,042 |
| Net change in fund balances | - | - | 685,067 | 685,067 |
| Fund balances (deficit), beginning of year | 3,512,775 | 3,512,775 | 3,512,775 | - |
| Fund balances (deficit), end of year | $ 3,512,775 | $ 3,512,775 | $ 4,197,842 | $ 685,067 |

*See accompanying notes to financial statements.*

**CITY OF CAIRO, GEORGIA**
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2008

| | Business Type Activities - Enterprise Funds | | | | |
|---|---|---|---|---|---|
| | Water and Sewer Fund | Electric Revenue Fund | Cable TV Fund | Nonmajor Enterprise Funds | Total |
| **ASSETS** | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | $ 56,919 | $ 384,688 | $ 5,839 | $ 425,846 | $ 873,292 |
| Investments | - | 2,771,384 | - | - | 2,771,384 |
| Accounts receivable, net | 283,934 | 1,594,096 | 301,430 | 285,897 | 2,465,357 |
| Inventories | 108,654 | 638,728 | 240,481 | 59,228 | 1,047,091 |
| Other current assets | 56,063 | 27,870 | 7,729 | 81,654 | 173,316 |
| Total current assets | 505,570 | 5,416,766 | 555,479 | 852,625 | 7,330,440 |
| Non - current assets | | | | | |
| Due from general fund | - | 743,501 | - | 573,695 | 1,317,196 |
| Due from other funds | 360,324 | 1,257,451 | - | 924,027 | 2,541,802 |
| Due from component unit | - | - | - | - | - |
| Due from other governments | - | - | - | 9,057 | 9,057 |
| Investment in SGBDA | - | - | 854,053 | - | 854,053 |
| Unamortized bond issuance cost | 260,449 | - | - | - | 260,449 |
| Restricted assets - cash | 1,901,206 | - | 826,729 | 2,237,343 | 4,965,278 |
| Capital assets: | | | | | |
| Land | 1,419,016 | 118,595 | - | 63,704 | 1,601,315 |
| Construction in progress | 132,552 | - | - | 132,298 | 264,850 |
| Other capital assets, net of accumulated depreciation | 15,627,995 | 3,855,653 | 7,109,500 | 3,342,308 | 29,935,456 |
| Total assets | 20,207,112 | 11,391,966 | 9,345,761 | 8,135,057 | 49,079,896 |
| **LIABILITIES** | | | | | |
| Current liabilities | | | | | |
| Accounts payable | 119,632 | 989,561 | 130,161 | 159,230 | 1,398,584 |
| Accrued expenses | 5,948 | 52,873 | 268 | 8,691 | 67,780 |
| Short term notes payable | 9,119 | - | - | - | 9,119 |
| Current portion of long - term debt | - | 25,377 | - | 108,519 | 133,896 |
| Customer deposits | 52,195 | 187,180 | - | 22,625 | 262,000 |
| Deferred revenue | - | - | 442,973 | 22,628 | 465,601 |
| Due to general fund | 2,098,751 | - | 2,695,406 | 8,704 | 4,802,861 |
| Due to other funds | - | 1,001,970 | 1,385,924 | 153,909 | 2,541,803 |
| Liabilities payable from restricted assets: | | | | | |
| Current portion of long - term debt | 504,623 | - | 584,936 | - | 1,089,559 |
| Total current liabilities | 2,790,268 | 2,256,961 | 5,239,668 | 484,306 | 10,771,203 |
| Long - term debt, net of current portion | 10,355,376 | 516,156 | 6,206,942 | 447,020 | 17,525,494 |
| Deferred revenue | - | - | 2,909,940 | 65,999 | 2,975,939 |
| Compensated absences | 27,689 | 28,590 | - | 16,884 | 73,163 |
| Other liabilities - environmental remediation | - | - | - | 1,345,639 | 1,345,639 |
| Total liabilities | 13,173,333 | 2,801,707 | 14,356,550 | 2,359,848 | 32,691,438 |
| **NET ASSETS** | | | | | |
| Invested in capital assets, net of related debt | 6,570,894 | 3,432,715 | 317,622 | 2,982,771 | 13,304,002 |
| Restricted for debt service | - | - | - | 891,704 | 891,704 |
| Unrestricted (deficit) | 462,885 | 5,157,544 | (5,328,411) | 1,900,734 | 2,192,752 |
| Total net assets | $ 7,033,779 | $ 8,590,259 | $ (5,010,789) | $ 5,775,209 | $ 16,388,458 |

*See accompanying notes to financial statements.*

## CITY OF CAIRO, GEORGIA
## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
## PROPRIETARY FUNDS
For the Year Ended June 30, 2008

| | Business Type Activities - Enterprise Funds | | | | |
|---|---|---|---|---|---|
| | Water and Sewer Fund | Electric Revenue Fund | Cable TV Fund | Nonmajor Enterprise Funds | Total |
| **OPERATING REVENUES** | | | | | |
| Utility revenues | $ - | 14,504,384 | $ - | $ 1,688,707 | $16,193,091 |
| Charges for services | 2,958,099 | - | 1,923,604 | 2,429,104 | 7,310,807 |
| Intergovernmental | 110,835 | - | - | - | 110,835 |
| Total operating revenues | 3,068,934 | 14,504,384 | 1,923,604 | 4,117,811 | 23,614,733 |
| **OPERATING EXPENSES** | | | | | |
| Salaries and wages | 1,031,451 | 464,289 | 81,514 | 606,434 | 2,183,688 |
| Operating, administrative and maintenance | 1,306,553 | 10,689,851 | 1,603,654 | 2,373,969 | 15,974,027 |
| Depreciation | 507,850 | 371,622 | 447,700 | 417,838 | 1,745,010 |
| Total operating expenses | 2,845,854 | 11,525,762 | 2,132,868 | 3,398,241 | 19,902,725 |
| Operating income (loss) | 223,080 | 2,978,622 | (209,264) | 719,570 | 3,712,008 |
| **NON - OPERATING INCOME (EXPENSES)** | | | | | |
| Interest income | 54,245 | 131,926 | - | 78,620 | 264,791 |
| Loss from joint venture | - | - | (115,909) | - | (115,909) |
| Interest expense | (450,073) | (22,633) | (381,569) | (26,942) | (881,217) |
| Gain (loss) on disposal of capital assets | - | - | 442,973 | 22,628 | 465,601 |
| Income (loss) before contributions and transfers | (172,748) | 3,087,915 | (263,769) | 793,876 | 3,445,274 |
| Capital contributions | - | - | - | - | - |
| Transfers from other funds | 470,704 | - | 53,398 | 15,175 | 539,277 |
| Transfers to other funds | (235,667) | (2,060,695) | (53,398) | (269,797) | (2,619,557) |
| Change in net assets | 62,289 | 1,027,220 | (263,769) | 539,254 | 1,364,994 |
| Net assets (deficit), beginning of year | 6,971,490 | 7,563,039 | (4,747,020) | 5,235,955 | 15,023,464 |
| Net assets (deficit), end of year | $ 7,033,779 | $ 8,590,259 | $ (5,010,789) | $ 5,775,209 | $16,388,458 |

*See accompanying notes to financial statements.*

# CITY OF CAIRO, GEORGIA
## STATEMENT OF CASH FLOWS
## PROPRIETARY FUNDS
For the Year Ended June 30, 2008

| | Business Type Activities - Enterprise Funds | | | | |
|---|---|---|---|---|---|
| | Water and Sewer Fund | Electric Revenue Fund | Cable TV Fund | Nonmajor Enterprise Funds | Total |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | |
| Cash received from customers and users | $ 2,931,807 | $13,619,973 | $ 1,817,480 | $ 3,887,043 | $ 22,256,303 |
| Other operating receipts | 114,421 | - | 163 | 90,435 | 205,019 |
| Cash payments to employees | (1,029,107) | (466,818) | (81,514) | (603,186) | (2,180,625) |
| Cash payments to suppliers | (1,245,007) | (9,985,947) | (1,459,891) | (2,307,019) | (14,997,864) |
| Net cash provided (used) by operating activities | 772,114 | 3,167,208 | 276,238 | 1,067,273 | 5,282,833 |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | | | | | |
| Transfers from other funds | 470,704 | - | 53,398 | 15,175 | 539,277 |
| Transfers to other funds | (235,667) | (2,060,695) | (53,398) | (269,797) | (2,619,557) |
| Net change in due from general fund | - | (494,295) | - | 169,025 | (325,270) |
| Net change in due from other funds | (360,324) | (666,229) | - | (268,751) | (1,295,304) |
| Net change in due from component unit | - | - | - | - | - |
| Net change in due to general fund | 744,269 | - | 79,994 | 27,954 | 852,217 |
| Net change in due to other funds | - | 625,170 | 714,658 | (44,523) | 1,295,305 |
| Net cash provided (used) by noncapital financing activities | 618,982 | (2,596,049) | 794,652 | (370,917) | (1,553,332) |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | | | | | |
| Proceeds from issuance of long - term debt | - | - | - | - | - |
| Proceeds from sale of assets | - | - | - | - | - |
| Proceeds from capital contributions | - | - | - | - | - |
| Acquisition and construction of capital assets | (1,086,946) | (468,199) | (175,209) | (410,856) | (2,141,210) |
| Principal payments on long - term debt | (538,222) | (24,659) | (523,610) | (259,751) | (1,346,242) |
| Interest paid | (450,073) | (22,633) | (381,569) | (27,312) | (881,587) |
| Net cash provided (used) by capital and related financing activities | (2,075,241) | (515,491) | (1,080,388) | (697,919) | (4,369,039) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | |
| Proceeds from sale of investments | - | - | - | - | - |
| Purchase of investments | - | - | - | - | - |
| Loan disbursements | - | - | - | - | - |
| Interest received | 54,245 | 3,200 | - | 78,620 | 136,065 |
| Net cash provided (used) by investing activities | 54,245 | 3,200 | - | 78,620 | 136,065 |
| Net increase (decrease) in cash and cash equivalents | (629,900) | 58,868 | (9,498) | 77,057 | (503,473) |
| Cash and cash equivalents, beginning of year | 2,588,025 | 325,820 | 842,066 | 2,586,132 | 6,342,043 |
| Cash and cash equivalents, end of year | $ 1,958,125 | $ 384,688 | $ 832,568 | $ 2,663,189 | $ 5,838,570 |

*See accompanying notes to financial statements.*

**CITY OF CAIRO, GEORGIA**
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2008

| | Business Type Activities - Enterprise Funds | | | | |
|---|---|---|---|---|---|
| | Water and Sewer Fund | Electric Revenue Fund | Cable TV Fund | Nonmajor Enterprise Funds | Total |
| **RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES** | | | | | |
| Operating income (loss) | $ 223,080 | $ 2,978,622 | $ (209,264) | $ 719,570 | $ 3,712,008 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | | |
| Depreciation | 507,850 | 371,622 | 447,700 | 417,838 | 1,745,010 |
| Closure / post closure costs | | | | 250,632 | 250,632 |
| Other | 19,217 | - | 100,226 | - | 119,443 |
| Changes in assets and liabilities: | | | | | |
| (Increase) decrease in: | | | | | |
| Accounts receivable | (24,786) | (86,880) | (105,960) | (138,838) | (356,464) |
| Inventories | (1,250) | 151,954 | 24,356 | (12,057) | 163,003 |
| Other current assets | (8,068) | 19,870 | (622) | (27,881) | (16,701) |
| Due from general fund | | | | - | - |
| Due from other funds | | | | - | - |
| Due from component unit | | | | - | - |
| Increase (decrease) in: | | | | | |
| Accounts payable | 51,647 | (39,260) | 19,584 | (132,340) | (100,369) |
| Accrued expenses | 4,424 | (12,190) | 218 | (9,651) | (17,199) |
| Due to general fund | | | | - | - |
| Due to other funds | | | | - | - |
| Net cash provided (used) by operating activities | $ 772,114 | $ 3,383,738 | $ 276,238 | $ 1,067,273 | $ 5,499,363 |

*See accompanying notes to financial statements.*

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Cairo, Georgia (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. With respect to proprietary activities, including component units, the City has adopted GASB Statement of Accounting Standards No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*. The City has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) Opinions, issued on or before November 30, 1989 unless those pronouncements are inconsistent with GASB pronouncements. The more significant of the government's accounting policies are described below.

