CITY OF HAHIRA, GEORGIA

FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2010

CITY OF HAHIRA
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FOR THE YEAR ENDED DECEMBER 31, 2010

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VALENTI, RACKLEY
& ASSOCIATES, LLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council
City of Hahira, Georgia

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Hahira, Georgia ("the City") as of and for the year ended December 31, 2010, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial ~~statements referred~~ to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Hahira as of December 31, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 31, 2011, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of 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.

Management's discussion and analysis, budgetary comparison information and the schedule of retirement plan funding progress are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. Management has elected not to include the Management's Discussion and Analysis. We have applied certain limited procedures to the budgetary comparison information and schedule of retirement plan funding progress, 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.

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Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the City's basic financial statements. The Individual Fund Schedules and the One Percent Special Purpose Local Option Sales Tax Project Cost Schedules, as 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 Hahira, Georgia. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,

Valenti, Rackley & Associates, LLC

Valenti, Rackley & Associates, LLC
Certified Public Accountants

May 31, 2011

CITY OF HAHIRA
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
DECEMBER 31, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	$ 295,206	$ 149,471	$ 444,677
Certificates of deposit	238,332	155,167	393,499
Accounts receivable	290,908	92,137	383,045
Prepaid expenses	9,461	6,991	16,452
Inventory	-	17,174	17,174
Internal balances	169,442	(169,442)	-
Restricted cash	263,830	259,594	523,424
Capital assets:			
Land	145,866	230,897	376,763
Other capital assets, net of accumulated depreciation	1,866,784	5,869,418	7,736,202
Total assets	3,279,829	6,611,407	9,891,236
LIABILITIES			
Accounts payable and accrued expenses	48,133	76,456	124,589
Water deposits	-	67,576	67,576
Long-term liabilities:			
Compensated absences payable	26,842	10,213	37,055
Due within one year	16,823	76,788	93,611
Due in more than one year	55,249	2,524,903	2,580,152
Total liabilities	147,047	2,755,936	2,902,983
NET ASSETS			
Invested in capital assets, net of related debt	1,940,578	3,498,624	5,439,202
Restricted for capital projects	326,012	-	326,012
Restricted for water/sewer operations and debt	-	356,847	356,847
Unrestricted	866,192	-	866,192
Total net assets	$ 3,132,782	$ 3,855,471	$ 6,988,253

See accompanying notes to the basic financial statements.

CITY OF HAHIRA
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

Function/Programs:	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total
PRIMARY GOVERNMENT:							
Governmental activities:							
General government	$ 231,149	$ 19,295	$ -	$ -	$ (211,854)		$ (211,854)
Judicial	6,000	-	-	-	(6,000)		(6,000)
Public safety	627,077	183,015	9,980	33,597	(400,485)		(400,485)
Public works	169,587	-	-	689,928	520,341		520,341
Health and welfare	13,804	-	-	8,364	(5,440)		(5,440)
Culture and recreation	57,922	-	-	-	(57,922)		(57,922)
Housing and development	35,080	-	-	-	(35,080)		(35,080)
Interest on general long-term debt	4,046	-	-	-	(4,046)		(4,046)
Total governmental activities	1,144,665	202,310	9,980	731,889	(200,486)		(200,486)
Business-type activities:							
Water, sewer and sanitation	1,089,854	966,058	-	-	-	(123,796)	(123,796)
Total primary government	$ 2,234,519	$ 1,168,368	$ 9,980	$ 731,889	(200,486)	(123,796)	(324,282)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					441,754	-	441,754
Sales and use taxes					356,381	-	356,381
Business taxes					95,681	-	95,681
Investment earnings					7,078	5,167	12,245
Gain on disposal of capital assets					3,654	1,758	5,412
Miscellaneous					15,465	-	15,465
Transfers					(323,989)	323,989	-
Total general revenues and transfers					596,024	330,914	926,938
Change in net assets					395,538	207,118	602,656
Net assets - beginning					2,737,244	3,648,353	6,385,597
Net assets - ending					$ 3,132,782	$ 3,855,471	$ 6,988,253

See accompanying notes to the basic financial statements.

CITY OF HAHIRA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2010

	General Fund	Capital Projects Funds		Other Governmental Fund	Total Governmental Funds
		SPLOST V	SPLOST VI		
ASSETS					
Cash:					
Unrestricted	$ 295,206	$ -	$ -	$ -	$ 295,206
Restricted	-	-	261,398	2,432	263,830
Total cash	295,206	-	261,398	2,432	559,036
Certificates of deposit	238,332	-	-	-	238,332
Receivables:					
Taxes	174,898	-	-	-	174,898
Intergovernmental	33,028	-	80,566	-	113,594
Other	2,416	-	-	-	2,416
Prepaid insurance	9,461	-	-	-	9,461
Interfund balances	182,942	-	-	-	182,942
Total assets	$ 936,283	$ -	$ 341,964	$ 2,432	$ 1,280,679
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued expenses	$ 27,601	$ -	$ 4,884	$ -	$ 32,485
Intergovernmental payable	15,648	-	-	-	15,648
Deferred revenue	22,998	-	-	-	22,998
Interfund balances	-	-	13,500	-	13,500
Total liabilities	66,247	-	18,384	-	84,631
Fund balances:					
Reserved for capital projects	-	-	323,580	2,432	326,012
Unreserved - general fund	870,036	-	-	-	870,036
Total fund balances	870,036	-	323,580	2,432	1,196,048
Total liabilities and fund balances	$ 936,283	$ -	$ 341,964	$ 2,432	$ 1,280,679

See accompanying notes to the basic financial statements.

CITY OF HAHIRA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
DECEMBER 31, 2010

Fund Balance - Total Governmental Funds	$1,196,048
Amounts reported for governmental activities in the statement of net assets are different because:	
Governmental funds only report liabilites that will be liquidated with current assets. Compensated absences payable, however, which will not be liquidated with current assets, are not liabilites of the governmental funds but are liabilities of the government-wide financial statements.	(26,842)
Long-term debt is not reported in governmental activities because it is not expected to be liquidated with expendable available financial resources but is reported in the government-wide financial statements.	(72,072)
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	22,998
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	2,012,650
Net assets of governmental activities	$3,132,782

See accompanying notes to the basic financial statements.

