CITY OF HAMPTON, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2010

TOGETHER WITH

INDEPENDENT AUDITORS' REPORT

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CITY OF HAMPTON, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2010

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of City Council
City of Hampton, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Hampton, Georgia (the "City") as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City'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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hampton, Georgia as of September 30, 2010 and the respective changes in financial position, and cash flow, 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 a report dated March 24, 2011 on our consideration of the City of Hampton's internal controls over financial reporting and our tests of its compliance with certain provisions of laws, regulation, 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 *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 13 and 43 through 48 and the Historical Pension Information on page 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hampton, Georgia's financial statements as a whole. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly presented in all material respects, in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Morrow, Georgia
March 24, 2011

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CITY OF HAMPTON
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management on the City of Hampton, we offer readers of the City of Hampton's financial statements this narrative overview and analysis of the financial activities of the City of Hampton for fiscal year ended September 30, 2010. We encourage readers to consider the information presented here in conjunction with their review of the financial statements.

Financial Highlights

- The assets of the City of Hampton exceeded its liabilities at September 30, 2010 by $22,117,526. Of this amount unrestricted net assets of $8,413,515 may be used to meet the government's ongoing obligations to citizens and creditors. The $8,413,515 in unrestricted net assets is further allocated $5,939,932 to governmental-type activities and $2,473,583 to business-type activities.

- The total net assets increased by $1,687,968. Of this amount a net increase of $2,430,898 was associated with governmental activities, and a decrease of $742,930 associated with business-type activities, primarily due to an increase in construction activity.

- As of the close of the current fiscal period, the City of Hampton's governmental funds reported combined ending fund balances of $6,914,114, an increase of $834,559 in comparison with the prior year. Of this amount $5,913,139 is unreserved and available for spending and $1,000,975 is reserved for capital projects, prepaid items, and police activities. The unreserved of $5,913,139 consists of various assets netted against their respective liabilities. See page 16 for a detail and page 17 for a reconciliation to the governmental activities net assets.

- It is anticipated that the business-type activities' unrestricted net assets of $2,473,583 will be used for improvements and expansion of the City's water and sewer facilities.

- At the end of the current year, unreserved fund balance for the general fund was $5,892,966 or 185 percent of total General Fund expenditures, not including transfers to other funds.

- The City of Hampton's total debt obligations (including accrued compensated absences) increased by $1,735,781 to a total of $10,779,338. The increase in debt is due to the City drawing down on the loan from the Georgia Environmental Facilities Authority (GEFA) for the construction of the new wastewater treatment facility.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Hampton's basic financial statements. The City of Hampton's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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Government-wide financial statements – continued. The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years.

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 of Hampton include general government, public safety and courts, highways and streets, parks and recreation, community development, economic development, and code enforcement. The business-type activities of the City are water and sewer, solid waste management and electrical supply.

Fund financial statements. 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 of Hampton 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 period. 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 the two.

The City maintains two major governmental funds. The City's major governmental funds are the General Fund and the SPLOST Capital Project Fund. 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 both major funds.

The City of Hampton adopts an annual budget for all of its governmental funds. Budgetary comparison statements have been provided for the General Fund to demonstrate compliance with the fiscal year 10 budget. An annual budget for the non-major fund and a project length budget for the SPLOST Capital Projects Fund have been adopted by the City and are presented in the individual fund financial statements.

Proprietary funds. Enterprise funds (a component of proprietary funds) are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses utility enterprise funds to account for its water and sewer, solid waste management and electrical supply activities. The City's Utility Enterprise Fund is considered by the City to be a major fund.

Proprietary funds provide the same type of information as government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the City's major funds.

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

Other information. In addition to the basic financial statement and accompanying notes, this report also presents certain other supplementary information which consists of individual fund financial statements.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At September 30, 2010, the City's assets exceeded liabilities by $22,117,526. The City's net assets reflects its investment in capital assets (57.8 percent), less any related debt used to acquire those assets that is still outstanding. Capital assets are used to provide services to citizens and they are not available for future spending. Although the investment in capital assets are 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. Of the total net assets, $923,166 (4.2 percent) is restricted for capital projects and other specified activities and $8,413,515 (38.0 percent) is unrestricted, allocated between the governmental activities ($5,939,932) and the business-type activities ($2,473,583).

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City of Hampton's Net Assets

	Governmental Activities		
	2010	2009	Change
Current and other assets	$ 7,079,503	$ 6,309,197	$ 770,306
Capital assets	6,035,287	4,525,118	1,510,169
Total assets	13,114,790	10,834,315	2,280,475
Current liabilities	211,235	302,942	(91,707)
Long-term liabilities	51,016	109,732	(58,716)
Total liabilities	262,251	412,674	(150,423)
Net assets:			
Invested in capital assets, net of related debt	5,989,441	4,405,972	1,583,469
Restricted	923,166	945,194	(22,028)
Unrestricted	5,939,932	5,070,475	869,457
Total net assets	$ 12,852,539	$ 10,421,641	$ 2,430,898

	Business-type Activities		
	2010	2009	Change
Current and other assets	$ 3,629,757	$ 4,289,321	$ (659,564)
Capital assets	17,473,880	15,857,557	1,616,323
Total assets	21,103,637	20,146,878	956,759
Current liabilities	1,156,174	1,278,436	(122,262)
Long-term liabilities	10,682,476	8,860,525	1,821,951
Total liabilities	11,838,650	10,138,961	1,699,689
Net assets:			
Invested in capital assets, net of related debt	6,791,404	6,997,032	(205,628)
Unrestricted	2,473,583	3,010,885	(537,302)
Total net assets	$ 9,264,987	$ 10,007,917	$ (742,930)

	Total		
	2010	2009	Change
Current and other assets	$ 10,709,260	$ 10,598,518	$ 110,742
Capital assets	23,509,167	20,382,675	3,126,492
Total assets	34,218,427	30,981,193	3,237,234
Current liabilities	1,367,409	1,581,378	(213,969)
Long-term liabilities	10,733,492	8,970,257	1,763,235
Total liabilities	12,100,901	10,551,635	1,549,266
Net assets:			
Invested in capital assets, net of related debt	12,780,845	11,403,004	1,377,841
Restricted	923,166	945,194	(22,028)
Unrestricted	8,413,515	8,081,360	332,155
Total net assets	$ 22,117,526	$ 20,429,558	$ 1,687,968

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A portion of the net assets ($923,166) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets ($8,413,515) may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental activities. Governmental activities increased the City of Hampton's net assets by $2,430,898, thereby accounting for 144.0% of the total increase in the net assets of the City of Hampton. Key elements of this increase are as follows:

City of Hampton's Change in Net Assets

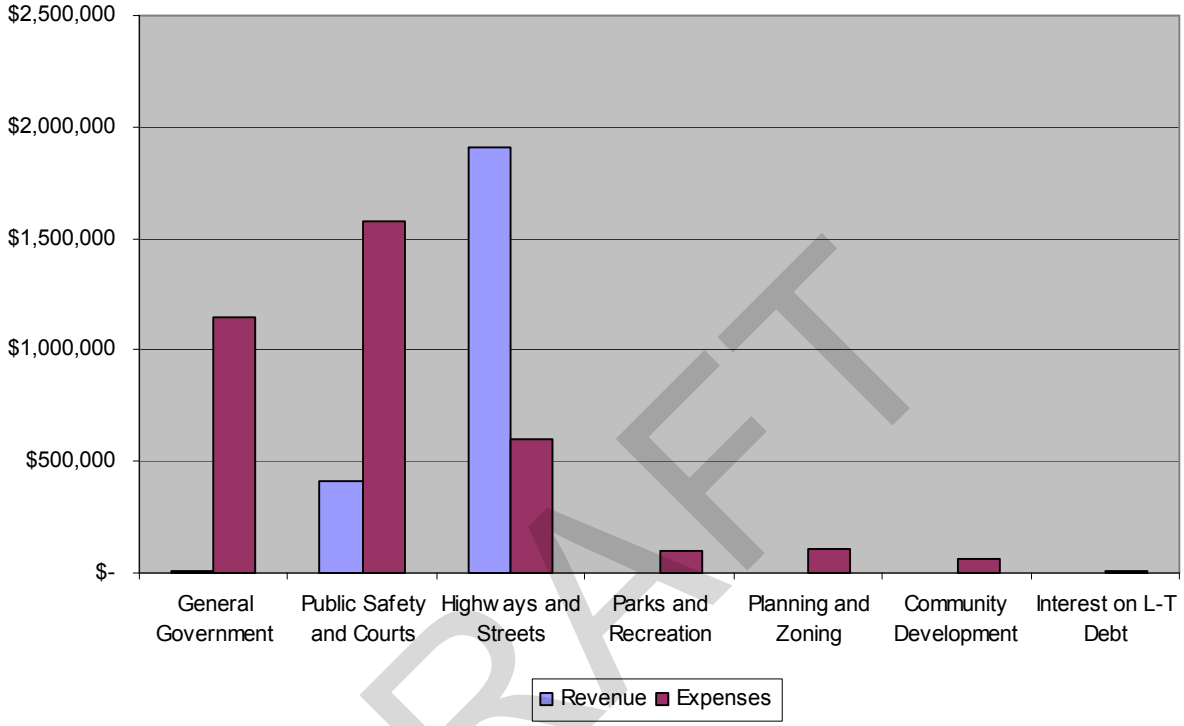
(In millions of dollars)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenue:						
Program Revenues –						
Charges for services	$ 0.4	$ 0.5	$ 5.9	$ 5.0	$ 6.3	$ 5.5
Capital grants and contributions	1.9	0.4	0.0	0.0	1.9	0.4
General Revenues –						
Sales taxes	2.5	2.4	0.0	0.0	2.5	2.4
Other taxes	0.5	0.5	0.0	0.0	0.5	0.5
Interest	0.1	0.1	0.0	0.1	0.1	0.2
Other	0.0	0.3	0.0	0.0	0.0	0.3
Total Revenues	5.4	4.2	5.9	5.1	11.3	9.3
Expenses:						
General government	1.1	1.1	0.0	0.0	1.1	1.1
Public safety and courts	1.6	1.7	0.0	0.0	1.6	1.7
Parks and recreation	0.1	0.1	0.0	0.0	0.1	0.1
Highways and streets	0.5	0.6	0.0	0.0	0.5	0.6
Planning and zoning	0.1	0.2	0.0	0.0	0.1	0.2
Community development	0.1	0.1	0.0	0.0	0.1	0.1
Water	0.0	0.0	1.5	0.7	1.5	0.7
Sewer	0.0	0.0	0.4	0.3	0.4	0.3
Solid waste	0.0	0.0	0.4	0.3	0.4	0.3
Electric	0.0	0.0	3.7	2.9	3.7	2.9
Total Expenses	3.5	3.8	6.0	4.2	9.5	8.0
Increase (decrease) in net assets Before transfers	1.9	0.4	(0.1)	0.9	1.8	1.3
Transfers	0.6	1.0	(0.6)	(1.0)	0.0	0.0
Increase (decrease) in net assets	2.5	1.4	(0.7)	(0.1)	1.8	1.3
Net assets – beginning of the period	10.4	9.0	10.0	10.1	20.4	19.1
Net assets – end of period	$ 12.9	$ 10.4	$ 9.3	$ 10.0	$ 22.2	$ 20.4

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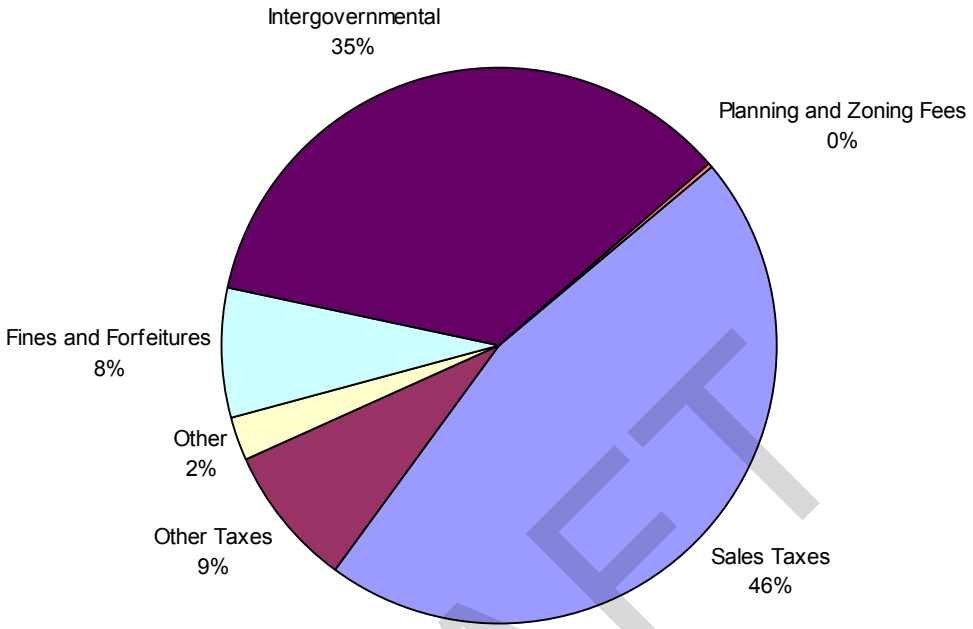
- Revenues from sales taxes (local option and special purpose local option) increased $60,626 or 2.5%.
- Other tax revenues decreased by 2.2% from 2009. Total other tax collections amounted to $458,969 in 2010.