### I. Reporting Entity

The City of Cairo was incorporated in 1906. The City's Charter provides for a Council-Mayor form of government. The City Manager is the head of the administrative branch of government and is responsible for the day-to-day operations of the city government. The legislative authority of the City is vested in the Mayor and five Council members with an appointed City Manager. The City provides the following services and operations as authorized by its charter: public safety (police and fire), public works, recreation, airport, and public utilities (water and sewer, gas, electric, solid waste, cable TV and Internet services).

The financial reporting entity has been determined by management in accordance with accounting principles generally accepted in the United States of America to be the City of Cairo (the primary government) and its component unit. A component unit is a legally separate organization for which the primary government is financially accountable or for which the nature and significance of its relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. In evaluating how to define the government for financial reporting purposes, management has considered all component units.

The criteria used to determine financial accountability are the ability of the primary government to appoint a voting majority of the organization's governing body, and effectively impose its will on the organization. Also, if there is potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government, financial accountability would exist. Based upon the application of these criteria, the following is a brief review of the component unit included in the City's reporting unit as a discretely presented component unit.

City of Cairo Development Authority

The City of Cairo Development Authority (the Authority) plans and develops the downtown area of the City in order to attract new business and residences. The Mayor and Council elect all three members of the Authority's Board and the City possesses the authority to review, approve and revise the Authority's budget and governs collection and disbursement of its funds. The Authority is reported as a proprietary fund type component unit. Separate financial statements are not issued.

## II. Government-Wide and Fund Financial Statements

The government-wide financial statements (Statement of Net Assets and Statement of Changes in Net Assets) report information on all non-fiduciary activities of the primary government and its component unit. As a general rule, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is accountable.

The Statement of Activities demonstrates the degree to which 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 that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

## III. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government – Wide Financial Statements

The City's government-wide financial statements include a Statement of Net Assets and a Statement of Activities. These statements present summaries of Governmental and Business-Type activities for the City.

These statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting,* as are the proprietary fund financial statements. Accordingly, all the City's assets and liabilities, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in assets. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services to customers who directly benefit from goods, services or privileges provided by a given function, 2) operating grants and contributions that are restricted to meeting the operational needs requirements of a particular function, and 3) capital grants and contributions that are restricted to meeting the capital needs requirements of a particular function. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Certain eliminations have been made as prescribed by GASB Statement of Accounting Standards No. 34, *Basic Financial Statements, Management's Discussion and Analysis, for State and Local Governments* in regards to interfund activities, payables, and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated, however, those transactions between governmental and business-type activities have not been eliminated. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Fund Financial Statements

*Governmental Fund* financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. Governmental Fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. The City considers revenues to be available if they are collected within sixty days after year end. Those revenues susceptible to accrual are property taxes, franchise taxes, licenses, and investment income. All other revenue items are considered to be measurable and available only when cash is received by the City. Expenditures generally are recorded when a liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The City reports the following major governmental funds:

> The *General Fund* is the principal fund of the City and is used to account for all of its activities not otherwise accounted for by a specified fund.

Additionally the City reports the following governmental fund types:

> The *Special Revenue Funds* are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.
>
> The *Capital Projects Funds* are used to account for financial resources for the acquisition or construction of major capital facilities and improvements other than those financed by Proprietary Funds. These projects are financed through budget appropriations, revenue bonds, sales tax proceeds and general obligation sales tax, and capital leases.

*Proprietary Funds* are reported using the *economic resources measurement focus* and the *accrual basis of accounting* and are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds). Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are 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 non-operating revenues and expenses.

*Enterprise Funds* account for activities that are usually self-sustaining, principally through user charges for services rendered.

The City reports the following major enterprise funds:

The *Water and Sewer Fund* accounts for the provision of water and sewer services to the residents of the City. All activities necessary to provide such services are accounted for in this fund.

The *Electric Revenue Fund* accounts for the provisions of electrical services to the residents of the City. All activities necessary to provide such services are accounted for in this fund.

The *Cable TV Fund* accounts for the provision of cable television services to the residents of the City. All activities necessary to provide such services are accounted for in this fund.

*Component Units*: All component units are reported using the *economic resources measurement focus basis* and the *accrual basis of accounting*. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

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

Budgets

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America except that encumbrances are treated as budgeted expenditures in the year of the incurrence of the commitment to purchase. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored through subsequent years' budget appropriations.

Cash and Cash Equivalents

Cash and cash equivalents, as reported in the statement of cash flows, includes amounts in demand deposits, amounts with fiscal agents and investments with an original maturity at three months or less.

Investments

State Statutes authorize the City and the authority to invest in obligations of the State of Georgia, obligations issued by the United States Government, obligations fully insured or guaranteed by the United States Government or by a government agency of the United States, obligations of any corporation of the United States Government, prime bankers' acceptances, the local government's investment pool established by Georgia Law, repurchase agreements, and obligations of other political sub-divisions of the State of Georgia, and, additionally, certificates of deposits, NOW accounts, and money market accounts of banks, which have deposits insured by the Federal Deposit Insurance Corporation; provided, however, that portion of such investment shall be secured by direct obligations of the State of Georgia or the United States, which are of a par value equal to one hundred ten percent (110%) of funds on deposit at the institution.

Investments for the City and its component unit are reported at fair value.

Receivables

Receivables and Due from Other Governments represent funds to be received from other local governments, state grant in aid, state contracts, or federal funds. No allowance is deemed necessary for these receivables.

All trade and property tax receivables have been reduced to their estimated net realizable value and are shown net of an allowance for doubtful accounts. Estimated uncollectible amounts are based upon historical experience rates.

Inventories

Inventory in enterprise funds is valued at the lower of cost or market using the first-in / first-out method. Inventory in the governmental funds is valued at cost and consists of expendable supplies held for consumption. The City accounts for inventory on the purchase basis.

Prepaid Items

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

Interfund Receivables / Payables

Outstanding balances between funds at the end of the fiscal year are referred to as either "Due From Other Funds" or "Due To 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".

Restricted Assets

Certain assets of the City and the Authority are subject to restrictions imposed by parties outside the government (such as creditors, grantors, contributors, and laws or regulations of other governments). Self-imposed restrictions are not considered restrictions for financial reporting purposes unless imposed by the City's constitutional provisions or by enabling legislation. The City would typically use restricted assets first, as appropriate opportunities arise, but reserve the right to selectively defer the use, thereof, to a future project or replacement equipment acquisition.

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. The City's policy has set the capitalization threshold at $5,000 for reporting capital assets and infrastructure assets. All fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction period of capital assets of the business-type activities is included as part of the capitalized value of the assets constructed. The amount of interest capitalized is calculated by offsetting interest expense incurred (from the date of borrowing until the date of completion of the project) with interest earned on investment proceeds over the same period. During the year ended June 30, 2008 no interest incurred was attributable to the cost of capital assets associated with construction projects.

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

| | |
|---|---|
| *Governmental Assets:* | |
| Buildings and improvements | 10 - 30 years |
| Machinery and equipment | 3 - 10 years |
| Infrastructure | 20 - 50 years |
| *Business-type Assets:* | |
| Buildings and improvements | 10 - 50 years |
| Machinery and equipment | 3 - 10 years |

Compensated Absences

It is the City's policy to permit employees to accumulate earned, but unused, vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave, since the Government does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds, only if they have matured, for example, as a result of employee resignations and/or retirements. The General Fund is used to liquidate compensated absences, unless associated with a specific proprietary fund.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method, which is not significantly different than 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 the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the issue is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. Reserved fund balances represent those portions of fund equity legally segregated for a specific future use or otherwise not appropriable for expenditure. Designated fund balances represent tentative management plans for future use of financial resources that are subject to change.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve the portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, Special Revenue Fund and Capital Projects Funds. Encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. Unencumbered appropriations lapse at the end of the year. Encumbrances are re-appropriated in the following year, except for encumbrances in the Capital Projects Funds which are continuing. Encumbrances do not represent GAAP expenditures. At June 30, 2008, there were no encumbrances outstanding.

Use of Estimates

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

## NOTE B - BUDGETS AND BUDGETARY ACCOUNTING

### I. Budget Process

The annual budget document is the financial plan for the operation of the City. The budget process exists for the purpose of providing a professional management approach to the establishment of priorities and the implementation of work programs while providing an orderly means for control and evaluation of the City's financial position. An annual operating budget is adopted for the General Fund and Enterprise Funds.

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

1) City departments submit budget requests to the City Manager.
2) Proposed budgets are reviewed and prepared by the City Manager for submission to the Mayor and the City Council.
3) Public hearings on the proposed budget are held.
4) The budget is legally adopted by the Mayor and the City Council.
5) All budget revisions must be approved as required by Georgia law and administrative policy. Revisions that alter the total expenditures of any department or fund must be approved by the City Council.
6) Formal budgetary integration is employed as a management control device during the year for the General Fund and the Enterprise Funds.
7) Budgets for the General Fund and the Enterprise Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

Original budgeted amounts for the year ended June 30, 2008, were adopted by the City Council on June 18, 2007. Budget amendments were adopted on June 9, 2008.

### II. Capital Projects Budget

The construction of certain major capital facilities and improvements, which are accounted for by the City in the Capital Projects Funds, are subject to budgetary control on a project basis. The budgets are approved by the City Council and are generally subject to specific provisions of voter referendums, State statutes, and/or grant agreements. Appropriations for a specific project do not lapse until completion of the project.

**III. Excess of Expenditures Over Appropriations in Individual Funds**

The following funds had deficit fund balances / retained earnings as of June 30, 2008:

| Fund | | Deficit |
|---|---|---|
| Cable TV | $ | 5,010,789 |
| Grant Projects | | 500 |

The fund deficits above are expected to be reduced through increased user charges and General Fund appropriations.

## NOTE C - DEPOSITS AND INVESTMENTS

**I. Cash on Deposit**

The City's deposits include cash on deposit with financial institutions. Cash equivalents subject to federal and state depository insurance are classified as deposits. For cash deposits, the bank balance is classified into three categories of credit risk:

1) Cash that is insured or collateralized with securities held by the government or by its agent in the government's name.
2) Cash collateralized with securities held by the pledging financial institution's trust department or agent in the government's name.
3) Cash collateralized with securities held by the pledging financial institution's trust department or agent, but not in the government's name, or uncollateralized.

The Georgia Code requires that depository institutions collateralize cash deposits of public funds. Depositories of public funds may secure deposits by the insurance of the F.D.I.C., pledged securities, or a combination of these methods. The market value of pledged securities shall be equal to not less than 110 percent of the public funds being secured after the deduction of the amount of deposit insurance.

As of June 30, 2008, the carrying amount of the City's deposits was $9,905,212 and the bank balance was $10,212,103. The deposits were classified as follows:

| | *Category* | | | |
|---|---|---|---|---|
| | 1 | 2 | 3 | Total |
| Bank balance | $ 500,000 | $ 9,712,103 | $ -- | $ 10,212,103 |

As of June 30, 2008, the carrying amount of deposits for the City of Cairo Development Authority was $90,791 and the bank balances were $90,861. The deposits were classified as follows:

| | *Category* | | | |
|---|---|---|---|---|
| | 1 | 2 | 3 | Total |
| Bank balance | $ 90,861 | $ -- | $ -- | $ 90,861 |

## II. Investments

Primary Government

*Municipal Competitive Trust*

The Municipal Electric Authority of Georgia (MEAG) formed a Trust, known as the "Municipal Competitive Trust", for the benefit of its participants, (which includes the City of Cairo, Georgia, along with forty-six (46) other Cities and Counties). The Competitive Trust has been funded with certain monies, which have been accumulated in MEAG Power reserves, including certain rate stabilization monies and sums from the debt service reserves, which were released following a successful effort to obtain bondholder consent to amend the Project One and General Resolution Projects Resolutions. Surety bonds were substituted for the debt service reserves, to preserve the security of the bondholders, thus, allowing the accumulated debt service reserves to be transferred to the Competitive Trust. Funds in the Competitive Trust will be invested and reinvested, and will be available to reduce future power supply costs of the participants to meet retail competition.