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

	General Fund	Capital Projects Funds		Other Governmental Fund	Total Governmental Funds
		SPLOST V	SPLOST VI		
REVENUES					
Taxes:					
Property	$ 452,678	$ -	$ -	$ -	$ 452,678
Sales and use	356,381	-	-	-	356,381
Business	95,681	-	-	-	95,681
Licenses and permits	19,295	-	-	-	19,295
Intergovernmental	18,344	224,692	474,876	14,788	732,700
Fines and forfeitures	183,015	-	-	-	183,015
Investment earnings	7,078	-	-	17	7,095
Miscellaneous	20,620	-	-	-	20,620
Total revenues	1,153,092	224,692	474,876	14,805	1,867,465
EXPENDITURES					
Current:					
General government	197,866	-	-	-	197,866
Judicial	6,000	-	-	-	6,000
Public safety	594,882	897	17,911	14,788	628,478
Public works	154,709	223,144	37,105	-	414,958
Health and welfare	13,804	-	-	-	13,804
Culture and recreation	47,441	-	-	-	47,441
Housing and development	35,080	-	-	-	35,080
Total expenditures	1,049,782	224,041	55,016	14,788	1,343,627
Excess (deficiency) of revenues over (under) expenditures	103,310	651	419,860	17	523,838
OTHER FINANCING SOURCES (USES)					
Transfers:					
Transfers in	20,131	-	-	2,405	22,536
Transfers out	(2,405)	(1,549)	(342,571)	-	(346,525)
Total other financing sources and uses	17,726	(1,549)	(342,571)	2,405	(323,989)
Net change in fund balances	121,036	(898)	77,289	2,422	199,849
Fund balances - beginning	749,000	898	246,291	10	996,199
Fund balances - ending	$ 870,036	$ -	$ 323,580	$ 2,432	$ 1,196,048

See accompanying notes to the basic financial statements.

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

Net change in fund balances - total governmental funds	$	199,849
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays ($320,705) exceeded depreciation ($129,483) in the current period.		191,222
Governmental funds only report compensated absense expense if the expense has been paid in the current year or will be paid with current funds. However, on the statement of activities the change in the liability is reflected as program expense. This is the amount of the change in compensated absences payable from the beginning of the year to the end of the year.		807
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the decrease in deferred revenue over prior year.		(10,924)
Governmental funds do not report disposals of capital assets because it is not a use of current financial resources, but disposals are reported in the statements of activities.		(1,501)
Repayment of debt is a use of current financial resources in the governmental funds, but the repayment of debt decreases liabilities in the statement of activities.		16,085
Change in net assets of governmental activities	$	395,538

See accompanying notes to the basic financial statements.

CITY OF HAHIRA
STATEMENT OF NET ASSETS
PROPRIETARY FUND
DECEMBER 31, 2010

	Enterprise Fund Water, Sewer and Sanitation Fund
ASSETS	
Current assets:	
Cash:	
Unrestricted	$ 149,471
Restricted	259,594
Total cash	409,065
Certificates of deposit	155,167
Accounts receivable (net)	92,137
Prepaid insurance	6,991
Inventory	17,174
Total current assets	680,534
Noncurrent assets:	
Capital assets:	
Land	230,897
Buildings	23,246
Vehicles and equipment	232,891
Utility system and equipment	9,043,993
Less accumulated depreciation	(3,430,712)
Total noncurrent assets	6,100,315
Total assets	6,780,849
LIABILITIES	
Current liabilities:	
Accounts payable	57,820
Accrued interest	18,636
Interfund balances	169,442
Water deposits	67,576
Current portion:	
Note payable	22,260
Bonds payable	54,528
Total current liabilities	390,262
Noncurrent liabilities:	
Compensated absences	10,213
Note payable, less current portion	326,128
Bonds payable, less current portion	2,198,775
Total noncurrent liabilities	2,535,116
Total liabilities	2,925,378
NET ASSETS	
Invested in capital assets, net of related debt	3,498,624
Restricted for water/sewer operations and debt	356,847
Total net assets	$ 3,855,471

See accompanying notes to the basic financial statements.

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

	Enterprise Fund Water, Sewer and Sanitation Fund
OPERATING REVENUES	
Charges for services	$ 926,354
Other	39,704
Total operating revenues	966,058
OPERATING EXPENSES	
Depreciation	260,170
Landfill/contracted sanitation services	232,440
Personnel services	217,008
Utilities	94,683
Technical services	44,137
Repairs and maintenance	43,489
Supplies and other expenses	28,710
Insurance	20,018
Fuel	15,000
Professional fees	8,246
Travel	795
Total operating expenses	964,696
Operating income	1,362
NONOPERATING REVENUES (EXPENSES)	
Interest income	5,167
Interest expense	(125,158)
Gain on disposal of capital assets	1,758
Total nonoperating revenues (expenses)	(118,233)
Income (loss) before contributions	(116,871)
TRANSFERS	
Transfer in	323,989
Total transfers	323,989
Change in net assets	207,118
Total net assets - beginning	3,648,353
Total net assets - ending	$ 3,855,471

See accompanying notes to the basic financial statements.

CITY OF HAHIRA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	Enterprise Fund Water, Sewer and Sanitation Fund
CASH FLOW FROM OPERATING ACTIVITIES	
Receipts from customers	$ 952,262
Internal activities - receipts from other funds	21,619
Payments to employees (or for their benefit) for services provided	(232,293)
Payments to suppliers for goods or services	(465,762)
Net cash provided (used) by operating activities	275,826
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Transfer in	323,989
Purchase of capital assets	(325,024)
Net proceeds from sale of capital assets	1,758
Principal paid on capital debt	(73,843)
Interest paid on capital debt	(126,032)
Net cash provided (used) by capital and related financing activities	(199,152)
CASH FLOWS FROM INVESTING ACTIVITIES	
Certificate of deposit reinvestment	(3,478)
Interest income	5,167
Net cash provided by investing activities	1,689
Net increase (decrease) in cash and cash equivalents	78,363
Balances - beginning	330,702
Balances - ending	$ 409,065
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	$ 1,362
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	260,170
Change in assets and liabilities:	
Receivables, net	(13,884)
Prepaid expenses	(1,638)
Due to/from other funds	21,619
Deposits	88
Accounts payable and accrued expenses	8,109
Net cash provided by operating activities	$ 275,826

See accompanying notes to the basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements present the City of Hahira, Georgia, (the primary government) which operates under a mayor-council form of government. The City's major operations in addition to general administrative services include public safety (police and fire protection), public works (highways and streets), sanitation, water and sewer, health and welfare, culture and recreation.