EXPENSES AND PROGRAM REVENUES – GOVERNMENTAL ACTIVITIES



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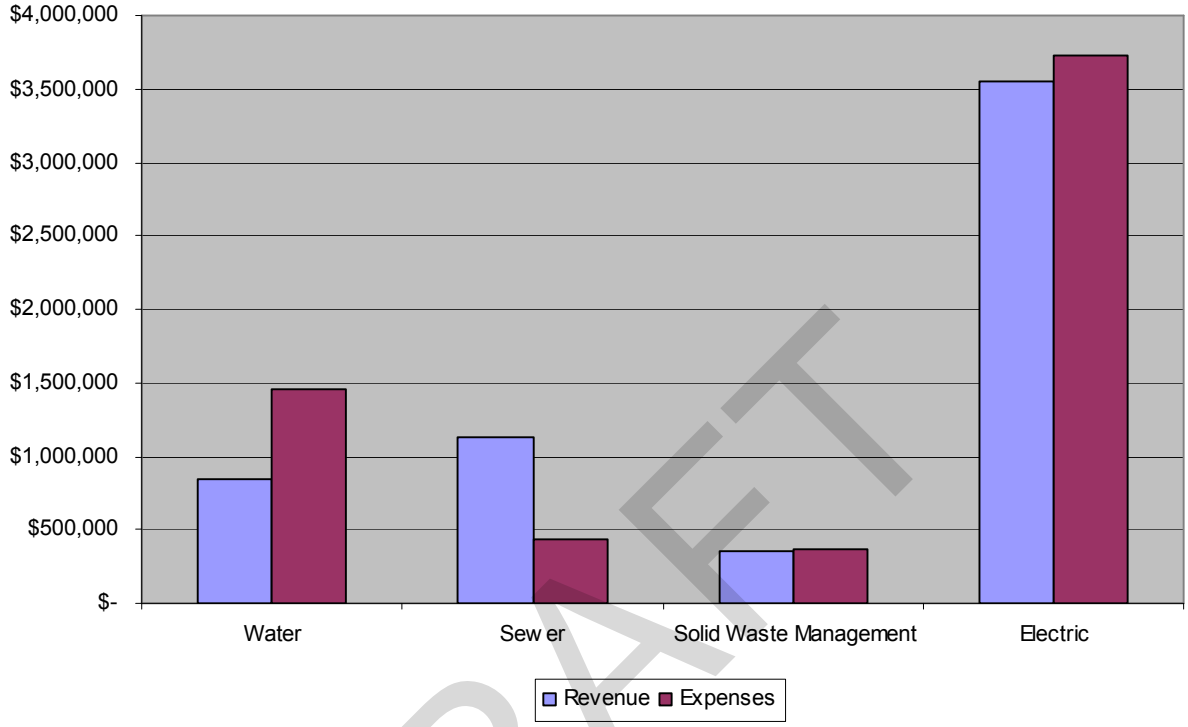
REVENUE BY SOURCE-GOVERNMENTAL ACTIVITIES



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Business–type activities. Business-type activities decreased the City's net assets by $742,930

EXPENSES AND PROGRAM REVENUES-BUSINESS-TYPE ACTIVITES



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Financial Analysis of the Government's Funds

As noted earlier, the City of Hampton used fund accounting to ensure and demonstrate compliance with finance related legal requirements.

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

At September 30, 2010 the City's governmental funds reported combined ending fund balances of $6,914,114, an increase of $834,559 in comparison to the prior year. Of this amount, $5,913,139 (85.5 percent) is unreserved fund balances, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to pay for capital items most of which is funded by the proceeds of the Special Purpose Local Option Sales Tax and Development Impact Fees ($917,405); 2) for Police Activities ($5,761); and 3) reserved for prepaid expenses which are not available for current government's spending discretion ($77,809).

The General Fund is the City's chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was $5,892,966 while the total fund balance totaled $5,976,536. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 185 percent of the total general fund expenditures, while total fund balance represents 188 percent of that same amount.

During the current fiscal year, the fund balance of the City's general fund increased by $748,343. The key factor in the increase is due to the transfers to cover debt relief of the new wastewater treatment plant. The City collected a total of $2,484,167 in Local Option Sales Taxes for 2010, an increase of 2.5% from 2009. Fines and forfeitures decreased by 15.3% to $407,776 in 2010. Overall, the City's general fund revenue decreased by $287,806. At the same time, the expenditures decreased by $47,501 from 2009 amounts.

The City of Hampton received $1,906,375 in Special Purpose Local Option Sales Taxes in 2010. Major expenditures during 2010 of the SPLOST funds were: 1) public works facilities ($1,684,058); 2) street improvements ($134,131); 3) park projects ($94,187); and 4) public safety facilities ($24,555).

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

Unrestricted net assets of the proprietary funds at the end of the year were $2,473,583. Other factors concerning the finances of proprietary funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The original taxes revenue budget of $2,332,000 was amended to $2,845,735, an increase of $513,735. This amendment was due to the City taking in more tax revenue than expected throughout the year.

The original general government expenditures budget of $1,102,644 was amended to $1,161,382, and increase of $58,738. This amendment was due to an increase in health insurance and additional salaries, retirement and taxes added during the year.

The original public safety expenditures budget of $1,217,022 was amended to $1,325,662, an increase of $108,640. This amendment was due to an increase in health insurance and additional salaries, retirement and taxes added during the year.

The original highways and streets expenditures budget of $349,121 was amended to $300,951, a decrease of $48,170. This amendment was due to projects being paid from SPLOST and SPLOST III funds.

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Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities at September 30, 2010 amounts to $23,509,167 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, automobiles and equipment, sidewalks, bridges and roads.

Major capital asset events during the current fiscal year included the following:

- $ 1,774,121 for construction of new wastewater treatment facility.
- $ 1,684,058 for construction of new public works facility.
- $ 222,143 for construction of Thompson Creek Basin.
- $ 143,719 for street and park improvements.
- $ 29,471 for various improvements to the water and sewer system.
- $ 24,555 for construction of new police facility.
- $ 23,410 for equipment for police vehicles.