Discretionary funds from the participants were deposited in the Flexible Trust Account, which is part of the Municipal Competitive Trust, established by MEAG and represents an involuntary participation external investment pool that is not registered with the S.E.C., as an investment company. The City of Cairo, Georgia has recorded the investments in the Flexible Trust Account, in the Electric Fund, at fair market value which was $2,771,384 at June 30, 2008. Fair market value is determined based on the fair value of the underlying portfolio, calculated daily, with earnings distributed monthly. The fair value of the position in the external investment pool is the same as the value of the pool shares. The Municipal Competitive Trust permits the investment of funds in direct obligations of the United States Government, certain government agencies, if guaranteed by the United States Government, direct and general obligations of States, certain Federal agency discount notes and repurchase agreements collateralized by securities, which would, otherwise, be permissible under the laws of the State of Georgia.

Under the above parameters, investments are made in mortgage and derivative securities. These securities principally include agency-issued mortgages, collateralized mortgage obligations, principle-only strips and interest only securities that are required to repay one hundred percent (100%) of their principal investment at maturity. The yield on derivative securities is based on cash flows received, as determined by a specified formula or index and/or cash flows from principle repayments on underlying mortgages. Therefore, the rate of return and market value of these securities may be sensitive to changes in their respective index or formula and/or in pre-payment on mortgages, which may result from changing interest rates.

MEAG Power and, therefore, the City of Cairo, Georgia, to the extent of its portion of the Flexible Trust Account, are exposed to credit and market risk, relating to its investments. Credit risk arises when an entity is unable to recover its investments, either by an inability to withdraw the funds through non-performance of a counter party or an inability to recover collateral. Market risk could affect the investments adversely when either the value of items purchased or the value of underlying collateral declines.

*Derivative Financial Instruments*

Derivative financial instruments are used principally in the management of interest rate exposure and include interest rate swap transactions. Derivative financial instruments are not held or issued for trading purposes. The counter parties to derivative transactions are major financial institutions, with either high investment grade credit ratings or agreements to collateralize their net position.

Swap transactions are accrued to interest expense for the difference between the agreed upon fixed and floating rates. Options are recorded at fair value, based on the estimated amount that would be received or paid to terminate the options at the reporting date, based on broker quotes. Options are revalued and marked to market.

MEAG Power and the City's portion of the Flexible Trust Account will be exposed to less variable rate exposure, if the counter party to the swap transaction defaults or if the swap is terminated. Any termination of the swap agreements may also result in MEAG Power, through the appropriate trust account, making or receiving a settlement payment.

Component Unit

The Authority's investments consist primarily of funds placed in irrevocable escrow accounts and invested in U.S. Treasury notes. These investments are restricted for the retirement of principle and interest on certain Revenue Bonds.

Classification of Investments

Investments are categorized into three categories of credit risk:

1) Insured or registered, or securities held by the City or Authority or their agent in the name of the City or Authority
2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City or Authority's name.
3) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the City or Authority's name.

At June 30, 2008, The City's investments in the MEAG Municipal Competitive Trust investment pool totaling $2,771,384 are not evidenced by securities that exist, in physical or book entry form, and are not classified by category or credit risk. Additionally, no indication of the level of risk has been provided, because these investments are in pools managed by other governments or by other agents.

As of June 30, 2008, the City's investments were classified as follows:

| | Category | | | |
|---|---|---|---|---|
| | 1 | 2 | 3 | Fair Value |
| U.S. Government Securities | $ -- | $ 2,771,384 | $ -- | $ 2,771,384 |
| | | | | $ 2,771,384 |

As of June 30, 2008, the City's interest rate risk related to its investments was as follows:

| | Fair Value | Maturities | Credit Quality |
|---|---|---|---|
| U.S. Government Securities | $ 2,771,384 | July 1, 2008 through April 16, 2018 | Unavailable |
| | $ 2,771,384 | | |

**III. Reconciliation of Cash and Investments to Financial Statement Presentation**

A reconciliation of cash and investments of the primary government as shown above to the corresponding amounts shown on the Statement of Net Assets is as follows:

| | |
|---|---|
| Cash – Primary Government from above | $ 9,905,212 |
| Investments from above | 2,771,384 |
| Total | $ 12,676,596 |
| Amounts as presented on the entity-wide Statement of Net Assets | |
| *Governmental Activities:* | |
| Cash and cash equivalents | $ 855,798 |
| Restricted cash and cash equivalents | 3,210,844 |
| *Business-type Activities:* | |
| Cash and cash equivalents | 873,292 |
| Investments | 2,771,384 |
| Restricted cash and cash equivalents | 4,965,278 |
| Restricted investments | - - |
| Total | $ 12,676,596 |

## NOTE D – RECEIVABLES AND TAX REVENUE

**I. Property Tax**

Property taxes are levied in October based on property values assessed as of January 1. The billing representing the current year tax levy is mailed on December 15th. The billings are considered past due sixty (60) days after the billing date and penalties and interest are assessed. The applicable property is subject to lien after the billings are ninety (90) days delinquent.

The tax rate levied during fiscal year 2008 for the City's operations was 7.52 mills (mill equals $1 per thousand dollars of assessed value).

The City maintains no allowance for uncollectible property taxes at June 30, 2008.

## II. Sales Tax

Grady County, Georgia has levied a 1% Special Purpose Local Option Sales Tax Program (SPLOST) which was passed by referendum in 2003. The proceeds from this sales tax program are used to finance various capital projects. The SPLOST program is administered by Grady County, Georgia.

## III. Receivables

Receivables as of June 30, 2008 are as follows:

Primary Government

| | General Fund | Nonmajor Governmental Funds | Water and Sewer Fund | Electric Revenue Fund | Cable TV Fund |
|---|---|---|---|---|---|
| Accounts Receivable | $ 61,563 | $ 3,403 | $ 358,987 | $ 1,941,830 | $ 308,356 |
| Property Tax Receivable | -- | -- | -- | -- | -- |
| Sales Tax Receivable | 89,645 | -- | -- | -- | -- |
| Program Receivables | -- | 804,625 | -- | -- | -- |
| Gross Receivables | 151,208 | 808,028 | 358,987 | 1,941,830 | 308,356 |
| Less: Allowance for Uncollectibles | -- | -- | (75,053) | (347,734) | (6,926) |
| Net Total Receivables | $ 151,208 | $ 808,028 | $ 283,934 | $ 1,594,096 | $ 301,430 |

| | Nonmajor Enterprise Funds | Total |
|---|---|---|
| Accounts Receivable | $ 376,342 | $ 3,050,481 |
| Property Tax Receivable | -- | -- |
| Sales Tax Receivable | -- | 89,645 |
| Program Receivables | -- | 804,625 |
| Gross Receivables | 376,342 | 3,944,751 |
| Less: Allowance for Uncollectibles | (90,445) | (520,158) |
| Net Total Receivables | $ 285,897 | $ 3,424,593 |

Component Unit

The City of Cairo Development Authority leases a post office building to the United States Postal Service under a sales-type lease, as defined in Statement of Financial Accounting Standards No. 13, *Accounting for Leases* (SFAS 13). The current portion of the net investment in the sales-type lease is included in accounts receivable and the long-term portion is included in long-term receivables.

The components of the net investment in the sales-type lease at June 30, 2008 were as follows:

| | |
|---|---|
| Minimum future rentals | $ 2,636,124 |
| Less unearned interest income | (734,170) |
| Net investment in sales-type lease | $ 1,901,954 |

At June 30, 2008, the minimum future lease payments to be received under the sales-type lease are as follows:

| Year Ending June 30, | Total |
|---|---|
| 2009 | $ 223,769 |
| 2010 | 223,769 |
| 2011 | 223,769 |
| 2012 | 223,769 |
| 2013 | 223,769 |
| Thereafter | 1,510,441 |
| | $ 2,629,286 |

## NOTE E – INTERFUND RECEIVABLES AND PAYABLES AND INTERFUND TRANSFERS

### I. Interfund Receivables and Payables

Interfund receivables and payables result from timing differences between the dates goods and services are provided and the dates that payments are made. The composition of interfund receivables and payables as of June 30, 2008 is as follows:

| | Due From | | | | |
|---|---|---|---|---|---|
| Due To | General Fund | Nonmajor Governmental Funds | Water and Sewer Fund | Electric Revenue Fund | Cable TV Fund |
| General Fund | $ -- | $ 2,042 | $ 2,098,751 | $ -- | $ 2,695,406 |
| Nonmajor Governmental Funds | -- | -- | -- | -- | -- |
| Water and Sewer Fund | -- | -- | -- | 360,324 | -- |
| Electric Revenue Fund | 743,501 | -- | -- | -- | 1,220,871 |
| Cable TV Fund | -- | -- | -- | -- | -- |
| Nonmajor Enterprise Funds | 573,695 | -- | -- | 641,646 | 165,053 |
| Total | $ 1,317,196 | $ 2,042 | $ 2,098,751 | $ 1,001,970 | $ 4,081,330 |

| | Due From | | |
|---|---|---|---|
| Due To | Nonmajor Enterprise Funds | | Total |
| General Fund | $ 8,705 | | $ 4,804,904 |
| Nonmajor Governmental Funds | -- | | -- |
| Water and Sewer Fund | -- | | 360,324 |
| Electric Revenue Fund | 36,580 | | 2,000,952 |
| Cable TV Fund | -- | | -- |
| Nonmajor Enterprise Funds | 117,328 | | 1,497,722 |
| Total | $ 162,613 | | $ 8,663,902 |

## I. Interfund Transfers

Interfund transfers are used to move revenues from the fund that the Statute or budget requires to collect them to the fund that the Statute or budget requires to expend them and to use unrestricted revenues collected in the General Fund and Enterprise Funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers for the year ended June 30, 2008, consisted of the following:

| | Transfer To | | | | |
|---|---|---|---|---|---|
| Transfer From | General Fund | Nonmajor Governmental Funds | Water and Sewer Fund | Electric Revenue Fund | Cable TV Fund |
| General Fund | $ -- | $ -- | $ -- | $ -- | $ -- |
| Nonmajor Governmental Funds | -- | -- | 470,704 | -- | -- |
| Water and Sewer Fund | 235,667 | -- | -- | -- | -- |
| Electric Revenue Fund | 2,060,695 | -- | -- | -- | -- |
| Cable TV Fund | 53,398 | -- | -- | -- | -- |
| Nonmajor Enterprise Funds | 216,399 | -- | -- | -- | 53,398 |
| Total | $ 2,566,159 | $ -- | $ 470,704 | $ -- | $ 53,398 |

| | Transfer To | |
|---|---|---|
| Transfer From | Nonmajor Enterprise Funds | Total |
| General Fund | $ 15,175 | $ 15,175 |
| Nonmajor Governmental Funds | -- | 470,704 |
| Water and Sewer Fund | -- | 235,667 |
| Electric Revenue Fund | -- | 2,060,695 |
| Cable TV Fund | -- | 53,398 |
| Nonmajor Enterprise Funds | -- | 269,797 |
| Total | $ 15,175 | $ 3,105,436 |

## NOTE F – CAPITAL ASSETS

The following is a summary of capital asset activity as of June 30, 2008:

Primary Government

*Governmental Activities:*

| | Balance June 30, 2007 | Increases | Decreases | Balance June 30, 2008 |
|---|---|---|---|---|
| Capital assets, not being depreciated | | | | |
| Land and land improvements | $ 425,666 | $ -- | -- | $ 425,666 |
| Construction in progress | -- | -- | -- | -- |
| Total capital assets not being depreciated | 425,666 | -- | -- | 425,666 |
| Other capital assets | | | | |
| Buildings and improvements | 4,022,591 | 245,133 | -- | 4,267,724 |
| Machinery and equipment | 2,185,239 | 41,100 | (88,050) | 2,138,289 |
| Infrastructure | 2,080,711 | -- | -- | 2,080,711 |
| Total other capital assets at cost | 8,288,541 | 286,233 | (88,050) | 8,486,724 |
| Less accumulated depreciation for | | | | |
| Buildings and improvements | (1,024,018) | (138,363) | -- | (1,162,381) |
| Machinery and equipment | (2,206,892) | (107,132) | 88,050 | (2,225,974) |
| Infrastructure | (1,916,700) | -- | -- | (1,916,700) |
| Total accumulated depreciation | (5,147,610) | (245,495) | 88,050 | (5,305,055) |
| Other capital assets, net | 3,140,931 | 40,738 | -- | 3,181,669 |
| Governmental activities capital assets, net | $ 3,566,597 | 40,738 | -- | $ 3,607,335 |