The City of Hahira's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies, established in GAAP and used by the City, are discussed below.

A. Reporting Entity

The Governmental Accounting Standards Board sets forth criteria for determining the reporting entity. Organizations legally separate from the City of Hahira, Georgia, would be included in the financial statements of City of Hahira, Georgia, if the criteria of financial accountability were met as defined by Governmental Accounting Standards Board Statement Number 14 or if exclusion of the entity would cause the City's financial statements to be misleading or incomplete.

The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is a fiscal dependency by the organization on the City

Based upon these criteria the financial statements of the City contain no component units.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements – Government-wide Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The City's police and fire protection, highways and streets, health and welfare, culture and recreation and general administrative services are classified as governmental activities. The City's water sewer and sanitation fund is classified as a business activity. There are no fiduciary funds, nor component units that are fiduciary in nature, included.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resources measurement focus, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Restricted assets are liquid assets (generated from revenues and not bond proceeds) that have a third party (statutory, bond covenant, or granting agency) limitation on their use. 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.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions (general government, public safety, public works, etc.) and business activities (water, sewer and sanitation fund). The functions are also supported by general government revenues (taxes, investment earnings, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (general government, public safety, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (taxes, investment earnings, etc.).

The government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activity.

C. Basic Financial Statements – Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. The governmental funds employ the current financial resources measurement focus. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column in the fund financial statements. GASBS No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for determination of major funds.

The City's major funds are the General Fund, SPLOST V Capital Project Fund, SPLOST VI Capital Project Fund, and the Water, Sewer and Sanitation Enterprise Fund.

The following fund types are used by the City:

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

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

b. Capital Projects Funds

The City has four capital projects funds:

Special Purpose Local Option Sales Tax (SPLOST) IV - used to account for special local option sales taxes IV (1998 issue) received and restricted to use for qualifying capital expenditures.

Special Purpose Local Option Sales Tax (SPLOST) V - used to account for special local option sales taxes V (2002 issue) received and restricted to use for qualifying capital expenditures.

Special Purpose Local Option Sales Tax (SPLOST) VI - used to account for special local option sales taxes VI (2007 issue) received and restricted to use for qualifying capital expenditures.

Community Development Block Grant – used to account for grant receipts and expenditures from the Community Development Block Grant. For the year ended December 31, 2010, there were no reportable amounts.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Proprietary Fund:

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position and cash flows. Goods or services from such activities provided to outside parties are accounted for in enterprise funds. The generally accepted accounting principles applicable are similar to businesses in the private sector.

Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs. Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, non-capital financing, or investing activities. Nonoperating revenues and expenses include subsidies, interest expense from financing and investment earnings resulting from nonexchange transactions or auxiliary activities.

The following is a description of the proprietary fund of the City:

Water, Sewer and Sanitation Enterprise Fund - used to account for the revenues and related expenses of providing water, sewer and sanitation services to the City's residents.

D. Measurement Focus and Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurement made regardless of the measurement focus applied.

1. Government-wide and Proprietary Fund Financial Statement:

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Governmental Fund Financial Statements:

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. The City's definition of "available" means collectible within one year. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

E. Financial Statement Amounts

1. Cash and Equivalents

Cash shown on the balance sheets and statements of cash flows includes amounts in demand deposits and short-term investments with a maturity date less than three months from the date acquired by the City.

2. Investments

The City is limited by state law to the following investments: obligations of the State of Georgia, other states, or the U. S. Government; obligations fully insured by the U. S. Government or any agency thereof; obligations of any corporation of the U. S. Government; prime bankers' acceptance; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia.

3. Receivables and Property Taxes

Accounts receivable are recorded in the governmental funds for taxes receivable and amounts due from other governments. The accounts receivable for property taxes – real property are recorded net of the associated allowance for doubtful accounts in the general fund.

Taxes on real estate, motor vehicles, intangibles, real estate transfer and mobile homes are collected by the county tax collector and remitted to the City. The City bills and collects all other tax revenues. Georgia statutes do not provide a maximum millage rate which may be levied.

Tax revenues are recognized during the period in which they are levied. An allowance is established for delinquent taxes to the extent their collectability is questionable. Taxes collected during the current period and within sixty days thereafter are considered available to finance current operations.

The property tax rate for 2010 was $5.380 per $1,000 of assessed valuation, and current tax collection for the year then ended was 85.5% of the tax levied.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The full year property tax calendar is as follows:

Assessment date	January 1
Assessors submit returns to tax collector	July 1
Levy date	September 1
Tax collector mails annual tax bills	September 15
Due date of taxes, other than motor vehicles	November 15
Execution (lien) date for unpaid taxes	November 16

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the governmental activities column in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant, and equipment.

Generally, assets with an initial estimated useful life of more than one year and have an original cost of $5,000 or more for infrastructure and $2,000 or more for other than infrastructure are capitalized. Assets purchased with SPLOST proceeds with a cost of less than $2,000 are also capitalized. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are listed below:

Buildings, improvements, water system	10 - 40 years
Infrastructure	40 – 50 years
Machinery and equipment	5 - 20 years

GASBS No. 34 requires the City to report and depreciate infrastructure assets. The City has elected not to report major general infrastructure assets retroactively, but began reporting newly acquired infrastructure assets effective January 1, 2004. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the City.

5. Interfund Activity

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receipts and/or payments to or from other governmental units included in the reporting entity of the City are not reported as transfers. They are classified according to the purpose for which the receipt or payment has been made.

The principal purpose of the City's interfund transfers is for the SPLOST Capital Project Funds to compensate the General Fund and the Water, Sewer and Sanitation Fund for capital expenditures and debt service.

The principal purpose of interfund balances is to record the amount of reimbursement due from capital projects funds for qualified SPLOST expenditures purchased by other funds.

6. Revenues

Substantially all governmental fund revenues are accrued. Property taxes are billed and collected within the same period in which the taxes are levied. Revenues of the governmental funds susceptible to accrual are property taxes, sales tax and alcoholic beverage tax. Subsidies and grants to general or special revenue funds, which finance either capital or current operations, are reported as non-operating revenue based on GASBS No. 33. In applying GASBS No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

Program revenues reported on the statement of activities are: licenses and permits, fines and forfeitures, nutritional services to the elderly and operating and capital grants and contributions.