Additional information on the City's capital assets can be found in note 8.

Long-term debt. At the end of the current fiscal year, the City had $10,779,338 in outstanding debt consisting of the following:

City of Hampton's Outstanding Debt

	Balance
Governmental Activities –	
Accrued compensated absences	$ 51,016
Capital leases	45,846
Business-Type Activities –	
Georgia Environmental Facilities Authority (GEFA) loan	10,682,476
Total	$ 10,779,338

The City's total debt increased by $1,735,781. Additional information on the City's long-term debt can be found in note 9.

Status of the City of Hampton's Economy

- Inflationary trends in the region compare favorably to national indices.
- The occupancy rate of the City's downtown area has remained consistent.
- Due to the continued economic downturn growth within the City has remained consistent with the previous year.

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Requests for Information

This financial report is designed to provide a general overview of the City of Hampton's finances, comply with finance-related laws and regulations, and demonstrate the City's commitment to public accountability. Questions concerning this report or requests for additional information can be obtained by contacting the City at (770) 946-4306 or at the following address:

City of Hampton
Finance Department
17 East Main Street
Hampton, GA 30228

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CITY OF HAMPTON, GEORGIA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010

	Governmental Activities	Business-Type Activities	Total	DDA
Assets				
Cash and cash equivalents	$ 3,249,377	$ 2,143,702	$ 5,393,079	$ 32,207
Investments	3,023,011	0	3,023,011	0
Receivables (net of allowance for uncollectibles)				
Taxes	401,775	0	401,775	0
Accounts	4,322	680,455	684,777	0
Fines	26,412	0	26,412	0
Loan	296,797	0	296,797	75,390
Materials and supplies inventory	0	490,089	490,089	0
Prepaid items	77,809	15,511	93,320	0
Non-depreciable capital assets	644,401	11,906,050	12,550,451	0
Depreciable capital assets, net	5,390,886	5,567,830	10,958,716	305,241
Intangible assets	0	300,000	300,000	0
Total assets	$ 13,114,790	$ 21,103,637	$ 34,218,427	$ 412,838
Liabilities				
Accounts payable				
Operating	$ 67,452	$ 234,971	$ 302,423	$ 0
Capital	53,374	0	53,374	0
Retainage	0	22,248	22,248	0
Accrued liabilities –				
Wages	43,362	11,413	54,775	0
Compensated absences	0	40,620	40,620	0
Customer deposits	0	353,435	353,435	0
Interest	0	466,526	466,526	0
Other	1,201	26,961	28,162	0
Long-term liabilities –				
Due within one year	45,846	0	45,846	15,402
Due in more than one year	51,016	10,682,476	10,733,492	281,395
Total liabilities	262,251	11,838,650	12,100,901	296,797
Net assets				
Invested in capital assets, net of related debt	5,989,441	6,791,404	12,780,845	8,444
Restricted for –				
Capital projects	917,405	0	917,405	0
Police activities	5,761	0	5,761	0
Unrestricted	5,939,932	2,473,583	8,413,515	107,597
Total net assets	$ 12,852,539	$ 9,264,987	$ 22,117,526	$ 116,041

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See accompanying notes to financial statements

CITY OF HAMPTON, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2010

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business-Type Activities	Net (Expense) Revenue and Changes in Net Assets: Total	Net (Expense) Revenue and Changes in Net Assets: Downtown Development Authority
Primary government:							
Governmental activities:							
General government	$ 1,144,808	$ 10,003	$ 0	$ (1,134,805)	$ 0	$ (1,134,805)	$ 0
Public safety and courts	1,580,947	407,776	0	(1,173,171)	0	(1,173,171)	0
Public works	601,719	0	1,906,375	1,304,656	0	1,304,656	0
Parks and recreation	101,900	0	0	(101,900)	0	(101,900)	0
Planning and zoning	103,613	2,975	0	(100,638)	0	(100,638)	0
Community development	60,661	0	0	(60,661)	0	(60,661)	0
Interest on long-term debt	5,746	0	0	(5,746)	0	(5,746)	0
Total governmental activities	3,599,394	420,754	1,906,375	(1,272,265)	0	(1,272,265)	0
Business-type activities:							
Sewer	437,698	1,123,581	0	0	685,883	685,883	0
Water	1,455,655	846,213	0	0	(609,442)	(609,442)	0
Sanitation	374,448	347,675	0	0	(26,773)	(26,773)	0
Electric	3,727,361	3,553,476	0	0	(173,885)	(173,885)	0
Total business-type activities	5,995,162	5,870,945	0	0	(124,217)	(124,217)	0
Total primary government	$ 9,594,556	$ 6,291,699	$ 1,906,375	(1,272,265)	(124,217)	(1,396,482)	$ 0
Component unit:							
Downtown Development Authority	$ 56,683	$ 33,000	$ 0	0	0	0	(23,683)
Total component unit	$ 56,683	$ 33,000	$ 0	0	0	0	(23,683)
General revenues:							
Franchise taxes				169,237	0	169,237	0
Sales taxes				2,484,167	0	2,484,167	0
Insurance premium taxes				213,844	0	213,844	0
Other taxes				75,888	0	75,888	0
Interest earnings				100,419	15,794	116,213	1,139
Other				25,101	0	25,101	0
Contributions not restricted to specific programs				0	0	0	111,966
Total general revenues				3,068,656	15,794	3,084,450	113,105
Transfers				634,507	(634,507)	0	0
Total general revenues and transfers				3,703,163	(618,713)	3,084,450	113,105
Change in net assets				2,430,898	(742,930)	1,687,968	89,422
Net assets – beginning of period				10,421,641	10,007,917	20,429,558	26,619
Net assets – end of period				$ 12,852,539	$ 9,264,987	$ 22,117,526	$ 116,041

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See accompanying notes to financial statements