*Business-type activities:*

| | Balance June 30, 2007 | Increases | Decreases | Balance June 30, 2008 |
|---|---|---|---|---|
| Capital assets, not being depreciated | | | | |
| Land and land improvements | $ 1,600,315 | $ 1,000 | -- | $ 1,601,315 |
| Construction in progress | 362,165 | -- | (97,315) | 264,850 |
| Total capital assets not being depreciated | 1,962,480 | 1,000 | (97,315) | 1,866,165 |
| Other capital assets | | | | |
| Buildings and system | 44,806,667 | 1,912,935 | -- | 46,719,602 |
| Machinery and equipment | 5,201,267 | 381,591 | -- | 5,582,858 |
| Total other capital assets at cost | 50,007,934 | 2,294,526 | -- | 52,302,460 |
| Less accumulated depreciation for | | | | |
| Buildings and system | (15,699,771) | (1,326,207) | -- | (17,025,978) |
| Machinery and equipment | (4,922,223) | (418,803) | -- | (5,341,026) |
| Total accumulated depreciation | (20,621,994) | (1,745,010) | -- | (22,367,004) |
| Other capital assets, net | 29,385,940 | 549,516 | -- | 29,935,456 |
| Business-type activities capital assets, net | $ 31,348,420 | 550,516 | (97,315) | $ 31,801,621 |

Depreciation expense was charged to functions as follows:

| | | |
|---|---|---|
| Governmental activities | | |
| General government | $ | 18,886 |
| Public safety | | 98,997 |
| Public works | | 57,076 |
| Parks and recreation | | 70,535 |
| Total governmental activities depreciation expense | | 245,494 |
| Business-type activities | | |
| Water and sewer | | 507,850 |
| Electric | | 371,622 |
| Cable TV | | 447,700 |
| Garbage and trash | | 87,579 |
| Airport | | 115,397 |
| Telecommunications | | 49,195 |
| Landfill | | 80,197 |
| Gas | | 85,470 |
| Total business-type activities depreciation expense | | 1,745,010 |
| Total depreciation expense | $ | 1,990,504 |

Component Units

*Governmental Activities:*
The Authority had no governmental capital asset activity for the year ended June 30, 2008.

*Business-type activities:*
The Authority had no business-type capital asset activity for the year ended June 30, 2008.

## NOTE G – SHORT-TERM NOTE PAYABLE

At June 30, 2008, the Water and Sewer Fund has incurred debt to a bank for the purchase of equipment. This note is as follows at June 30, 2008:

| | Original Amount | Interest Rate | Due Date | Amount |
|---|---|---|---|---|
| | $ 49,020 | 0% | 2008 | $ 9,119 |

Short-term note activity for the year ended June 30, 2008 was as follows:

| | Balance June 30, 2007 | Increases | Decreases | Balance June 30, 2008 |
|---|---|---|---|---|
| **Business-type activities:** | | | | |
| Note payable | $ -- | $ 49,020 | $ (39,901) | $ 9,119 |
| Business-type activities short-term liabilities | $ -- | $ 49,020 | $ (39,901) | $ 9,119 |

## NOTE H – LONG TERM DEBT

### I. Revenue Bonds

Primary Government

The City issues bonds where it pledges income derived from the acquired or constructed assets to pay debt service. The City's enterprise funds' revenue bonds outstanding at June 30, 2008, are as follows:

| Enterprise Fund and Description | Original Amount | Interest Rate | Due Date | Amount |
|---|---|---|---|---|
| Water and Sewer and Electric Funds - Combined Public Utility Revenue Refunding and Improvement Bonds, Series 2004 | $ 12,800,000 | 2.50 – 5.00% | 2024 | $ 11,310,000 |
| Cable TV Fund and Telecommunications Fund – South Georgia Governmental Services Authority, Series 2004 | 9,725,000 | 2.00 – 5.00% | 2016 | 7,735,000 |
| | | | | 19,045,000 |
| | | | Unamortized bond premium and refunding costs | (414,137) |
| | | | Less current portion | (1,150,000) |
| | | | | $ 17,480,863 |

Combined Utility Revenue Bonds, Series 2004

The City of Cairo Combined Public Utility Revenue Refunding and Improvement Bonds, Series 2004 were issued December 1, 2004 in the amount of $12,800,000 to provide funds to prepay all the outstanding loans of the City obtained from the Georgia Environmental Facilities Authority in connection with water and sewerage system projects, to extinguish certain interim financing obtained by the City in connection with an electrical system project, to make extensions, additions and improvements to the water and sewerage system and to fund a reserve for payment of the bonds through the purchase of a debt service reserve credit instrument. These bonds will be repaid from the revenues and earnings derived from the City's ownership and operation of the water and sewerage system, the electric power distribution system and the natural gas distribution system.

The annual debt service requirement to maturity of the Series 2004 bonds at June 30, 2008 is as follows:

| Year Ending June 30 | Principle | Interest | Total |
|---|---|---|---|
| 2009 | $ 530,000 | $ 464,981 | $ 994,981 |
| 2010 | 545,000 | 449,081 | 994,081 |
| 2011 | 565,000 | 432,731 | 997,731 |
| 2012 | 580,000 | 415,075 | 995,075 |
| 2013 | 605,000 | 391,875 | 996,875 |
| 2014-2018 | 3,385,000 | 1,591,902 | 4,976,902 |
| 2019-2023 | 4,150,000 | 819,489 | 4,969,489 |
| 2024 | 950,000 | 47,500 | 997,500 |
| | $ 11,310,000 | $ 4,612,634 | $ 15,922,634 |

South Georgia Governmental Services Authority Revenue Bonds, Series 2004

The Series 2004 bonds were issued on April 1, 2004 and were issued in the total amount of $35,405,000 (of which only $9,725,000 is applicable to the City of Cairo). The bonds were issued for the purpose of providing funds 1) to the City of Cairo, the City of Camilla, the City of Moultrie and the City of Thomasville to pay, on behalf of each of the Cities, certain intergovernmental contract obligations and bonds outstanding incurred to acquire, construct, and equip cable television and telecommunications systems for said Cities, 2) to the City of Cairo, the City of Camilla, the City of Thomasville for the acquisition, construction, and equipping of additional equipment and facilities to be used in connection with the cable television and communications systems for said Cities, 3) to fund a reserve for payment of the Bonds, and 4) to pay the necessary costs of issuing the Bonds. The Series 2004 bonds are limited obligations of the South Georgia Governmental Services Authority (the Authority) and are payable solely from and secured by the Trust Estate which includes rentals, revenues, earnings and funds of the Authority arising from the individual City projects as provided in the leases between the Authority and each of the Cities. The City of Cairo's obligation to make lease payments under the lease contract sufficient to pay the principal of, premium, if any, and interest on the 2004 Series bonds is absolute and unconditional and will not expire so long as any of the Series 2004 bonds remain outstanding and unpaid. Under the lease contract, the City has agreed to levy ad valorem property taxes, subject to millage limits prescribed by law, on all property in the City subject to such tax as may be necessary to make the payments required by the lease contract.

The issuance of the Series 2004 bonds effectively paid off, via an advance refunding, the City's outstanding City of Cairo Development Authority Revenue Bonds, Series 2000 and 2002 in the amount of $7.6 million. The defeased Series 2000 and 2002 bonds are outstanding at June 30, 2008 in the amount of $5.8 million.

The annual debt service requirement to maturity of the Revenue Bonds at June 30, 2008 is as follows:

| Year Ending June 30 | Principle | Interest | Total |
|---|---|---|---|
| 2009 | $ 620,000 | $ 318,088 | $ 938,088 |
| 2010 | 705,000 | 293,288 | 998,288 |
| 2011 | 730,000 | 265,088 | 995,088 |
| 2012 | 760,000 | 235,888 | 995,888 |
| 2013 | 780,000 | 212,138 | 992,138 |
| 2014-2017 | 4,140,000 | 545,138 | 4,685,138 |
| | $ 7,735,000 | $ 1,869,628 | $ 9,604,628 |

Component Unit

The City of Cairo Development Authority's revenue bonds outstanding at June 30, 2008, are as follows:

| | Original Amount | Interest Rate | Due Date | Amount |
|---|---|---|---|---|
| City of Cairo Development Authority – Series 1999 | $ 2,460,000 | 5.25-6.75% | 2020 | $ 1,810,000 |
| City of Cairo Development Authority – Series 2000 | 6,560,000 | 4.70-5.75% | 2017 | 5,110,000 |
| City of Cairo Development Authority – Series 2002 | 1,065,000 | 3.00-4.50% | 2017 | 695,000 |
| | | | | 7,615,000 |
| | | | Less current portion | (580,000) |
| | | | | $ 7,035,000 |

City of Cairo Development Authority Taxable Revenue Bonds, Series 1999

The City of Cairo Development Authority (Authority) Series 1999 bonds were issued in April of 1999 in the amount of $2,460,000 to provide funds to finance the construction of the new post office building. The Authority and the City of Cairo entered into an intergovernmental contract as of April 1, 1999. This contract provides for the Authority to appoint the City of Cairo as its agent and authorizes the City of Cairo to complete the acquisition, construction and equipping of the Project. The U.S. Postal Service has entered into a lease agreement with the Authority effective April 26, 1999. The Authority will use the funds from the lease agreement to service its revenue bond indebtedness. The term of the lease is from April 12, 2000 until April 11, 2020. The annual lease payment is $223,769. At the end of the lease term the U.S. Postal Service has the option to purchase the building for $1.00. Bond issuance costs of $64,177 and original issue discount of $29,195 are being amortized over the life of the bonds.

City of Cairo Development Authority Taxable Revenue Bonds, Series 2000

The City of Cairo Development Authority (Authority) Series 2000 bonds were issued on January 1, 2000 in the amount of $6,560,000 to provide funds for the acquisition, construction, and equipping of a cable television and telecommunications system to be leased by the Authority to the City of Cairo. On January 1, 2000, the Authority and the City of Cairo entered into a lease contract whereby the Authority will lease to the City of Cairo the cable television and communications system. The lease contract appoints the City of Cairo as the agent for the Authority to contract for and complete the acquisition, construction and equipping of the project. The term of the lease begins with the issuance and delivery by the Authority of the bonds and shall continue in full force and effect until all bonds which shall have been issued and are outstanding and the interest thereon have been paid or provision for the payment thereof shall have been made but in no event shall the term exceed thirty years. The amount of the lease payment will be the amount necessary to provide sufficient funds for the payment of all principle and interest coming due on the bonds. Bond issuance costs of $160,624 are being amortized over the life of the bonds.

City of Cairo Development Authority Taxable Revenue Bonds, Series 2002

The City of Cairo Development Authority (Authority) Series 2002 bonds were issued on July 1, 2002 in the amount of $1,065,000 to provide funds for the acquisition, construction, and equipping of a cable television and telecommunications system to be leased by the Authority to the City of Cairo. On January 1, 2000, the Authority and the City of Cairo entered into a lease contract whereby the Authority will lease to the City of Cairo the cable television and communications system. The lease contract appoints the City of Cairo as the agent for the Authority to contract for and complete the acquisition, construction and equipping of the project. The term of the lease begins with the issuance and delivery by the Authority of the bonds and shall continue in full force and effect until all bonds which shall have been issued and are outstanding and the interest thereon have been paid or provision for the payment thereof shall have been made but in no event shall the term exceed thirty years. The amount of the lease payment will be the amount necessary to provided sufficient funds for the payment of all principle and interest coming due on the bonds.

The annual debt service requirements to maturity of the Series 1999, 2000 and 2004 bonds at June 30, 2008 are as follows:

| Year Ending June 30 | Principle | Interest | Total |
|---|---|---|---|
| 2009 | $ 580,000 | $ 430,490 | $ 1,010,490 |
| 2010 | 665,000 | 400,222 | 1,065,222 |
| 2011 | 700,000 | 364,848 | 1,064,848 |
| 2012 | 740,000 | 327,068 | 1,067,068 |
| 2013 | 775,000 | 286,898 | 1,061,898 |
| 2014-2018 | 3,750,000 | 726,952 | 4,476,952 |
| 2019-2020 | 405,000 | 41,514 | 446,514 |
| | $ 7,615,000 | $ 2,577,992 | $ 10,192,992 |

## II. Closure and Post Closure Care Liability

State and Federal laws and regulations require the City to place a final cover on its landfill site when it discontinues accepting waste, and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although, closure and post-closure care costs will be paid only near or after the date that the landfill discontinues accepting waste, the City reports a portion of these closure and post closure care costs as an operating expense in each period, based on landfill capacity used as of each balance sheet date. The $1,345,639 reported as landfill closure and post closure care liability, as of June 30, 2008, represents the cumulative amount reported, based on a calculation using the utilized capacity percentage of the landfill. The City will recognize the remaining estimated cost of closure and post closure care of $151,645, as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post closure care in 2008. The total landfill capacity used, as of June 30, 2008, is 75.4%. The City estimates the remaining useful life of the landfill, as eight years. The City has restricted assets for the payment of future closure and post closure costs. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. The financial assurance requirements are being met through the proper maintenance of cash balances and financial ratios.