7. Expenditures

Expenditures are recognized when the related fund liability is incurred. Prepaid expenses are recorded when an expense is incurred but benefits are for a subsequent period.

8. Inventories

Significant materials on hand, if any, are shown as inventory. Inventory in the Water, Sewer and Sanitation Fund is typically comprised of water meters, pipe, pipe fittings, repair parts and related supplies and is valued at cost (first-in, first-out). The cost of other materials and supplies, including gasoline and fuel, are charged to operations using the purchase method of accounting.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

9. Compensated Absences and Employee Benefits

Compensated Absences:

The City allows full-time, permanent employees to accumulate unused annual leave and sick leave to a maximum of 160 hours. Upon termination, up to 120 hours of accumulated annual leave is payable. Upon termination or retirement, only those employees employed before December 31, 1985 are entitled to be compensated for sick leave.

Vacation leave is accrued as a liability as the benefits are earned by the employee when the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or other means. Sick leave is accrued as a liability as the benefits are earned by the employees if it is probable that the employer will compensate the employees for the benefits through cash payments conditioned on the employees' termination or retirement.

Compensated absences are recorded as liabilities in the applicable government-wide, business-type activities or proprietary fund type statement of net assets. Only current amounts payable for employees terminated or retired at year end are recorded in the governmental funds.

Retirement Benefits:

The City maintains a non-contributory retirement plan (refer to Note 7 for additional plan information).

NOTE 2 – CASH, CERTIFICATES OF DEPOSIT, CUSTODIAL RISK AND INTEREST RATE RISK

Cash and certificates of deposit are as follows:

	Carrying Amount	Bank Balance
Governmental activities:		
General fund		
Deposits	$ 295,131	$ 316,758
Certificates of deposit	238,332	238,332
Petty cash	75	0
SPLOST IV fund	2,432	2,432
SPLOST VI fund	261,398	277,383
Total governmental activities	797,368	834,905
Business-type activities:		
Water, sewer and sanitation fund		
Deposits	408,990	413,592
Certificates of deposit	155,167	155,167
Petty cash	75	0
Total business-type activities	564,232	568,759
Total cash	$ 1,361,600	$ 1,403,664

Custodial Credit Risk - Custodial risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City has no custodial risk policy. Of the above carrying amount, all funds are collateralized by securities or insured by FDIC insurance.

Interest Rate Risk - The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rate risk. However the City has made no investments that would subject it to interest rate risk.

Restricted Cash

Restricted cash at year consists of the following:

Governmental activities. Cash in the SPLOST VI fund and the other governmental fund of $263,830 is restricted for specific capital outlay projects.

Business-type activities. Cash in the enterprise fund of $192,018 is restricted by bond covenants and $67,576 is restricted for payment of water fund customer deposits.

NOTE 3 – RECEIVABLES AND ALLOWANCE FOR BAD DEBT

Receivables are detailed below:

	Governmental Activities	Business-type Activities	Total
Receivables:			
Taxes:			
Real property:			
Current	$ 37,580	$ -	$ 37,580
Delinquent	9,410	-	9,410
Less allowance for bad debt	(3,000)	-	(3,000)
Franchise	126,729	-	126,729
Alcoholic beverage taxes	4,179	-	4,179
Total taxes receivable	174,898	-	174,898
Intergovernmental:			-
Local option sales and use tax	29,104	-	29,104
Special purpose local option sales tax	80,566	-	80,566
Other intergovernmental	3,924	-	3,924
Total intergovernmental receivables	113,594	-	113,594
Water, sewer and sanitation charges:			
Billed	-	96,956	96,956
Less allowance for bad debt	-	(4,819)	(4,819)
Total water, sewer and sanitation charges receivable	-	92,137	92,137
Other receivables:			
Insurance reimbursement	2,416	-	2,416
Total other receivables	2,416	-	2,416
Total receivables	$ 290,908	$ 92,137	$ 383,045

NOTE 4 - INTERFUND BALANCES AND TRANSFERS

Interfund balances and transfers consist of the following:

	Interfund Balances			Transfers		
	Receivables	Payables	Net	In	Out	Net
Governmental activities:						
General Fund:						
Enterprise fund	$ 169,442	$ -	$169,442	$ -	$ -	$ -
SPLOST VI	13,500	-	13,500	20,131	-	20,131
Other governmental fund:	-	-	-	-	(2,405)	(2,405)
SPLOST V:						
General fund	-	-	-	-	(1,549)	(1,549)
SPLOST VI:					-	
General fund	-	(13,500)	(13,500)	-	(20,131)	(20,131)
Enterprise fund	-	-	-	-	(322,440)	(322,440)
Other governmental fund:						
General fund	-	-	-	2,405	-	2,405
Enterprise fund	-	-	-	-	-	-
Total governmental activities	182,942	(13,500)	169,442	22,536	(346,525)	(323,989)
Business-type activities:						
Enterprise Fund:						
General fund	-	(169,442)	(169,442)	-	-	-
SPLOST V				1,549		1,549
SPLOST VI	-	-	-	322,440	-	322,440
Total business-type activities	-	(169,442)	(169,442)	323,989	-	323,989
Total	$ 182,942	$(182,942)	$ -	$346,525	$(346,525)	$ -

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year was as follows:

	Beginning Balance	Reclassify	Additions	Retirements	Ending Balance
Governmental activities:					
Capital assets not being depreciated					
Land	$ 145,866	$ -	$ -	$ -	$ 145,866
Total capital assets not being depreciated	145,866	-	-	-	145,866
Capital assets being depreciated					
Buildings	905,045	(261,327)	16,197	(918)	658,997
Infrastructure	989,502	253,746	269,400	-	1,512,648
Equipment and vehicles	1,081,940	7,581	35,108	(53,227)	1,071,402
Total assets being depreciated	2,976,487	-	320,705	(54,145)	3,243,047
Less accumulated depreciation for:					
Buildings	(384,955)	188,555	(15,847)	918	(211,329)
Infrastructure	(109,571)	(184,077)	(37,628)	-	(331,276)
Equipment and vehicles	(804,898)	(4,478)	(76,008)	51,726	(833,658)
Total accumulated depreciation	(1,299,424)	-	(129,483)	52,644	(1,376,263)
Total capital assets being depreciated, net	1,677,063	-	191,222	(1,501)	1,866,784
Governmental activities capital assets, net	$ 1,822,929	$ -	$ 191,222	$ (1,501)	$ 2,012,650
Business-type activities:					
Capital assets not being depreciated					
Land	$ 230,897	$ -	$ -	$ -	$ 230,897
Total capital assets not being depreciated	230,897	-	-	-	230,897
Capital assets being depreciated					
Buildings	24,074	(828)	-	-	23,246
Utility system and equipment	8,915,265	(172,743)	301,471	-	9,043,993
Vehicles and equipment	62,286	173,571	23,553	(26,519)	232,891
Total assets being depreciated	9,001,625	-	325,024	(26,519)	9,300,130