CITY OF HAMPTON, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010

	General	SPLOST III Capital Projects	Other Governmental Funds	Total
Assets				
Cash and cash equivalents	$ 2,258,899	$ 146,688	$ 843,790	$3,249,377
Investments	3,023,011	0	0	3,023,011
Receivables (net of allowance for uncollectibles)				
Taxes	400,878	0	897	401,775
Accounts	4,322	0	0	4,322
Fines	26,412	0	0	26,412
Loan	296,797	0	0	296,797
Prepaid items	77,809	0	0	77,809
Total assets	$ 6,088,128	$ 146,688	$ 844,687	$7,079,503
Liabilities				
Accounts payable –				
Operating	$ 67,029	$ 0	$ 423	$ 67,452
Capital	0	53,374	0	53,374
Accrued liabilities				
Wages	43,362	0	0	43,362
Other	1,201	0	0	1,201
Total liabilities	111,592	53,374	423	165,389
Fund balances				
Reserved for:				
Prepaid items	77,809	0	0	77,809
Capital projects	0	93,314	824,091	917,405
Police activities	5,761	0	0	5,761
Unreserved:				
General	5,892,966	0	0	5,892,966
Special revenue	0	0	20,173	20,173
Total fund balances	5,976,536	93,314	844,264	6,914,114
Total liabilities and fund balances	$ 6,088,128	$ 146,688	$ 844,687	$7,079,503

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See accompanying notes to financial statements

CITY OF HAMPTON, GEORGIA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balances – total governmental funds	$ 6,914,114
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds.	6,035,287
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.	
Capital leases payable	(45,846)
Accrued compensated absences	(51,016)
Net assets of governmental activities	$ 12,852,539

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CITY OF HAMPTON, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	General	SPLOST III Capital Projects	Other Governmental Funds	Total
REVENUES				
Taxes	$ 2,934,037	0	$ 9,099	$2,943,136
Intergovernmental	0	1,906,375	0	1,906,375
Fines and forfeitures	407,776	0	0	407,776
Investment income	93,663	210	6,546	100,419
Miscellaneous	25,101	0	0	25,101
Licenses and permits	12,978	0	0	12,978
Total revenues	3,473,555	1,906,585	15,645	5,395,785
EXPENDITURES				
Current:				
General government	1,102,637	0	0	1,102,637
Municipal court	169,317	0	0	169,317
Public safety	1,333,221	0	0	1,333,221
Highways and streets	272,043	0	0	272,043
Parks and recreation	11,165	0	0	11,165
Planning and zoning	103,574	0	0	103,574
Community development	48,167	0	12,302	60,469
Capital:				
General government	12,439	0	443	12,882
Public safety	48,500	24,555	0	73,055
Public utilities	0	1,684,058	2,745	1,686,803
Highways and streets	4,991	0	192,304	197,295
Parks and recreation	0	84,985	9,202	94,187
Planning and zoning	39	0	0	39
Debt service:				
Principal	73,300	0	0	73,300
Interest	5,746	0	0	5,746
Total expenditures	3,185,139	1,793,598	216,996	5,195,733
Excess of revenues over expenditures	288,416	112,987	(201,351)	200,052
Other financing sources (uses):				
Transfers	459,927	0	174,580	634,507
Total	459,927	0	174,580	634,507
Net change in fund balances	748,343	112,987	(26,771)	834,559
Fund balance – beginning of period	5,228,193	(19,673)	871,035	6,079,555
Fund balance – end of period	$ 5,976,536	$ 93,314	$ 844,264	$6,914,114

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See accompanying notes to financial statements

CITY OF HAMPTON, 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 SEPTEMBER 30, 2010

Amounts reported for governmental activities in the statement of activities are different because:	
Net changes in fund balances – total governmental funds	$ 834,559
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 exceeded depreciation.	1,510,169
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds:	
Principal payments on long-term debt	73,300
Long-term compensated absences were reported in the government-wide statement of activities and changes in net assets, but they did not require the use of current financial resources. Therefore, long-term compensated absences were not reported as expenditures in governmental funds. This is the difference between beginning and ending accrued compensated absences.	12,870
Change in net assets of governmental activities	$ 2,430,898

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See accompanying notes to financial statements

CITY OF HAMPTON, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET (GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	BUDGET AMOUNTS			VARIANCE WITH FINAL
	ORIGINAL	FINAL	ACTUAL	BUDGET
REVENUES				
Taxes	$ 2,332,000	$ 2,845,735	$ 2,934,037	$ 88,302
Licenses and permits	10,000	13,675	12,978	(697)
Fines and forfeitures	500,000	500,000	407,776	(92,224)
Investment income	73,772	73,772	93,663	19,891
Miscellaneous	5,500	14,610	25,101	10,491
Total revenues	2,921,272	3,447,792	3,473,555	25,763
EXPENDITURES				
Current:				
General government	1,102,644	1,161,382	1,102,637	58,745
Municipal court	221,160	221,160	169,317	51,843
Public safety	1,217,022	1,325,662	1,333,221	(7,559)
Highways and streets	349,121	300,951	272,043	28,908
Parks and recreation	37,400	37,400	11,165	26,235
Planning and zoning	129,984	111,937	103,574	8,363
Community development	69,359	63,770	48,167	15,603
Capital:				
General government	73,123	13,700	12,439	1,261
Public safety	48,500	48,500	48,500	0
Highways and streets	5,000	5,000	4,991	9
Planning and zoning	250	250	39	211
Debt service:				
Principal	0	0	73,300	(73,300)
Interest	0	0	5,746	(5,746)
Total expenditures	3,253,563	3,289,712	3,185,139	104,573
Excess of revenues over expenditures	(332,291)	158,080	288,416	130,336
Other financing sources (uses):				
Transfers	0	0	459,927	459,927
Total	0	0	459,927	459,927
Net change in fund balances	(332,291)	158,080	748,343	590,263
Fund balance – beginning of year	5,228,193	5,228,193	5,228,193	0
Fund balance – end of year	$ 4,895,902	$ 5,386,273	$ 5,976,536	$ 590,263

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See accompanying notes to financial statements

CITY OF HAMPTON, GEORGIA
STATEMENT OF NET ASSETS
PROPRIETARY FUND
SEPTEMBER 30, 2010

	BUSINESS-TYPE ACTIVITIES UTILITY FUND	
	2010	2009
Assets		
Current assets:		
Cash and cash equivalents	$ 2,143,702	$ 2,623,507
Receivables (net of allowance for uncollectibles) –		
Accounts	680,455	780,665
Materials and supplies inventory	490,089	572,330
Prepaid items	15,511	12,819
Total current assets	3,329,757	3,989,321
Non-current assets:		
Property, plant and equipment –		
Plant and distributions systems	8,791,494	8,791,494
Buildings	67,636	67,636
Machinery and equipment	1,200,355	1,200,355
Vehicles	612,509	612,509
Construction in progress	11,906,050	9,880,315
Accumulated depreciation	(5,104,164)	(4,694,752)
Total capital assets (net of accumulated depreciation)	17,473,880	15,857,557
Intangible assets	300,000	300,000
Total non-current assets	17,773,880	16,157,557
Total assets	$ 21,103,637	$ 20,146,878
Liabilities		
Current liabilities		
Accounts payable –		
Operating	$ 234,971	372,774
Retainage	22,248	479,102
Accrued liabilities –		
Wages and compensated absences	52,033	46,241
Customer deposits	353,435	357,917
Interest	466,526	0
Other	26,961	22,402
Total current liabilities	1,156,174	1,278,436
Long-term liabilities		
Notes payable	10,682,476	8,860,525
Total liabilities	11,838,650	10,138,961
Net Assets		
Invested in capital assets, net of related debt	6,791,404	6,997,032
Unrestricted	2,473,583	3,010,885
Total net assets	$ 9,264,987	$ 10,007,917