## III. Capital Leases

The City has entered into various other lease agreements as lessee for financing the acquisition of vehicles and equipment. These lease agreements qualify as capital leases for accounting purposes and have been recorded at the present values of the future minimum lease payments as of the date of their inceptions.

The following is an analysis of equipment leased under capital leases as of June 30, 2008:

| | Business-type Activities |
|---|---|
| Machinery and equipment | $ 404,962 |
| Less accumulated depreciation | (237,652) |
| Carrying value | $ 167,310 |

The following is a schedule of future minimum lease payments together with the present value of the net minimum lease payments at June 30, 2008:

| Year Ending June 30, | Business-type Activities |
|---|---|
| 2009 | $ 77,470 |
| 2010 | 45,970 |
| 2011 | -- |
| 2012 | -- |
| 2013 | -- |
| 2014-2017 | -- |
| Total minimum lease payments | 123,440 |
| Less amount representing interest | (5,354) |
| Present value of future minimum lease payments | $ 118,086 |

## IV. Changes in Long-Term Liabilities

### Primary Government

Long-term liability activity for the year ended June 30, 2008, was as follows:

| | Balance June 30, 2007 | Increases | Decreases | Balance June 30, 2008 | Due Within One Year |
|---|---|---|---|---|---|
| **Governmental activities:** | | | | | |
| Compensated absences | $ 98,260 | $ -- | $ -- | $ 98,260 | $ -- |
| Governmental activities long-term liabilities | $ 98,260 | $ -- | $ -- | $ 98,260 | $ -- |
| **Business-type activities:** | | | | | |
| Revenue bonds | $ 20,190,374 | $ -- | $ (1,145,374) | $ 19,045,000 | $ 1,150,000 |
| Plus deferred amounts: | | | | | |
| Unamortized bond premium | 95,058 | -- | (3,526) | 91,532 | -- |
| Less deferred amounts: | | | | | |
| Deferred leasing costs | (605,895) | -- | 100,226 | (505,669) | -- |
| Total bonds payable | 19,679,537 | -- | (1,048,674) | 18,630,863 | 1,150,000 |
| Capital leases | 271,073 | -- | (152,987) | 118,086 | 73,455 |
| Compensated absences | 73,087 | 76 | -- | 73,163 | -- |
| Closure and post closure care liability | 1,095,007 | 250,632 | -- | 1,345,639 | -- |
| Business–type activities long-term liabilities | $ 21,118,704 | $ 250,708 | $ (1,201,661) | $ 20,167,751 | $ 1,223,455 |

Component Unit

Long-term liability activity for the year ended June 30, 2008, was as follows:

| | Balance June 30, 2007 | Increases | Decreases | Balance June 30, 2008 | Due Within One Year |
|---|---|---|---|---|---|
| **Business-type activities:** | | | | | |
| Revenue bonds | $ 8,120,000 | $ -- | $ (505,000) | $ 7,615,000 | $ 580,000 |
| Business–type activities long-term liabilities | $ 8,120,000 | $ -- | $ (505,000) | $ 7,615,000 | $ 580,000 |

## NOTE I – RESERVATIONS OF FUND BALANCES

In the governmental and proprietary fund financial statements, fund balances consist of reserved and unreserved amounts. Reservations of fund balances represent that portion which is not appropriable for expenditure or is legally segregated for a specific future use. The remaining portion is unreserved.

Fund balance reservations at June 30, 2008 include:

| | |
|---|---|
| Special Revenue Funds | |
| Reserved for restricted purposes to reflect resources legally restricted for specific purposes | $ 1,088,659 |
| Capital Projects Funds | |
| Reserved for specific projects to reflect resources funded by Special Purpose Local Option Sales Tax and Federal grants | $ 2,903,660 |
| Permanent Fund | |
| Reserved for restricted purposes to reflect resources legally restricted for specific purposes | $ 11,076 |
| Enterprise Funds | |
| Reserved for landfill closure and post closure care costs | $ 891,704 |

## NOTE J – PENSION PLAN

Plan Description

The City's defined benefit pension plan, City of Cairo Retirement Plan (CCRP), provides retirement and disability benefits, and death benefits to plan members and beneficiaries. CCRP is affiliated with the Georgia Municipal Employees' Benefit System; an agent multiple-employer pension plan administered by the Georgia Municipal Association. The Constitution of the State of Georgia enables the governing authority of the City, the City Council, to establish and amend the benefit provisions of the plans that participate in CCRP. The Georgia Municipal Employees' Benefit System issues a publicly available financial report that includes financial statements and required supplementary information for CCRP. That report may be obtained by writing to the Georgia Municipal Employees' Benefit System, 201 Pryor Street, Southwest, Atlanta, Georgia 30303.

All full-time City employees are eligible to participate in the Plan after completing one year of service. Benefits vest after ten years of service. Participants become eligible to retire at age 65 with 5 years of participation in the Plan.

Funding Policy

The City is required to contribute at an actuarially determined rate in accordance with Section 47-20 of the Georgia Code, which sets forth the minimum funding standards for state and local government pension plans. Plan participants are not required to contribute to the Plan. The Constitution of the State of Georgia enables the governing authority of the City, the City Council, to establish and amend the contribution rates for the City and its plan participants.

Annual Pension Cost

For the year ended June 30, 2008, the City's annual pension cost of $382,481 for CCRP was equal to the City's required and actual contributions. The required contribution was determined as part of the May 1, 2008, actuarial valuation using the "Projected Unit Credit" actuarial cost method. The actuarial assumptions used in the valuation include: (a) an 8.0% investment rate of return, compounded annually, (b) projected salary increases of 5.5% annually, and (c) no annual cost-of-living adjustments. The actuarial value of CCRP assets was determined based on the asset's market value. The unfunded actuarial accrued liability of the CCRP is being amortized as a closed level dollar amount for the remaining unfunded liability.

Three – Year Trend Information for CCRP

| Year Ended, June 30, | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|---|---|---|---|
| 2006 | $ 306,739 | 100% | $ -- |
| 2007 | 361,236 | 100% | -- |
| 2008 | 382,481 | 100% | -- |

Schedule of Funding Progress for CCRP

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) Projected Unit Credit (b) | Unfunded AAL (UAAL) (b – a) | Funded Ratio (a / b) | Covered Payroll (c) | UAAL as a Percentage Of Covered Payroll ((b-a) / c) |
|---|---|---|---|---|---|---|
| 5/1/2006 | $ 5,915,167 | $ 6,737,100 | $ 821,933 | 87.80% | $ 3,770,846 | 21.80% |
| 5/1/2007 | 6,204,570 | 7,310,304 | 1,105,734 | 84.87% | 3,824,843 | 28.91% |
| 5/1/2008 | 6,486,631 | 7,677,853 | 1,191,222 | 84.48% | 3,907,061 | 30.49% |

## NOTE K – JOINT VENTURES

Southwest Georgia Regional Development Center

Under Georgia law, the City, in conjunction with other cities and counties in the eight county southwest Georgia area, is a member of the Southwest Georgia Regional Development Center (RDC) and is required to pay annual dues thereto. During the year ended June 30, 2008, the City paid $8,408 in such dues.

Membership in an RDC is required by the Official Code of Georgia Annotated (OCGA), Section 50-8-34, which provides for the organizational structure of the RDC in Georgia. The RDC 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 RDC. Separate financial statements may be obtained from:

*Southwest Georgia Regional Development Center*
P.O. Box 346
Camilla, Georgia 31730

South Georgia Governmental Services Authority

The City of Cairo, in conjunction with the Cities of Camilla, Moultrie and Thomasville, whom provide distribution of broadband cable television and internet services under the trade name "CNS", created the South Georgia Governmental Services Authority (SGGSA). The SGGSA was created and activated under the provisions of the Development Authority Law of the State of Georgia (O.C.G.A. 36-62-1) for the purpose of providing governmental, proprietary and administrative services and facilities to the Cities of Cairo, Camilla, Moultrie, and Thomasville and other subdivisions, agencies and authorities within its area of operation. Each member city has contracted with the SGGSA to provide management and marketing services for its individually owned broadband communications system. Pursuant to the agreement, the SGGSA procures certain goods and services on behalf of the member cities when cost effective. The SGGSA is reimbursed by each member city for any expense incurred on its behalf. The member cities provide funding on an annual basis to the SGGSA in the form of dues and contributed capital. The City paid the SGGSA $46,056 in such dues for the year ended June 30, 2008. The City of Cairo's investment in the SGGSA is accounted for on the equity method and is recorded in the Cable TV enterprise fund. The investment had a carrying value of $854,053 at June 30, 2008 and a loss from the joint venture of $115,909 during the year. The SGGSA board is made up of eight members, two appointed by each participating city for one year terms. Separate financial statements may be obtained from:

*South Georgia Governmental Services Authority*
P.O. Box 1676
Thomasville, Georgia 31799

City of Cairo Sanitary Landfill

On February 10, 1992, the City of Cairo, Georgia entered into an agreement with Grady County, Georgia and the City of Whigham, Georgia, to deposit solid waste collected in the sanitary landfill operated by Cairo, Georgia. The agreement provides that each party will equitably share in the cost of the operation of the landfill. The agreement also provides that the City of Cairo will establish a sinking fund to meet future capital needs or expenditures that may be required to comply with local, state, or federal laws (i.e., ground water monitoring costs and other post-closure costs). Should the City of Cairo incur any unexpected costs or additional requirements associated with post-closure costs in excess of the sinking / reserve funds retained, each party will make a contribution toward the additional costs in the percentage that shall equal the percentage of the total waste deposited at the landfill by the parties over the term of this agreement. The City of Whigham and Grady County shall not be required to make contributions toward additional costs that are due solely to the negligent act or intentional wrongful act of the City of Cairo in the administration of the landfill.

Each year, the City of Cairo provides to the City of Whigham and Grady County information regarding the operation of the landfill during the previous year. If it is determined that the funds collected do not meet the cost of the operation of the landfill and sinking / reserve fund requirements, each party will make a contribution toward the deficit in a percentage that equals the percentage of the total waste deposited at the landfill by the parties. If it is determined that the funds collected exceed the cost of the operation of the landfill, the excess is transferred to the sinking / reserve fund and each party is given credit in an amount based upon the percentage of waste deposited at the landfill by the parties toward any future deficit.
Any excess that is accumulated over the term of the agreement is considered to be jointly owned by all parties based on the percentage of waste deposited at the landfill over the term of the agreement and will be disbursed at such time as there are no required costs to monitor the landfill.

At June 30, 2008 funds held in the landfill restricted account were $2,237,343 and the total projected costs for the closure and post-closure maintenance and monitoring of the landfill were $1,497,284. The City of Cairo has recognized a liability for the landfill closure and post-closure costs of $1,345,639 as of June 30, 2008. The landfill has an estimated remaining useful life of eight years.

Separate Financial Statements are not prepared or issued for the Landfill Joint Venture.

**NOTE L – JOINTLY GOVERNED ORGANIZATION**

The City of Cairo entered into an agreement with the City of Whigham and Grady County, Georgia, to establish a joint development authority. The purpose of the joint Grady County Development Authority is to facilitate economic development within Grady County, by coordinating the efforts of elected officials, the Cairo-Grady County Chamber of Commerce, private organizations and citizens, and state and local organizations and businesses located both within and outside of Grady County to foster economic growth and improve the welfare of all citizens of Grady County.

The business of the Grady County Development Authority is conducted and managed by its Board of Directors, which consists of seven members. The members are selected by the Grady County Board of Commissioners (3), the City of Cairo (3), and the City of Whigham (1), for such terms as the governing bodies shall determine.

**NOTE M – RELATED ORGANIZATION**

The City Council appoints Board members to the Housing Authority and the Library Board. However, the City has no further accountability for these organizations.

**NOTE N – HOTEL / MOTEL LODGING TAX**

The City has levied a 5% lodging tax. For the year ended June 30, 2008, $44,805 of hotel/motel tax was collected and $67,214 was disbursed.