NOTE 5 – CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Reclassify	Additions	Retirements	Ending Balance
Less accumulated depreciation for:					
Buildings	(13,442)	-	(378)	-	(13,820)
Utility system and equipment	(3,122,617)	134,814	(246,445)	-	(3,234,248)
Vehicles and equipment	(61,002)	(134,814)	(13,347)	26,519	(182,644)
Total accumulated depreciation	(3,197,061)	-	(260,170)	26,519	(3,430,712)
Total capital assets being depreciated, net	5,804,564	-	64,854	-	5,869,418
Total business-type activities capital assets net	$6,035,461	$ -	$ 64,854	$ -	$6,100,315

Depreciation expense was charged to divisions as follows:

Governmental activities:	
General government	$ 33,429
Public safety	70,607
Public works	15,537
Culture and recreation	9,910
Total depreciation expense - governmental activities	$ 129,483
Business-type activities	
Water, sewer and sanitation fund	$ 260,170
Total depreciation expense - business-type activities	$ 260,170

NOTE 6 – LONG-TERM DEBT

Governmental Activities

Capital lease payable to Federal Signal Leasing on July 7, 2004 collateralized by a fire truck with a cost of $158,592. The capital lease is payable in ten annual installments of $20,131, including interest at 4.59% per annum through 2014.

The gross amount of assets recorded under capital lease is $158,592, with accumulated depreciation of $103,085 for use by the public safety department.

Business-type Activities

Business-type activities long-term debt consists of the following:

Note Payable - GEFA

Note payable to the Georgia Environmental Facilities Authority Revolving Loan Fund to fund water and sewer improvements in the original amount of $549,619 payable in quarterly installments of $8,115, including interest at 3% through November 1, 2023.

Water and Sewer Revenue Bonds

Revenue bonds payable consists of the following:

Water and sewer revenue bonds payable constitute special obligations secured by a lien on and pledge of the revenues of the water and sewer system. The revenue collateralizes the bonds payable to the United States Department of Agriculture Rural Development and the special funds established by the ordinances. The ordinances provide that the revenue of the system is to be used first to pay operating and maintenance expenses and second to establish reserve funds for the repayment of bond obligations and to make replacements, additions, extensions, and improvements to the system. The ordinances contain provisions requiring the City to establish rates sufficient to pay operating and maintenance cost and maximum annual bond obligations. Provisions also apply to the issuance of additional parity bonds.

1972 Series. Bond payable to the United States Department of Agriculture Rural Development in the original amount of $125,000, payable in annual installments of $3,000 to $7,000 per annum, including interest at 5% through January 1, 2012. The bonds were issued to finance the extension of water and sewer lines.

1991A Series. Bond payable to the United States Department of Agriculture Rural Development in the original amount of $787,000, payable in annual installments of $51,483, including interest at 5.875% through October 16, 2031. The bonds were issued to update and improve the water and sewer system.

1991B Series. Bond payable to the United States Department of Agriculture Rural Development in the original amount of $775,100, payable in annual installments of $45,171, including interest at 5% through October 15, 2031. The bonds were issued to update and improve the water and sewer system.

2001 Series. Bond payable to the United States Department of Agriculture Rural Development in the original amount of $1,160,504, payable in monthly installments of $5,223, including interest at 4.5% through November 7, 2041. The bonds were issued to update and improve the water and sewer system.

NOTE 6 – LONG-TERM DEBT (CONTINUED)

Maturities of business-type activities long-term debt are as follows:

	GEFA Note Payable			Water and Sewer Revenue Bonds		
Year	Principal	Interest	Total	Principal	Interest	Total
2010	$ 22,260	$ 10,203	$ 32,463	$ 54,528	$ 112,502	$ 167,030
2011	22,935	9,527	32,462	56,974	109,706	166,680
2012	23,631	8,832	32,463	52,547	106,784	159,331
2013	24,348	8,115	32,463	55,254	104,077	159,331
2014	25,087	7,376	32,463	58,101	101,230	159,331
2016-2020	137,324	24,991	162,315	338,696	457,957	796,653
2021-2025	92,803	4,586	97,389	435,789	360,863	796,652
2026-2030	-	-	-	561,078	235,576	796,654
2031-2035	-	-	-	317,298	103,825	421,123
2036-2040	-	-	-	269,362	44,016	313,378
2041	-	-	-	53,676	1,157	54,833
Total	$348,388	$ 73,630	$422,018	$2,253,303	$1,737,693	$3,990,996

The general fund will be utilized to liquidate the above governmental activities long-term debt and the enterprise fund will be utilized to liquidate the above business-type activities long-term debt.

Compensated absences payable, with a balance of $27,649 at December 31, 2009, decreased by $807 to $26,842 at December 31, 2010 in the governmental activities. Compensated absences payable, with a balance of $10,066 at December 31, 2009, increased by $147 to $10,213 at December 31, 2010 in the business-type activities. The current portion of the liability is $0 and the long-term portion is $37,055. The general fund and water, sewer and sanitation fund will be used to liquidate these liabilities.

NOTE 7 – RETIREMENT BENEFITS

Plan Description

The City is a participating member of the Georgia Municipal Employees Benefit System (GMEBS), a noncontributory agent multiple-employer defined benefit public employer retirement system that acts as a common investment and administrative agent for governmental entities in the State of Georgia. The plan provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The plan is administered by Georgia Municipal Association. Benefit provisions and all other requirements are established by state statute. Plan features, including benefit provisions, are established by the plan Board of Trustees. Georgia Municipal Association issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained from the Georgia Municipal Association, 201 Pryor Street S.W., Atlanta, Georgia 30303-3606.