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See accompanying notes to financial statements

CITY OF HAMPTON, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	BUSINESS-TYPE ACTIVITIES UTILITY FUND	
	2010	2009
Operating Revenues:		
Charges for services	$ 5,856,864	$ 5,026,048
Other	14,081	12,424
Total operating revenues	5,870,945	5,038,472
Operating Expenses:		
Purchases for resale	3,184,210	2,565,134
Personal services and benefits	925,882	785,095
Contractual services	544,376	416,844
Supplies	370,991	2,829
Depreciation	409,412	412,398
Interest	466,526	0
Other	93,765	40,574
Total operating expenses	5,995,162	4,222,874
(Loss) income from operations	(124,217)	815,598
Non-operating revenues:		
Investment income	15,794	39,309
Income before contributions and transfers	(108,423)	854,907
Transfers	(634,507)	(995,344)
Change in net assets	(742,930)	(140,437)
Net assets beginning of year	10,007,917	10,148,354
Net assets end of year	$ 9,264,987	$ 10,007,917

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See accompanying notes to financial statements

CITY OF HAMPTON, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	BUSINESS-TYPE ACTIVITIES UTILITY FUND	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers and users	$ 5,966,673	$ 4,699,340
Cash paid to suppliers for goods and services	(4,899,335)	(2,672,865)
Cash paid to employees	(724,646)	(626,083)
Net cash provided by operating activities	342,692	1,400,392
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earned	15,794	39,309
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers	(634,507)	(995,344)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(2,025,735)	(6,855,771)
Proceeds from notes payable	1,821,951	6,625,996
Payment of loan fees	0	(50,000)
Due to other funds	0	22,228
Net cash used in capital financing activities	(203,784)	(257,547)
NET CHANGE IN CASH	(479,805)	186,810
CASH AT BEGINNING OF YEAR	2,623,507	2,436,697
CASH AT END OF YEAR	$ 2,143,702	$ 2,623,507

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See accompanying notes to financial statements

CITY OF HAMPTON, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010

Reconciliation of Net Income to Net Cash
Provided by Operating Activities

	BUSINESS-TYPE ACTIVITIES UTILITY FUND	
	2010	2009
NET OPERATING (LOSS) INCOME	$ (124,217)	$ 815,598
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation expense	409,412	412,398
Decrease (increase) in receivables	100,210	(300,082)
Decrease (increase) in inventory	82,241	(346,860)
Increase in prepaid expenses	(2,692)	(2,550)
(Decrease) increase in accounts payable	(137,803)	369,781
(Decrease) increase in accounts payable – retainage	(456,854)	479,102
Increase in accrued salaries	5,792	10,847
Decrease in other customer deposits	(4,482)	(39,050)
Increase in accrued interest	466,526	0
Increase in other accrued expense	4,559	1,208
Total adjustments	466,909	584,794
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	$ 342,692	$ 1,400,392
Non-cash transaction –		
Increase in fair value of investments	$ 0	$ 0
Construction of utility system improvements paid for by the SPLOST Capital Projects Fund and considered capital contributions by the Utility Fund	$ 0	$ 0

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See accompanying notes to financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The City'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, if applicable, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

B. The Reporting Entity

The City operates under a council/mayor form of government and provides the following services: public safety, highways and streets, planning and zoning, culture and recreation, public improvements, community development, and general and administrative services. In addition, the City operates public utilities (water, sewer, electricity and sanitation) for the incorporated and immediate surrounding areas.

Governmental Accounting Standards Board Statements No. 14 defines the reporting entity for determining which potential component units should be included in a primary government's financial statements. Inclusion is based on financial accountability or the fact that exclusion would make the financial statements misleading or incomplete. The criteria for determining financial accountability includes appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits or to impose specific financial burdens on the City.

Management has concluded that there is a component unit for the City. The Downtown Development Authority (DDA) directs economic development activities in the central business district of Hampton. The DDA meets both criteria for a component unit mentioned in the paragraph above. The DDA has been presented as a discretely presented component unit.

Complete financial statement for the component unit may be obtained at the entity's administrative offices.

Downtown Development Authority
17 E. Main Street S
Hampton, GA 30228

C. 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.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

The government-wide Statement of Net Assets, presents the financial condition of the governmental and business-type activities of the City at year end. The statement is presented on a consolidated basis and is reported on a full accrual, economic resource basis, 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. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for business-type activities of the City. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. The City does not allocate indirect cost. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity self-financing or draws from the general revenues of the City.

The net costs (by function) are normally covered by general revenue (property, sales or use taxes, intergovernmental revenues, interest income, etc.). The city does not allocate indirect costs.

This 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 activities.

D. Basic Financial Statements – Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The various funds are grouped, in the financial statements in this report, into the following fund types:

Governmental Fund Types – Governmental funds are those through which most governmental functions of the City are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

SPLOST Capital Projects Fund – The SPLOST Capital Projects Fund accounts are for Special Purpose Local Option Sales Tax revenues used for capital improvements as specified in a referendum approved by the citizens of Henry County, Georgia.

Proprietary Fund Type – Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. The City's proprietary fund is classified as an enterprise fund. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services.

Utility Fund – The Utility Fund is used to account for the revenues generated from the charges for water, sewer, electricity and sanitation services provided to the residential and commercial users of the City.

E. Measurement Focus

Government-wide Financial Statements – The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net assets.