## NOTE O - RISK MANAGEMENT

The City of Cairo is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City has joined together with other municipalities in the State, as part of the Georgia-Interlocal Risk Management Agency (GIRMA) Property and Liability Insurance Fund and the Georgia Municipal Association Group Self-Insurance Worker's Compensation Fund, a public entity risk pool, currently operating as common risk management and insurance programs for member local governments. GIRMA exists by authority of the Official Code of Georgia Annotated O.C.G.A. 36-85-1. GIRMA is an unincorporated nonprofit instrumentality of its member governments. GIRMA establishes and administers one or more groups of self-insurance funds and a risk management service to prevent or lessen the incidence and severity of casualty and property losses occurring in the operation of City government. GIRMA is to defend and protect in accordance with the member government contract and related coverage descriptions any member of GIRMA against liability or loss.

The Georgia Municipal Association Group Self-Insurance Worker's Compensation Fund is to defend, in the name of and on behalf of the members, any suits or other proceedings, which may, at any time, be instituted against them on account of injuries or death within the preview of the Worker's Compensation Law of Georgia, or on the basis of employer's liability, including suits or other proceedings alleging such injuries and demanding compensation, therefore, although such suits, other proceedings, allegations or demands may be wholly groundless, false or fraudulent.

As part of these risk pools, the City is obligated to pay all contributions and assessments, as prescribed by the pools, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible and, in accordance with any coverage descriptions issue, all incidents, which could result in the funds being required to pay any claim of loss. The City is also to allow the pool's agents and attorneys to represent the City in investigation, settlement discussions, and all levels of litigation arising out of any claim made against the Government within the scope of loss protection furnished by the funds. The funds are to pay all costs taxed against members in any legal proceedings, defended by members, all interest accruing after judgment, and all expenses incurred for investigation, negotiation or defense.

The City of Cairo retains the first $1,000 of each risk of loss in the form of a deductible. The City files all claims with GIRMA. GIRMA bills the City for any risk of loss, up to the $1,000 deductible. The City is not aware of any claims that the City is liable, for which, were outstanding and unpaid, as of June 30, 2008.

The City of Cairo also provides health insurance coverage for its employees through the Georgia Municipal Employees Benefit System (GMEBS).

During the year ended June 30, 2008, there were no significant reductions in insurance coverage from the prior year and there have been no settlements exceeding insurance coverage for the past three years.

## NOTE P – COMMITMENTS AND CONTINGENCIES

Litigation

The City is involved in a number of legal matters, which either have or could result in litigation. The City has accrued amounts related to litigation where an outcome unfavorable to the City is probable and the amount can be estimated. In the opinion of the City's management, the ultimate outcome of these proceedings will not have a material impact on the financial position of the City.

Grants from Governments

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The City expects such disallowed amounts, if any, would not have a material impact on the financial position of the City.

Agreements with the Municipal Electric Authority of Georgia

The Municipal Electric Authority of Georgia (MEAG) is a public corporation and an instrumentality of the State of Georgia created to supply electricity to local government electric distribution systems. As provided by State law, MEAG establishes rates and charges so as to produce revenues sufficient to cover its costs, including debt service, but it may not operate any of its projects for profit, unless any such profits inure to the benefit of the public.

On October 1, 1975, the City of Cairo entered into a contract with MEAG and as an electric utility participant in MEAG is obligated to purchase all of its bulk power supply requirements from MEAG for a period not to exceed 50 years. The City has agreed to purchase all of its future power and energy requirements in excess of that received by the City through the Southeastern Power Administration at prices intended to cover the operating costs of the systems and to retire any debt incurred by MEAG.

In the event that revenues are insufficient to cover all costs and retire the outstanding debt, each participating City has guaranteed a portion of the unpaid debt based on its individual entitlement shares of the output and services of generating units acquired or constructed by MEAG. In addition, in the event of discontinued service to a participant in default, the City would be obligated to purchase additional power subject to contractual limitations. Payments to MEAG are made monthly based on KWH usage. The total payments under these contracts were $9,442,760 in 2008.

At June 30, 2008, the outstanding debt of MEAG was approximately $3.6 billion. The City's guarantee varies by individual projects undertaken by MEAG and totals approximately $60.5 million at June 30, 2008.

On April 26, 1999, the City approved a resolution adopting the provisions of the Municipal Competitive Trust (Trust). The Trust was created by MEAG, in anticipation of future deregulation of the electric industry, which will provide customers with a choice among electric suppliers for their retail electric power supply. This is expected to include customers assigned to electrical systems of political subdivisions, which are wholesale power customers of MEAG, such as the City of Cairo. MEAG expects that after such legislation is effective, market rates for power will result, which will likely be lower for some period of time than the costs of power generated by MEAG facilities. The purpose of the Trust is to provide a means for MEAG and its wholesale customers who elect to become beneficiaries of the Trust to mitigate the change to full competition as a result of anticipated deregulation.

The Trust creates an account for the City of Cairo and within the account, creates the following subaccount, in which the City of Cairo participates:

*Credit Support Operating Trust Account*

This subaccount may be funded from the funds allocated to the City's account in MEAG's Rate Stabilization Reserve Fund or the City's Discretionary Reserve with MEAG, or from any other available funds. On May 3, 1999, MEAG transferred $2,379,633 to this fund from the City's account in MEAG's Rate Stabilization Reserve Fund. The balance of the account, as of June 30, 2008, is $3,790,419. The balance in the Credit Support Operating Trust Account has not been recognized as an asset of the City of Cairo as the City's right to control the funds is contingent upon future events.

*Flexible Trust Account*

The MEAG trust agreement also created a flexible trust account. The City had the right to withdraw these funds, but it did not elect to do so prior to the fiscal year end of June 30, 2008. The balance in the flexible trust account, as of June 30, 2008, was $2,771,384 and has been recorded as an asset of the City.

The Municipal Competitive Trust also contains a "Reserve Funded Debt Account", which had, on June 30, 2008, a balance of $6,884,088. The balance in this account is not recognized as an asset of the City of Cairo as the City's right to control the funds is contingent upon future events.

Environmental

The City of Cairo, Georgia was issued a Land Application System Permit by the Environmental Protection Division (EPD) of the Georgia Department of Natural Resources for its wastewater treatment facility. The permit authorizes the facility to discharge treated wastewater, according to effluent limitations, monitoring requirements, and other conditions. On August 25, 1999, the EPD conducted an inspection of the facility and documented certain violations of EPD's Rules and Regulations for Water Quality Control (Rules). On June 15, 2000, the EPD issued a "Consent Order" to the City of Cairo. This Order provided that the City pay $5,000 for the violation of the permit requirements. The Order also stipulates certain milestone dates for the City to comply with EPD rules and regulations, with a penalty of $1,000 per month, for each month, or portion, thereof, that the City fails to comply.

Lease Agreements

On January 18, 2000, the Grady County Joint Development Authority entered into a lease agreement with Pioneer Hi-Bred International, Inc. This agreement commenced on November 1, 1999 and terminated on October 31, 2004, with two successive automatic five year renewal periods. The monthly lease payment is $3,376. On the anniversary date of the lease agreement, during each year, the monthly lease payment will be adjusted to the amount necessary to amortize the sum of $306,000, over a period of fifteen years, together with the prime interest rate, as established by Wachovia Bank of Georgia, N.A., plus the sum expended by the Grady County Joint Development Authority, for ad valorem taxes upon the subject property. The lease provides Pioneer Hi-Bred International, Inc., with an option to purchase the property for one dollar ($1), upon the completion of two renewal terms (being on or about the 31st day of October, 2014). The option must be exercised within ninety days after the end of the second renewal period.

On May 1, 2000, pursuant to the Revenue Bond Law of the State of Georgia (O.C.G.A. Section 36-82-20 through 36-82-85), as amended (the "Revenue Bond Law"), Article IX, Section III, Paragraph I of the Constitution of the State of Georgia and the Act of the General Assembly of the State of Georgia, creating the MEAG, the City of Cairo agreed to enter into a lease agreement with MEAG for the provision of land and the construction, thereon, of facilities for lease to Pioneer Hi-Bred International, Inc., so as to relieve abnormal unemployment conditions in the City of Cairo. The City of Cairo also agreed, on May 1, 2000, to enter into an agency agreement with MEAG, to cause the acquisition, construction, and installation of equipment for the facilities leased by Pioneer Hi-Bred International, Inc., from the Grady County Joint Development Authority, as described in the preceding paragraph.

On June 12, 2000, the Grady County Joint Development Authority assigned all of the lease payments from Pioneer Hi-Bred International, Inc., to the City of Cairo. On June 27, 2000, the City of Cairo assigned all of these lease payments to MEAG. On April 11, 2000, the Grady County Joint Development Authority conveyed the property to the City of Cairo, and on June 12, 2000, the City of Cairo conveyed the property to MEAG. The lease agreement between the City and MEAG was closed on August 23, 2000. On August 25, 2000, the City received $186,249 from MEAG for the project. The lease term is for ten years. The lease calls for 117 consecutive monthly payments, in the amount $2,233. The interest rate implied in the lease is 6.13%. The principle amount of the lease is $196,346 ($186,249 plus $10,097 for closing and legal fees). Payments began on September 1, 2000. The total lease payments will be $261,318, with $64,972 representing interest.

*Supplementary Information*

**CITY OF CAIRO, GEORGIA**
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2008

| | Special Revenue Funds | | Capital Projects Funds | | | Permanent Fund | |
|---|---|---|---|---|---|---|---|
| | EIP CDBG | Hotel / Motel Tax | Capital Projects | SPLOST 2003 | Grant Projects | Cemetery Perpetual Care | Total |
| **ASSETS** | | | | | | | |
| Cash and cash equivalents | $ - | $ 17,368 | $ 97,659 | $ - | $ - | $ - | $ 115,027 |
| Investments | - | - | - | - | - | - | - |
| Accounts receivable, net | - | 3,403 | - | - | - | - | 3,403 |
| Property tax receivable | - | - | - | - | - | - | - |
| Inventories | - | - | - | - | - | - | - |
| Other current assets | - | - | - | - | - | - | - |
| Due from other governments | - | - | - | - | - | - | - |
| Due from component unit | - | - | - | - | - | - | - |
| Due from general fund | - | - | - | - | - | - | - |
| Due from other funds | - | - | - | - | - | - | - |
| Restricted assets: | | | | | | | |
| Cash and cash equivalents | 265,305 | - | - | 2,903,660 | - | 11,076 | 3,180,041 |
| Investments | - | - | - | - | - | - | - |
| Sales tax receivable | - | - | - | - | - | - | - |
| Program receivables | 804,625 | - | - | - | - | - | 804,625 |
| Total assets | 1,069,930 | 20,771 | 97,659 | 2,903,660 | - | 11,076 | 4,103,096 |
| **LIABILITIES AND FUND BALANCES** | | | | | | | |
| Liabilities | | | | | | | |
| Accounts payable | - | - | - | - | - | - | - |
| Accrued expenses | - | - | - | - | - | - | - |
| Customer deposits | - | - | - | - | - | - | - |
| Deferred revenues | - | - | - | - | 500 | - | 500 |
| Due to other governments | - | - | - | - | - | - | - |
| Due to general fund | - | 2,042 | - | - | - | - | 2,042 |
| Due to other funds | - | - | - | - | - | - | - |
| Liabilities payable from restricted assets | - | - | - | - | - | - | - |
| Total liabilities | - | 2,042 | - | - | 500 | - | 2,542 |
| Fund balances | | | | | | | |
| Reserved for: | | | | | | | |
| Debt service | - | - | - | - | - | - | - |
| Specific projects | 1,069,930 | - | - | 2,903,660 | - | - | 3,973,590 |
| Public services | - | 18,729 | - | - | - | 11,076 | 29,805 |
| Unreserved | - | - | 97,659 | - | (500) | - | 97,159 |
| Total fund balances (deficit) | 1,069,930 | 18,729 | 97,659 | 2,903,660 | (500) | 11,076 | 4,100,554 |
| Total liabilities and fund balances | $ 1,069,930 | $ 20,771 | $ 97,659 | $ 2,903,660 | $ - | $ 11,076 | $ 4,103,096 |