Recommended Contribution

The Board of Trustees of the Georgia Municipal Employees Benefit System has adopted an actuarial funding policy for the determination of annual contributions and the systematic funding of liabilities arising under the plan. The annual minimum contribution is the sum of 1) the normal cost (including administrative expenses), 2) the closed level dollar amortization of the unfunded actuarial accrued liability (initial unfunded actuarial accrued liability over 30 years from 1988 and changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods from the end of the year during which such changes arise), and 3) interest on these amounts from the valuation date to the date contributions are paid (assumed monthly). The total level dollar amortization must be within a corridor of the 10-year and the 30-year amortization of the unfunded (surplus) actuarial accrued liability.

The plan is subject to minimum funding standards of the Public Retirement System Standards Law (Georgia Code Section 47-20-10).

NOTE 7 – RETIREMENT BENEFITS (CONTINUED)

Actuarial Assumptions

Valuation date	July 1, 2010
Actuarial cost method	Projected Unit Credit
Amortization method	Closed level dollar for remaining unfunded liability
Remaining amortization period	10 years
Asset valuation method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than market value at end of year. The actuarial value is adjusted, if necessary, to be within 50% of market value for 2009, 44% of market value for 2010, 38% of market value for 2011, 32% of market value for 2012, 26% of market value for 2013, and 20% of market value for 2014 and later years.
Actuarial Assumptions:	
Net investment rate of return	7.75%
Projected salary increases	3.5% plus age and service based merit increases
Cost of living adjustments	0%
Membership of the Plan	
Retirees and beneficiaries	7
Terminated plan members entitled to, but not yet receiving benefits	5
Active plan members	17
Total	29

The significant actuarial assumptions used to compute the actuarial accrued liability and the annual recommended contribution of the plan meet the Actuarial Standards of Practice No. 4, Measuring Pension Obligations, establishing generally accepted actuarial principles and practices.

NOTE 7 – RETIREMENT BENEFITS (CONTINUED)

Information regarding the funded status of the plan is provided below:

Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded (Surplus) Actuarial Liability (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a)]/(c)
5/1/2010	$458,176	$ 548,361	$ 90,185	83.55%	$471,890	19.11%

The Schedule of Retirement Plan Funding Progress following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Five Year Trend Information

Fiscal Year End	Annual Pension Costs	Percentage of APC Contributed	Pension Obligation
2010	$ 33,550	100%	$ -
2009	$ 39,313	100%	$ -
2008	$ 21,744	100%	$ -
2007	$ 19,446	100%	$ -
2006	$ 13,702	100%	$ -

NOTE 8 – RISK FINANCING ACTIVITY

The City 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 is a member of the Georgia Interlocal Risk Management Agency (GIRMA). This membership allows the City to share liability, crime, motor vehicle, and property damage risks. There was no significant reduction of insurance coverage from the prior year. No losses in excess of insurance coverage have occurred in the last three years.

Chapter 85 of Title 36 of the Official Code of Georgia Annotated authorizes Georgia municipalities to form interlocal risk management agencies. The Georgia Interlocal Risk Management Agency (GIRMA) is a municipal interlocal risk management agency to function as an unincorporated nonprofit instrumentality of its member municipalities. GIRMA establishes and administers one or more group 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 municipal government. The responsibilities of GIRMA are to defend and protect, in accordance with the member government contract and related coverage descriptions, any member of GIRMA against liability or loss.

The City's deductible limit is $1,000 per occurrence. The City files all claims with GIRMA. GIRMA bills the City for any risk of loss over the deductible.

The City is also a member of the GMA Workers Compensation Self Insurance Fund (GMA). This Fund operates under the authority of OCGA 34-9-150.

The responsibility of the 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 purview of the Workers' 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 be wholly groundless, false or fraudulent. The Fund is also responsible for paying all costs taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense. Coverage provides up to a maximum of $100,000 for each worker's compensation claim. There is no deductible under this Fund.

Responsibilities of the City regarding GIRMA or GMA are as follows:

To pay all contributions, assessments or other sums due at such times and in such amounts as shall be established.

To allow GIRMA or GMA and its agents, reasonable access to all facilities of the City and all records, including but not limited to financial records, which relate to the purposes of GIRMA or GMA.

To allow attorneys appointed to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the Fund or Funds established by GIRMA or GMA.

To assist and cooperate in the defense and settlement of claims against the City.

NOTE 9 – CONTINGENCIES - COMMITMENTS

The City, in conjunction with cities and counties in a ten county South Georgia area are members of the Southern Georgia Regional Commission (SGRC). Membership in a regional commission (RC) is automatic for each municipality and county in the state. The official Code of Georgia Section 50-8-34 (Georgia Planning Act of 1989) provides for the organizational structure of the RCs. Each county and municipality in the state is required by law to pay minimum annual dues to an RC. The RC board membership includes the Chief elected official of each county and the chief elected official of each municipality. The Georgia Planning Act of 1989 (O.C.G.A. 50-8-34) defines RCs as "public agencies and instrumentalities of their members". Georgia laws also provide that the member governments are liable for any debts or obligations of an RC beyond resources (O.C.G.A. 50-8-39.1). Separate financial statements are available from the Southern Georgia Regional Commission, Valdosta, Georgia. Management does not believe the SGRC is currently experiencing fiscal stress that could put a financial burden on the City.

In prior years, the City has received monies through various federal and state grants. These programs are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agencies for expenses disallowed under the terms of the grants. Management believes that the City will not incur significant losses on possible grant disallowances

NOTE 10 – RELATED ORGANIZATION

The Housing Authority of the City of Hahira, Georgia is registered with the Department of Community Affairs (DCA) as a local government authority and is administered by the National Housing Authority. The mayor of the City appoints members to sit on the board of directors of the Authority. However, the City provides no financial support and is not obligated in any manner for the Authority.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HAHIRA
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Amended		
Budgetary adjusted fund balance, January 1	$ 749,000	$ 749,000	$ 749,000	$ -
Resources (inflows):				
Taxes:				
Property:				
Real property	272,000	272,000	271,685	(315)
Personal property	22,000	22,000	20,306	(1,694)
Intangible/transfer	15,000	15,000	6,673	(8,327)
Franchise	153,000	153,000	154,014	1,014
Sales and use:				
Local option	305,000	305,000	309,388	4,388
Beer and wine	35,000	35,000	46,993	11,993
Business	103,000	103,000	95,681	(7,319)
Licenses and permits	16,500	16,500	19,295	2,795
Intergovernmental	6,000	6,000	18,344	12,344
Fines and forfeitures	210,000	210,000	183,015	(26,985)
Investment earnings	8,000	8,000	7,078	(922)
Miscellaneous	9,500	9,500	20,620	11,120
Transfers from other funds	-	-	20,131	20,131
Amounts available for appropriation	1,904,000	1,904,000	1,922,223	18,223
Charges to appropriation (outflows):				
General government				
Direct				
Personnel services	112,520	112,520	116,341	3,821
Operating expenditures	94,439	94,439	81,525	(12,914)
Capital outlay	-	-	-	-
Total general government	206,959	206,959	197,866	(9,093)
Judicial				
Direct				
Personnel services	7,500	7,500	6,000	(1,500)
Total judicial	7,500	7,500	6,000	(1,500)

See accompanying note to budgetary comparison schedule.