Fund Financial Statements – All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of government-wide financial statement are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide and the statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of fund net assets. The statement of changes in revenues, expenses, and changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

On the proprietary funds financial statements, operating revenues are those that flow directly from the operations of the activity, i.e. charges to customers or users who purchase or use the goods or services of that activity. Operating expenses are those that are incurred to provide the goods or services. Non-operating revenues and expenses are items such as investment income and interest expense that are not a result of the direct operations of the activity.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

F. 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 measurements made regardless of the measurement focus applied.

1. Accrual

Government-wide financial statements are presented on the accrual basis of accounting; proprietary funds also use the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual

The governmental funds financial statements are presented on 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. "Available" means collectible within the current period or within 60 days after period end. 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, are recognized when due.

Those revenues susceptible to accrual are taxes, state and federal grants, fines, interest revenue and charges for services. Major revenues that are determined not to be susceptible to accrual because they are either not available soon enough to pay liabilities of the current period or are not objectively measurable include licenses, penalties and miscellaneous revenues which are recorded as revenues when received in cash. Those revenues that are measurable but are not collected within 60 days after period end are recorded as deferred revenues.

G. Cash and Cash Equivalents

The City has defined cash and cash equivalents to include cash on hand, demand deposits, and cash with fiscal agents. Investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents.

H. Investments.

The City's investments consist of Certificates of Deposit with a maturity date of greater than three months from the date acquired by the City. For reporting purposes, all investments are recorded at fair value.

In applying GASB Statement No. 31, the City utilized the following methods and assumptions as of September 30, 2010:

1. Fair value is based on quoted market prices as of the valuation date;
2. The investment portfolio did not hold investments in any of the following: a) items required to be reported at amortized costs; b) items in external pools that are not SEC-registered; c) items subject to involuntary participation in an external pool; and, items associated with a fund other than the fund to which the income is assigned.

The City's policy is to hold investments until maturity.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

I. Inventory

Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory consists of various repair and replacement items maintained by the City's Utility Fund.

J. Prepaid Expenses

Payments made to vendors for service that will benefit years beyond September 30, 2010 are recorded as prepaid items and are expensed during the period benefited.

K. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

Capital assets purchased or acquired with an original cost of $3,500 or more are reported at historical cost or estimated historical cost if actual historical cost is not available. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during 2010. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and improvements	30-40 years
Furniture and fixtures	7-10 years
Machinery and equipment	5-10 years
Vehicles	5-10 years
Infrastructure	40-50 years
Utility distribution systems	30-50 years

The City only reports infrastructure assets purchased subsequent to December 31, 2001.

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

L. Accrued Liabilities and Long-Term Obligations (Continued)

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as liability in the fund financial statements only to the extent that they are due for payment during the current period. Long-term loans are recognized as a liability on the governmental fund financial statements when due.

M. Revenues

Property taxes are billed and collected within the same period in which the taxes are levied. In applying GASB Statement No. 33 to grant revenues, the provider recognizes liabilities and expense 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.

N. Expenditures

Expenditures are recognized when the related fund liability is incurred. Inventory costs are reported in the period purchased.

O. Compensated Absences

The City accrues accumulated unpaid vacation leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The non-current portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations. In accordance with the provisions of Statement No. 16 of the Governmental Accounting Standards Board, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

P. Inter-fund Activity

Inter-fund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as inter-fund 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 inter-fund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Q. Encumbrances

Encumbrances accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City.

R. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The City applies restricted resources when an expense is incurred for purposed for which both restricted and unrestricted net assets are available.

S. Contributions of Capital

Contributions of capital in the proprietary fund financial statements arise from outside contributions of capital assets, tap-on fees to the extent they exceed the cost of connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction.

T. Estimates

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

U. Budgets and Budgetary Accounting

The City Council adopts an annual budget for all of the City's funds. Public hearings are conducted to obtain taxpayer comments. The operating budget includes proposed expenditures and the means of financing them. Formal budgetary integration is employed as a management control device during the period.

The City follows these procedures in establishing the budgetary date reflected in the financial statements:

1. Prior to September, the City Manager presents a proposed operating budget for the fiscal year commencing the following October 1st. The operating budget includes proposed expenditures and the means of financing them.

2. Public hearings are conducted to obtain taxpayer comments.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

U. Budgets and Budgetary Accounting (Continued)

3. The budget is legally enacted through passage of a resolution

4. Any revisions that increase expenditures of any department must be approved by City Council.

5. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). Final budget amounts are as amended in September, 2010.

6. Unexpended budget appropriations at period-end lapse.

2. CASH AND INVESTMENTS

Cash on Deposit

At year end, the carrying amount of the City's deposits was $5,393,079 and the bank balance was $5,792,123. The amount of the total bank balance is classified into three categories of credit risk: 1) cash that is insured or collateralized with securities held by the City or by its agent in the City's name, 2) cash collateralized with securities held by the pledging financial institution's trust department or agent in the City's name, and 3) uncollateralized bank accounts.

The City's deposits are classified as follows at September 30, 2010:

Category	Bank Balance
1	$ 250,000
2	5,542,123
3	0
	$ 5,792,123

Investments

The City's financial policies authorize investments in any securities approved by the State of Georgia for local governments. Authorized investments include certificates of deposit, repurchase agreements, direct and agency obligations of the State of Georgia, and no-load mutual funds of direct obligations of the United States.

3. PROPERTY TAX

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied approximately October 1 of each period and are due and payable 60 days after issuance. A local option sales tax is in force. Proceeds for this tax are remitted to the City monthly and are utilized to give property tax owners tax relief. No property taxes were levied for the year ended September 30, 2010. There was no property taxes receivable as of September 30, 2010.

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4. RECEIVABLES

Receivables as of year end, including the applicable allowances for uncollectible accounts, are as follows:

	Gross	Allowance	Net
General Fund			
Taxes	$ 400,878	$ 0	$ 400,878
Accounts	4,322	0	4,322
Fines	26,412	0	26,412
Loan	296,797	0	296,797
Other Governmental Funds			
Taxes	897	0	897
Utility Fund			
Accounts	777,689	97,234	680,455
Total	$ 1,506,995	$ 97,234	$ 1,409,761

5. FINES AND FORFEITURES (NET OF ALLOWANCE)

The City entered into a contract with ZSI Probation Services, Inc. to coordinate and provide direct probation and rehabilitation programs and services to offenders sentenced by and under the jurisdiction of the court. Court-ordered fines, restitution, and costs will be collected and paid to the court on a monthly basis.

6. INTER-FUND TRANSACTIONS

During the year the Utility Fund transferred a total of $634,507 to the General Fund and the Other Governmental Funds. The money is used to help finance various construction projects.

7. LITIGATION

During the ordinary course of business, the City has been named as a defendant in various lawsuits. Management of the City is vigorously defending itself against the lawsuits and believes that the City will be able to end the suits favorably.