*See independent auditors' report.*

## CITY OF CAIRO, GEORGIA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008

| | Special Revenue Funds | | Capital Projects Funds | | | Permanent Fund | |
|---|---|---|---|---|---|---|---|
| | EIP CDBG | Hotel / Motel Tax | Capital Projects | SPLOST 2003 | Grant Projects | Cemetery Perpetual Care | Total |
| **REVENUES** | | | | | | | |
| Property taxes | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Local option sales taxes | - | - | - | 870,523 | - | - | 870,523 |
| Other taxes and licenses | - | 44,805 | - | - | - | - | 44,805 |
| Fines, forfeitures and fees | - | - | - | - | - | - | - |
| Charges for services | - | - | - | - | - | - | - |
| Investment income | 29,898 | - | - | 94,448 | - | 150 | 124,496 |
| Intergovernmental | - | - | - | - | 204,799 | - | 204,799 |
| Other revenues | - | - | 1,217 | - | - | - | 1,217 |
| Total revenues | 29,898 | 44,805 | 1,217 | 964,971 | 204,799 | 150 | 1,245,840 |
| **EXPENDITURES** | | | | | | | |
| Current: | | | | | | | |
| General government | - | - | - | - | - | - | - |
| Public safety | - | - | - | - | - | - | - |
| Public works | - | - | - | - | - | - | - |
| Parks and recreation | - | - | - | - | - | - | - |
| Other costs | - | 67,214 | - | 194 | - | - | 67,408 |
| Capital outlays | - | - | - | - | 212,799 | - | 212,799 |
| Debt service: | - | - | - | - | - | - | - |
| Principal | - | - | - | - | - | - | - |
| Interest | - | - | - | - | - | - | - |
| Total expenditures | - | 67,214 | - | 194 | 212,799 | - | 280,207 |
| Excess (deficiency) of revenues over expenditures | 29,898 | (22,409) | 1,217 | 964,777 | (8,000) | 150 | 965,633 |
| **OTHER FINANCING SOURCES (USES)** | | | | | | | |
| Transfers from other funds | - | - | - | - | - | - | - |
| Transfers to other funds | - | - | - | (470,704) | - | - | (470,704) |
| Sale of capital assets | - | - | - | - | - | - | - |
| Long - term debt issued | - | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | (470,704) | - | - | (470,704) |
| Net change in fund balances | 29,898 | (22,409) | 1,217 | 494,073 | (8,000) | 150 | 494,929 |
| Fund balances (deficit), beginning of year | 1,040,032 | 41,138 | 96,442 | 2,409,587 | 7,500 | 10,926 | 3,605,625 |
| Fund balances (deficit), end of year | $1,069,930 | $ 18,729 | $ 97,659 | $ 2,903,660 | $ (500) | $ 11,076 | $ 4,100,554 |

*See independent auditors' report.*

## CITY OF CAIRO, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
EIP CDBG REVOLVING LOAN FUND
For the Year Ended June 30, 2008

| | Original Budget | Final Budget | Actual | Variance With Final Budget |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Property taxes | $ - | $ - | $ - | $ - |
| Local option sales taxes | - | - | - | - |
| Other taxes and licenses | - | - | - | - |
| Fines, forfeitures and fees | - | - | - | - |
| Charges for services | - | - | - | - |
| Investment income | 20,000 | 20,000 | 29,898 | 9,898 |
| Intergovernmental | - | - | - | - |
| Other revenues | - | - | - | - |
| Total revenues | 20,000 | 20,000 | 29,898 | 9,898 |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| General government | - | - | - | - |
| Public safety | - | - | - | - |
| Public works | - | - | - | - |
| Parks and recreation | - | - | - | - |
| Other costs | - | - | - | - |
| Capital outlays | - | - | - | - |
| Debt service: | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| Total expenditures | - | - | - | - |
| Excess (deficiency) of revenues over expenditures | 20,000 | 20,000 | 29,898 | 9,898 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers from other funds | - | - | - | - |
| Transfers to other funds | 80,000 | 80,000 | - | (80,000) |
| Sale of capital assets | - | - | - | - |
| Long - term debt issued | - | - | - | - |
| Total other financing sources (uses) | 80,000 | 80,000 | - | (80,000) |
| Net change in fund balances | 100,000 | 100,000 | 29,898 | (70,102) |
| Fund balances, beginning of year | 1,040,032 | 1,040,032 | 1,040,032 | - |
| Fund balances, end of year | $ 1,140,032 | $ 1,140,032 | $ 1,069,930 | $ (70,102) |

*See independent auditors' report.*

## CITY OF CAIRO, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
HOTEL / MOTEL TAX FUND
For the Year Ended June 30, 2008

| | Original Budget | Final Budget | Actual | Variance With Final Budget |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Property taxes | $ - | $ - | $ - | $ - |
| Local option sales taxes | - | - | - | - |
| Other taxes and licenses | 47,283 | 47,283 | 44,805 | (2,478) |
| Fines, forfeitures and fees | - | - | - | - |
| Charges for services | - | - | - | - |
| Investment income | - | - | - | - |
| Intergovernmental | - | - | - | - |
| Other revenues | - | - | - | - |
| Total revenues | 47,283 | 47,283 | 44,805 | (2,478) |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| General government | - | - | - | - |
| Public safety | - | - | - | - |
| Public works | - | - | - | - |
| Parks and recreation | - | - | - | - |
| Other costs | 47,283 | 67,283 | 67,214 | 69 |
| Capital outlays | - | - | - | - |
| Debt service: | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| Total expenditures | 47,283 | 67,283 | 67,214 | 69 |
| Excess (deficiency) of revenues over expenditures | - | (20,000) | (22,409) | (2,409) |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers from other funds | - | - | - | - |
| Transfers to other funds | - | - | - | - |
| Sale of capital assets | - | - | - | - |
| Long - term debt issued | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - |
| Net change in fund balances | - | (20,000) | (22,409) | (2,409) |
| Fund balances, beginning of year | 41,138 | 41,138 | 41,138 | - |
| Fund balances, end of year | $ 41,138 | 21,138 | 18,729 | (2,409) |

*See independent auditors' report.*

## CITY OF CAIRO, GEORGIA
## COMBINING STATEMENT OF NET ASSETS
## NONMAJOR ENTERPRISE FUNDS
June 30, 2008

| | Business Type Activities - Enterprise Funds | | | | | |
|---|---|---|---|---|---|---|
| | Garbage & Trash | Airport Fund | Tele-Communications Fund | Landfill | Gas | Total |
| **ASSETS** | | | | | | |
| Current assets | | | | | | |
| Cash and cash equivalents | $ 128,392 | $ 13,413 | $ 223,567 | $ 10,395 | $ 50,079 | $ 425,846 |
| Investments | - | - | - | - | - | - |
| Accounts receivable, net | 56,164 | - | 131,366 | 42,454 | 55,913 | 285,897 |
| Inventories | - | - | - | - | 59,228 | 59,228 |
| Other current assets | 40,727 | 14,789 | 4,737 | 13,236 | 8,165 | 81,654 |
| Total current assets | 225,283 | 28,202 | 359,670 | 66,085 | 173,385 | 852,625 |
| Non - current assets | | | | | | |
| Due from general fund | 40,962 | - | 264,655 | 268,078 | - | 573,695 |
| Due from other funds | 215,024 | - | 229,742 | - | 479,261 | 924,027 |
| Due from component unit | - | - | - | - | - | - |
| Due from other governments | - | - | - | 9,057 | - | 9,057 |
| Investment in SGBDA | - | - | - | - | - | - |
| Restricted assets - cash | - | - | - | 2,237,343 | - | 2,237,343 |
| Capital assets: | | | | | | |
| Land | - | 63,204 | - | - | 500 | 63,704 |
| Construction in progress | - | - | - | 132,298 | - | 132,298 |
| Other capital assets, net of accumulated depreciation | 180,351 | 1,323,159 | 660,964 | 274,409 | 903,425 | 3,342,308 |
| Total assets | 661,620 | 1,414,565 | 1,515,031 | 2,987,270 | 1,556,571 | 8,135,057 |
| **LIABILITIES** | | | | | | |
| Current liabilities | | | | | | |
| Accounts payable | 21,107 | 328 | 20,306 | 28,582 | 88,907 | 159,230 |
| Accrued expenses | 2,373 | - | - | 945 | 5,373 | 8,691 |
| Current portion of long - term debt | 73,455 | - | 35,064 | - | - | 108,519 |
| Customer deposits | - | - | - | - | 22,625 | 22,625 |
| Deferred revenue | - | - | 22,628 | - | - | 22,628 |
| Due to other governments | - | - | - | - | - | - |
| Due to general fund | - | - | - | - | 8,704 | 8,704 |
| Due to other funds | - | - | - | 153,909 | - | 153,909 |
| Liabilities payable from restricted assets: | | | | | | |
| Current portion of long term debt | - | - | - | - | - | - |
| Total current liabilities | 96,935 | 328 | 77,998 | 183,436 | 125,609 | 484,306 |
| Long - term debt, net of current portion | 44,631 | - | 402,389 | - | - | 447,020 |
| Deferred revenue | - | - | 65,999 | - | - | 65,999 |
| Compensated absences | 9,992 | - | - | 3,290 | 3,602 | 16,884 |
| Other liabilities - environmental remediation | - | - | - | 1,345,639 | - | 1,345,639 |
| Total liabilities | 151,558 | 328 | 546,386 | 1,532,365 | 129,211 | 2,359,848 |
| **NET ASSETS** | | | | | | |
| Invested in capital assets, net of related debt | 62,265 | 1,386,363 | 223,511 | 406,707 | 903,925 | 2,982,771 |
| Restricted for debt service | - | - | - | 891,704 | - | 891,704 |
| Unrestricted (deficit) | 447,797 | 27,874 | 745,134 | 156,494 | 523,435 | 1,900,734 |
| Total net assets | $ 510,062 | $ 1,414,237 | $ 968,645 | $ 1,454,905 | $ 1,427,360 | $ 5,775,209 |

*See independent auditors' report.*

## CITY OF CAIRO, GEORGIA
## COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
## NONMAJOR ENTERPRISE FUNDS
For the Year Ended June 30, 2008

| | Business Type Activities - Enterprise Funds | | | | | |
|---|---|---|---|---|---|---|
| | Garbage & Trash | Airport Fund | Tele-Communications Fund | Landfill | Gas | Total |
| **OPERATING REVENUES** | | | | | | |
| Utility revenues | $ - | $ - | $ - | $ - | $ 1,688,707 | $ 1,688,707 |
| Charges for services | 1,106,102 | 22,385 | 559,814 | 740,803 | - | 2,429,104 |
| Intergovernmental | - | - | - | - | - | - |
| Total operating revenues | 1,106,102 | 22,385 | 559,814 | 740,803 | 1,688,707 | 4,117,811 |
| **OPERATING EXPENSES** | | | | | | |
| Salaries and wages | 272,537 | - | 730 | 134,527 | 198,640 | 606,434 |
| Operating, administrative and maintenance | 590,836 | 29,778 | 123,240 | 470,576 | 1,159,539 | 2,373,969 |
| Depreciation | 87,579 | 115,397 | 49,195 | 80,197 | 85,470 | 417,838 |
| Total operating expenses | 950,952 | 145,175 | 173,165 | 685,300 | 1,443,649 | 3,398,241 |
| Operating income (loss) | 155,150 | (122,790) | 386,649 | 55,503 | 245,058 | 719,570 |
| **NON - OPERATING INCOME (EXPENSES)** | | | | | | |
| Interest income | 826 | 132 | 482 | 77,037 | 143 | 78,620 |
| Loss from joint venture | - | - | - | - | - | - |
| Interest expense | (7,383) | - | (19,527) | - | (32) | (26,942) |
| Gain (loss) on disposal of capital assets | - | - | 22,628 | - | - | 22,628 |
| Income (loss) before contributions and transfers | 148,593 | (122,658) | 390,232 | 132,540 | 245,169 | 793,876 |
| Capital contributions | - | - | - | - | - | - |
| Transfers from other funds | - | 15,175 | - | - | - | 15,175 |
| Transfers to other funds | (80,181) | - | (53,398) | - | (136,218) | (269,797) |
| Change in net assets | 68,412 | (107,483) | 336,834 | 132,540 | 108,951 | 539,254 |
| Net assets, beginning of year | 441,650 | 1,521,720 | 631,811 | 1,322,365 | 1,318,409 | 5,235,955 |
| Net assets, end of year | $ 510,062 | $ 1,414,237 | $ 968,645 | $ 1,454,905 | $ 1,427,360 | $ 5,775,209 |