CITY OF HAHIRA
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budgeted Amounts		Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Amended		
Public safety				
Direct				
Personnel services	436,870	436,870	428,245	(8,625)
Operating expenditures	214,291	208,180	128,797	(79,383)
Debt service	-	-	20,131	20,131
Capital outlay	1,000	1,000	17,709	16,709
Total public safety	652,161	646,050	594,882	(51,168)
Public works				
Direct				
Personnel services	63,852	63,852	70,538	6,686
Operating expenditures	126,000	126,000	84,171	(41,829)
Capital outlay	-	-	-	-
Total public works	189,852	189,852	154,709	(35,143)
Health and welfare				
Direct				
Personnel services	7,750	7,750	6,909	(841)
Operating expenditures	7,327	7,327	6,895	(432)
Total nutrition	15,077	15,077	13,804	(1,273)
Culture and recreation				
Direct				
Personnel services	28,176	28,176	30,320	2,144
Operating expenditures	17,500	17,500	17,121	(379)
Capital outlay	7,000	7,000	-	(7,000)
Total culture and recreation	52,676	52,676	47,441	(5,235)
Housing and development				
Direct				
Personnel services	16,500	16,500	15,837	(663)
Operating expenditures	14,275	20,386	19,243	(1,143)
Total housing and development	30,775	36,886	35,080	(1,806)
Transfer out	-	-	2,405	2,405
Total charges to appropriations	1,155,000	1,155,000	1,052,187	(102,813)
Budgetary fund balance, December 31	$ 749,000	$ 749,000	$ 870,036	$121,036

See accompanying note to budgetary comparison schedule.

CITY OF HAHIRA
SCHEDULE OF RETIREMENT PLAN FUNDING PROGRESS
LAST FIVE YEARS
DECEMBER 31, 2010

Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded (Surplus) Actuarial Liability (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a)]/(c)
5/1/2010	$458,176	$ 548,361	$ 90,185	83.55%	$471,890	19.11%
5/1/2009	$338,482	$ 509,313	$ 170,831	66.46%	$495,592	34.47%
5/1/2008	$467,776	$ 494,128	$ 26,352	94.67%	$455,459	5.79%
5/1/2007	$451,105	$ 464,001	$ 12,896	97.22%	$410,607	3.14%
5/1/2006	$434,734	$ 436,015	$ 1,281	99.71%	$343,719	0.37%

NOTE A - BUDGETS

The City's Finance Ordinance requires the governing authority to adopt budgets for all governmental fund types (general and special revenue funds). An annual budget is also prepared for the City's enterprise fund. Budgets for capital projects fund are adopted on a total project basis rather than on an annual basis. The annual budgets are prepared in accordance with the basis of accounting utilized by that fund. The legal level of budgetary control is the department level.

The budget may be amended by the Mayor and Council during or after the public hearing except that no amendment shall be effective with a public hearing if (1) a new item of appropriation is added in excess of one percent of the total amount of appropriations stated in the initially approved budget, (2) there is an increase or decrease in any item of appropriations by more than 10%, or (3) there is an increase in appropriations requiring an increase in taxes by more than 5%. Notice of hearings on budget amendments must be advertised at least three days prior to the date set for the hearing.

In October 2004, the City Finance Ordinance was amended to provide that: (1) the budget shall state the objectives and services to be provided in a clear general summary for each department, (2) each departmental budget shall include totals for the categories of: salaries and wages, supplies, contracted services and capital outlays, (3) the general fund budget includes designated sections for revenues, debt service, and capital expenditures, (4) the total proposed expenditures shall not exceed the total anticipated revenues.

Department managers may transfer appropriations in any fund among the various accounts within a department with certain restrictions. Transfers within a department, which increase salaries, require approval of the City Council. Any increase in appropriation for any fund or department within a fund requires approval of the City Council. Except for appropriations for capital expenditures, all appropriations, to the extent not expended or encumbered, lapse at the close of the period for which the appropriation was budgeted. Appropriations for capital expenditures continue in effect until the purpose for which it was made has been accomplished or abandoned. Capital appropriations are deemed abandoned after three years when there has been no disbursement or encumbrance of the appropriation.

The Mayor and Council advertise and conduct public hearings on the proposed budget in accordance with ordinances and state law requirements. The budget for the year ended December 31, 2010 was adopted by the council on October 8, 2009 and amended on December 2, 2010.

CITY OF HAHIRA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE B - BUDGET - TO - ACTUAL RECONCILIATION

An explanation of the difference between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles are as follows:

	General Fund
Sources/inflows of resources:	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	$ 1,922,223
Differences - budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	(749,000)
Transfers from other funds are inflows of budgetary resources but are regarded as a "special item", rather than revenue, for financial reporting purposes	(20,131)
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	$ 1,153,092
Uses/outflows of resources:	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	$ 1,052,187
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(2,405)
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	$ 1,049,782

INDIVIDUAL FUND SCHEDULES

CITY OF HAHIRA
BUDGETARY COMPARISON SCHEDULE – SPLOST V CAPITAL PROJECTS FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	Project-Length Budgeted Amounts Original and Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget
Budgetary fund balance, January 1	$ 898	$ 898	$ -
Resources (inflows):			
Intergovernmental	342,395	224,692	(117,703)
Amounts available for appropriation	343,293	225,590	(117,703)
Charges to appropriation (outflows):			
Capital outlay	342,395	224,041	(118,354)
Transfer out	-	1,549	1,549
Total charges to appropriations	342,395	225,590	(116,805)
Budgetary fund balance, December 31	$ 898	$ -	$ (898)

An explanation of the difference between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles follows:

Sources/inflows of resources:	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	$ 225,590
Differences - budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	(898)
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances	$ 224,692
Uses/outflows of resources:	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	$ 225,590
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(1,549)
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances	$ 224,041

CITY OF HAHIRA
BUDGETARY COMPARISON SCHEDULE – SPLOST VI CAPITAL PROJECTS FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	Project-Length Budgeted Amounts Original and Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget
Budgetary fund balance, January 1	$ 246,291	$ 246,291	$ -
Resources (inflows):			
Intergovernmental	3,310,202	474,876	(2,835,326)
Amounts available for appropriation	3,556,493	721,167	(2,835,326)
Charges to appropriation (outflows):			
Capital outlay	3,310,202	55,016	(3,255,186)
Transfer out	-	342,571	342,571
Total charges to appropriations	3,310,202	397,587	(2,912,615)
Budgetary fund balance, December 31	$ 246,291	$ 323,580	$ 77,289

An explanation of the difference between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles follows:

Sources/inflows of resources:	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	$ 721,167
Differences - budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	(246,291)
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances	$ 474,876
Uses/outflows of resources:	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	$ 397,587
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(342,571)
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances	$ 55,016

STATE COMPLIANCE SECTION

CITY OF HAHIRA
ONE PERCENT SPECIAL PURPOSE SALES TAX
PROJECT COST SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2010

Project	Original Estimated Cost	Revised Estimated Cost	Expenditures			Estimated Percent Completed
			Prior Years	Current Period	Total	
SPLOST IV - 1998 Issue						
Referendum Expenditures:						
Road, street and bridge projects		$ 365,000	$ 412,323	$ -	$ 412,323	
Renovation, construction and improvements to public facilities and equipment for City Hall and the Fire Station		138,000	252,007	14,788	266,795	
Construction and improvement to water and sewer facilities		460,000	488,421	-	488,421	
Construction and improvements of public facilities and equipment for environmental protection		208,148	-	-	-	
Totals	$ 1,175,000	$ 1,171,148	$ 1,152,751	$ 14,788	$ 1,167,539	99.69%

CITY OF HAHIRA
ONE PERCENT SPECIAL PURPOSE SALES TAX
PROJECT COST SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2010

Project	Original Estimated Cost	Revised Estimated Cost	Expenditures			Estimated Percent Completed
			Prior Years	Current Period	Total	
SPLOST V - 2002 Issue						
Referendum Expenditures:						
Road, street and bridge projects	$ 400,000	$ 371,208	$ 26,907	$ 223,144	$ 250,051	
Other capital outlay projects:						
Purchase, renovation, construction and improvements to public facilities and equipment consisting of the City Hall and Fire Station			177,694	897	178,591	
Construction and improvements and equipment for water and sewer facilities			371,744	1,549	373,293	
Purchase, renovation, construction and improvements of public facilities and equipment for environmental protection			-	-	-	
Total other capital outlay projects	590,000	547,532	549,438	2,446	551,884	
Totals	$ 990,000	$ 918,740	$ 576,345	$ 225,590	$ 801,935	87.29%

CITY OF HAHIRA
ONE PERCENT SPECIAL PURPOSE SALES TAX
PROJECT COST SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2010

Project	Original Estimated Cost	Revised Estimated Cost	Expenditures			Estimated Percent Completed
			Prior Years	Current Period	Total	
SPLOST VI - 2007 Issue						
Referendum Expenditures:						
Construction and improvements to:						
Road, street and bridge projects	$ 650,000	$ -	$ -	$ 37,105	$ 37,105	
Water and sewer facilities	1,950,000	-	586,946	342,571	929,517	
Construction of, improvements to and major capital equipment for:						
Community center facilities	600,000	-	-	-	-	
Police: facilities, computer equipment communication equipment and vehicles	250,000	-	32,723	5,660	38,383	
Firefighting: facilities, computer equipment, training facilities, vehicles and equipment	200,000	-	70,429	12,251	82,680	
Retirement of previously incurred general obligation debt	350,300	-	-	-	-	
Totals	$ 4,000,300	$ -	$ 690,098	$ 397,587	$ 1,087,685	27.19%

Prepared on the accrual basis of accounting.

FEDERAL COMPLIANCE SECTION

VALENTI, RACKLEY
& ASSOCIATES, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Mayor and Council
City of Hahira, Georgia

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

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City'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 internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

A *deficiency in internal* control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency 10-01 described in the accompanying schedule of findings and responses to be a material weakness.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency 10-02 described in the accompanying schedule of findings and responses to be a significant deficiency.

208 W. Park Ave., Valdosta, GA 31602 Telephone: 229-247-8005, Fax: 229-247-8998

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City in a separate letter dated May 31, 2011.

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

Respectfully submitted,

Valenti, Rackley & Associates, LLC

Valenti, Rackley & Associates, LLC
Certified Public Accountants

May 31, 2011

CITY OF HAHIRA, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2010

10-01

Condition: Inadequate segregation of accounting duties among personnel.

Cause: Limited staff size and resources.

Effect: Certain functions are not segregated including collection/deposit of cash and recording of cash receipts and general ledger; cash receipts/disbursements and preparation of bank reconciliations; accounts payable and recording of general ledger and payroll processing and general ledger due to limited staff size. Errors, intentional or otherwise, and fraud could occur in the processing of financial transactions and preparation of financial statements.

Recommendation: We recommend that increased management oversight of the accounting function be utilized to mitigate risk.

Management Response: See management's Corrective Action Plan separately submitted.

10-02

Condition: Inadequate design of internal control over the preparation of the financial statements being audited. Optimum internal control exists when an entity has the ability to prepare its own financial statements in conformity with *Generally Accepted Accounting Principles* (GAAP).

Cause: Due to limited resources the City can not employ staff with the necessary technical expertise to prepare the City's financial statements in conformity with GAAP.

Effect: The City must rely on its external auditors to ensure that year end financial statements are prepared in conformity with GAAP.

Recommendation: No practical solution currently exists.

Management Response: See management's Corrective Action Plan separately submitted.

CITY OF HAHIRA, GEORGIA
STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2010

Audit Reference Number	
09-01	Uncorrected in current year and recited as 10-01.
09-02	Uncorrected in current year and recited as 10-02
09-03	Corrected.