*See independent auditors' report.*

# CITY OF CAIRO, GEORGIA
## COMBINING STATEMENT OF CASH FLOWS
## NONMAJOR ENTERPRISE FUNDS
For the Year Ended June 30, 2008

| | Business Type Activities - Enterprise Funds | | | | | |
|---|---|---|---|---|---|---|
| | Garbage & Trash | Airport Fund | Tele-Communications Fund | Landfill | Gas | Total |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | | |
| Cash received from customers and users | 1,063,390 | 22,385 | 475,379 | 653,597 | 1,672,292 | $ 3,887,043 |
| Other operating receipts | 39 | - | - | 86,609 | 3,787 | 90,435 |
| Cash payments to employees | (271,703) | - | (730) | (133,852) | (196,901) | (603,186) |
| Cash payments to suppliers | (634,722) | (36,348) | (115,401) | (232,532) | (1,288,016) | (2,307,019) |
| Net cash provided (used) by operating activities | 157,004 | (13,963) | 359,248 | 373,822 | 191,162 | 1,067,273 |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | | | | | | |
| Transfers from other funds | - | 15,175 | - | - | - | 15,175 |
| Transfers to other funds | (80,181) | - | (53,398) | - | (136,218) | (269,797) |
| Net change in due from general fund | 229,899 | 30,413 | 2,628 | (268,078) | 174,163 | 169,025 |
| Net change in due from other funds | - | - | (94,856) | - | (173,895) | (268,751) |
| Net change in due from component unit | - | - | - | - | - | - |
| Net change in due to general fund | 21,107 | 328 | - | (15,214) | 21,733 | 27,954 |
| Net change in due to other funds | (198,432) | - | - | 153,909 | - | (44,523) |
| Net cash provided (used) by noncapital financing activities | (27,607) | 45,916 | (145,626) | (129,383) | (114,217) | (370,917) |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | | | | | | |
| Proceeds from issuance of long - term debt | - | - | - | - | - | - |
| Proceeds from sale of assets | - | - | - | - | - | - |
| Proceeds from capital contributions | - | - | - | - | - | - |
| Acquisition and construction of capital assets | - | (47,870) | - | (275,572) | (87,414) | (410,856) |
| Principal payments on long - term debt | (91,141) | - | (168,610) | - | - | (259,751) |
| Interest paid | (7,753) | - | (19,527) | - | (32) | (27,312) |
| Net cash provided (used) by capital and related financing activities | (98,894) | (47,870) | (188,137) | (275,572) | (87,446) | (697,919) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | | |
| Proceeds from sale of investments | - | - | - | - | - | - |
| Purchase of investments | - | - | - | - | - | - |
| Loan disbursements | - | - | - | - | - | - |
| Interest received | 826 | 132 | 482 | 77,037 | 143 | 78,620 |
| Net cash provided (used) by investing activities | 826 | 132 | 482 | 77,037 | 143 | 78,620 |
| Net increase (decrease) in cash and cash equivalents | 31,329 | (15,785) | 25,967 | 45,904 | (10,358) | 77,057 |
| Cash and cash equivalents, beginning of year | 97,063 | 29,198 | 197,600 | 2,201,834 | 60,437 | 2,586,132 |
| Cash and cash equivalents, end of year | 128,392 | 13,413 | 223,567 | 2,247,738 | 50,079 | $ 2,663,189 |

*See independent auditors' report.*

## CITY OF CAIRO, GEORGIA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended June 30, 2008

| | Business Type Activities - Enterprise Funds | | | | | |
|---|---|---|---|---|---|---|
| | Garbage & Trash | Airport Fund | Tele-Communications Fund | Landfill | Gas | Total |
| **RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES** | | | | | | |
| Operating income (loss) | 155,150 | (122,790) | 386,649 | 55,503 | 245,058 | 719,570 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | | | |
| Depreciation | 87,579 | 115,397 | 49,195 | 80,197 | 85,470 | 417,838 |
| Closure / post closure costs | - | - | - | 250,632 | - | 250,632 |
| Other | - | - | - | - | - | - |
| Changes in assets and liabilities: | | | | | | |
| (Increase) decrease in: | | | | | | |
| Accounts receivable | (42,674) | - | (84,434) | (597) | (11,133) | (138,838) |
| Inventories | - | - | - | - | (12,057) | (12,057) |
| Other current assets | (16,128) | (4,774) | (2,369) | (4,932) | 322 | (27,881) |
| Due from general fund | - | - | - | - | - | - |
| Due from other funds | - | - | - | - | - | - |
| Due from component unit | - | - | - | - | - | - |
| Increase (decrease) in: | | | | | | |
| Accounts payable | (27,758) | (1,796) | 10,207 | 2,083 | (115,076) | (132,340) |
| Accrued expenses | 835 | - | - | (9,064) | (1,422) | (9,651) |
| Due to general fund | - | - | - | - | - | - |
| Due to other funds | - | - | - | - | - | - |
| Net cash provided (used) by operating activities | $ 157,004 | $ (13,963) | $ 359,248 | $ 373,822 | $ 191,162 | $ 1,067,273 |

*See independent auditors' report.*

## CITY OF CAIRO, GEORGIA
STATEMENT OF CASH FLOWS
COMPONENT UNIT - CITY OF CAIRO DEVELOPMENT AUTHORITY
For the Year Ended June 30, 2008

| | City of Cairo Development Authority |
|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | |
| Cash received from customers and users | - |
| Other operating receipts | 295,267 |
| Cash payments to employees | - |
| Cash payments to suppliers | 1,079 |
| Net cash provided (used) by operating activities | 296,346 |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | |
| Transfers from other funds | - |
| Transfers to other funds | - |
| Net change in due from general fund | (398) |
| Net change in due from other funds | - |
| Net change in due from component unit | - |
| Net change in due to general fund | - |
| Net change in due to other funds | - |
| Net cash provided (used) by noncapital financing activities | (398) |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | |
| Acquisition and construction of capital assets | - |
| Principal payments - revenue bonds | (505,000) |
| Interest paid | (128,317) |
| Net cash provided (used) by capital and related financing activities | (633,317) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | |
| Proceeds from sale of investments | - |
| Purchase of investments | - |
| Collections on lease | 223,769 |
| Interest received | 111,630 |
| Net cash provided (used) by investing activities | 335,399 |
| Net increase (decrease) in cash and cash equivalents | (1,970) |
| Cash and cash equivalents, beginning of year | 92,831 |
| Cash and cash equivalents, end of year | $ 90,861 |

*See independent auditors' report.*

**CITY OF CAIRO, GEORGIA**
STATEMENT OF CASH FLOWS
COMPONENT UNIT - CITY OF CAIRO DEVELOPMENT AUTHORITY
For the Year Ended June 30, 2008

| | City of Cairo Development Authority |
|---|---|
| **RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES** | |
| Operating income (loss) | $ (17,012) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | |
| Depreciation and amortization | 13,992 |
| Unrealized gain on investment | 295,267 |
| Changes in assets and liabilities: | |
| (Increase) decrease in: | |
| Accounts receivable | - |
| Inventories | - |
| Other current assets | 4,099 |
| Due from general fund | - |
| Due from other funds | - |
| Due from component unit | - |
| Increase (decrease) in: | |
| Accounts payable | - |
| Accrued expenses | - |
| Due to general fund | - |
| Due to other funds | - |
| Net cash provided (used) by operating activities | $ 296,346 |

*See independent auditors' report.*

*Compliance Section*

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## INDEPENDENT AUDITORS' 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*

To the Honorable Mayor and
Members of the City Council
City of Cairo, 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 the City of Cairo, Georgia, as of and for the year ended June 30, 2008, which collectively comprise the City of Cairo Georgia's basic financial statements and have issued our report thereon dated December 29, 2008. 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 the City of Cairo, Georgia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Cairo, Georgia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Cairo, 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Cairo, Georgia's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Cairo, Georgia's financial statements that is more than inconsequential will not be prevented or detected by the City of Cairo Georgia's internal control. We consider the deficiencies described in the accompanying schedule of financial statement findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Cairo, Georgia's internal control.



*L.A. Bowen, Jr., C.P.A.*
*Jane Freeman Phillips, C.P.A.*
*Tom E. Carmichael, Jr., C.P.A.*

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2008-1, 2008-2, 2008-3 2008-4 and 2008-5 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The City of Cairo 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

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

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

Bowen, Phillips & Carmichael, LLP

December 29, 2008
Tifton, Georgia

# CITY OF CAIRO, GEORGIA
## SCHEDULE OF FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2008

**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.*

**2008 - 1**

**Criteria:**

Duties should be segregated between employees so that the responsibility for authorizing transactions, recording transactions, and maintaining custody of assets are assigned to different personnel.

**Condition:**

The City of Cairo, Georgia is a small local government and has a limited amount of resources and employees. Therefore, The City does not have an adequate number of employees to provide for the proper segregation of duties

**Cause of Condition:**

Since the City is a small local government, it is not financially feasible for the City to hire additional employees to provide for an adequate segregation of duties.

**Effect of Condition:**

The City's internal control structure does not contain adequate safeguarding controls provided by segregation of duties that would provide for the prevention or timely detection of unauthorized transactions and unauthorized access to assets that could result in losses that are material to the financial statements.

**Response of Management:**

Management concurs with the finding and is continually working to improve controls to mitigate the risks associated with this condition.

**2008-2**

**Criteria:**

Policies, procedures and monitoring controls should be in place to provide for the recording of accounts payable.

**Condition:**

The City's policies and procedures for recording and monitoring accounts payable did not prevent an understatement in the Gas Revenue fund.

**Cause of Condition:**

The City's monitoring controls were not implemented.

**Effect of Condition:**

Accounts payable were understated in the Gas Revenue fund.

**Response of Management:**

Management concurs with this finding and is developing additional policies and procedures and monitoring activities over payables.

**2008-3**

**Criteria:**

Policies, procedures and monitoring controls should be in place to provide for the recording of transactions to accounts receivable.

**Condition:**

The City's policies and procedures for recording and monitoring accounts receivable did not prevent an overstatement in the City of Cairo Development Authority Component Unit intergovernmental lease receivable.

**Cause of Condition:**

The City's monitoring controls were not implemented.

**Effect of Condition:**

Intergovernmental lease receivable was overstated in the City of Cairo Development Authority Component Unit.

**Response of Management:**

Management concurs with this finding and is developing additional policies and procedures and monitoring activities over receivables.

*See independent auditors' report.*

**2008-4**

**Criteria:**

Policies, procedures and monitoring controls should be in place to provide for the recording of interest revenue.

**Condition:**

The City's policies and procedures for recording and monitoring unearned interest revenue did not prevent an overstatement in the City of Cairo Development Authority Component Unit unearned interest revenue.

**Cause of Condition:**

The City's monitoring controls were not implemented.

**Effect of Condition:**

Unearned interest revenue was overstated in the City of Cairo Development Authority Component Unit.

**Response of Management:**

Management concurs with this finding and is developing additional policies and procedures and monitoring activities over unearned revenues.

**2008-5**

**Criteria:**

Policies, procedures and monitoring controls should be in place to provide for monitoring and evaluating the allowance for uncollectible accounts receivable.

**Condition:**

The City's policies and procedures for recording and monitoring accounts receivable did not prevent an understatement in the Proprietary funds.

**Cause of Condition:**

The City's monitoring controls were not implemented.

**Effect of Condition:**

The allowance for uncollectible accounts receivable was understated in the Proprietary funds.

**Response of Management:**

Management concurs with this finding and is developing additional policies and procedures and monitoring activities over uncollectible accounts receivable.

*See independent auditors' report.*

**CITY OF CAIRO, GEORGIA**

SCHEDULE OF SPECIAL PURPOSE LOCAL OPTION SALES TAX EXPENDITURES

For the Year Ended June 30, 2008

| | Original Estimated Cost | Expenditures | | | Estimated Percentage of Completion |
|---|---|---|---|---|---|
| | | Prior Years | Current Year | Total | |
| Water treatment plant | $ 3,510,000 | $ 1,347,518 | 470,898 | $ 1,818,416 | 52% |
| Industrial development | 200,000 | - | - | - | 0% |
| Road improvements | 40,000 | - | - | - | 0% |
| Total | $ 3,750,000 | $ 1,347,518 | $ 470,898 | $ 1,818,416 | |

*See independent auditors' report.*