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8. PROPERTY, PLANT AND EQUIPMENT

Capital asset activity for the year ended September 30, 2010 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ 409,827	$ 0	$ 0	$ 409,827
Construction in progress	161,430	1,845,042	1,771,898	234,574
Total capital assets, not being depreciated	571,257	1,845,042	1,771,898	644,401
Capital assets, being depreciated:				
Buildings	361,146	1,763,600	0	2,124,746
Improvements other than buildings	1,743,881	34,845	0	1,778,726
Infrastructure	2,511,238	0	0	2,511,238
Furniture and fixtures	47,462	0	0	47,462
Office furniture	313,789	0	0	313,789
Other machinery and equipment	446,336	23,410	0	469,746
Vehicles	864,921	0	0	864,921
Total capital assets being depreciated	6,288,773	1,821,855	0	8,110,628
Less accumulated depreciation for:				
Buildings	223,135	63,744	0	286,879
Improvements other than buildings	361,211	97,641	0	458,852
Infrastructure	497,960	109,891	0	607,851
Furniture and fixtures	42,543	1,672	0	44,215
Office equipment	234,091	23,790	0	257,881
Other machinery and equipment	387,635	15,350	0	402,985
Vehicles	588,337	72,742	0	661,079
Total accumulated depreciation	2,334,912	384,830	0	2,719,742
Total capital assets, being depreciated, net	3,953,861	1,437,025	0	5,390,886
Governmental activities capital assets, net	$4,525,118	$3,282,067	$1,771,898	$6,035,287

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

General government	$ 29,289
Public safety and courts	66,189
Public works	263,767
Parks and recreation	25,393
Community development	192
Total depreciation expense	$ 384,830

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8. PROPERTY, PLANT AND EQUIPMENT – (Continued)

Capital asset activity for the year ended September 30, 2010 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital assets, not being depreciated:				
Construction in progress	$ 9,880,315	$2,025,735	$ 0	$11,906,050
Total capital assets, not being depreciated	9,880,315	2,025,735	0	11,906,050
Capital assets, being depreciated:				
Buildings	67,636	0	0	67,636
Distribution and collection system	8,791,494	0	0	8,791,494
Machinery and equipment	1,200,355	0	0	1,200,355
Vehicles	612,509	0	0	612,509
Total capital assets being depreciated	10,671,994	0	0	10,671,994
Less accumulated depreciation for:				
Buildings	19,447	1,691	0	21,138
Distribution and collection system	3,391,388	274,931	0	3,666,319
Machinery and equipment	932,586	90,943	0	1,023,529
Vehicles	351,331	41,847	0	393,178
Total accumulated depreciation	4,694,752	409,412	0	5,104,164
Total capital assets, being depreciated, net	5,977,242	(409,412)	0	5,567,830
Business-type activities capital assets, net	$ 15,857,557	$1,616,323	$ 0	$17,473,880

9. LONG-TERM DEBT

Changes in General Long-Term Debt

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended September 30, 2010:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Governmental-Type Activities:					
*Capital leases	$ 119,146	$ 0	$ 73,300	$ 45,846	$ 45,846
*Compensated absences	63,886	0	12,870	51,016	0
Business-Type Activities:					
Notes payable	8,860,525	1,821,951	0	10,682,476	0
Total	$9,043,557	$1,821,951	$ 86,170	$10,779,338	$ 45,846

* Typically liquidated with General Fund resources.

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9. LONG-TERM DEBT – (Continued)

The City has entered into capitalized leases for three vehicles. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balance for the governmental funds. Equipment acquired by lease has been capitalized, in the amount of $137,630, which represents the present value of the future minimum lease payments at the time of acquisition. The equipment has been pledged as collateral against the obligation. Interest rates range between 4.5% and 4.85%. The following is a summary of the future minimum lease payments on the capital leases:

Year	
2011	$ 47,962
Less: imputed interest	(2,116)
Present value of minimum lease payments	$ 45,846

The City entered into a construction loan agreement with the Georgia Environmental Facilities Authority (GEFA) for the financing of the construction for the wastewater treatment facility. The terms of the loan allow the City to draw down funds up to $15,000,000 through the end of the construction. The details of repayment by the City will be set in the permanent note at the end of the construction period. The amount outstanding as of September 30, 2010 was $10,682,476.

10. COMMITMENTS AND CONTINGENCIES

The high rate of growth in the past years has caused the City's water and sewer systems to become inadequate and is requiring major construction to insure the systems are able to meet the demand of the population. The expansion of the systems will cost approximately $10,000,000 and is being financed through loans from the Georgia Environmental Facilities Authority.

11. RISK MANAGEMENT

The City of Hampton 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) for property and liability insurance and the Workers' Compensation Self-Insurance Fund (WCSIF), public entity risk pools currently operating as common risk management and insurance programs for member local governments. The Georgia Municipal Association (GMA) administers both risk pools.

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11. RISK MANAGEMENT – (Continued)

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 pools' agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The City is also to allow the pools' agent and attorneys 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 funds.

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member governments' contracts and in accordance with the workers' compensation laws of Georgia. The funds are to pay all cost taxes 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.

Coverages are as follows:

COVERAGE DESCRIPTION – PROPERTY:	
Buildings and Contents (Blanket)	$ 2,000,000
Automobile Physical Damage	Per Application on file with GIRMA
COVERAGE DESCRIPTION – CASUALTY:	
Comprehensive General Liability	$ 2,000,000
Automobile Liability	$ 1,000,000
Errors and Omissions (Public Officials) Liability	$ 2,000,000
Employees Benefits Liability	$ 2,000,000
Utility Products and Supply	$ 10,000,000
COVERAGE DESCRIPTION – CRIME:	
Blanket Bond	$ 500,000
Depositors Forgery	$ 500,000
Money and Securities – Loss Inside and Outside the Premises	$ 500,000
DEDUCTIBLE:	
All coverages, except automobile liability, are subject to a per occurrence deductible of	$ 1,000
Automobile coverage	$ 0

COVERAGE EXCEPTIONS: None

COVERAGE SUBJECT TO A RETROACTIVE DATE:
Coverages for public officials and employee benefit liabilities are subject to retroactive date of 5/1/97.

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12. EMPLOYEE BENEFITS PLANS

DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is administered by the Georgia Municipal Association. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is voluntary. The City has no management, contribution or participation requirements.

DEFINED BENEFIT PENSION PLAN

Plan Description –

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

Current membership in the plan is as follows:

Retirees and beneficiaries currently receiving benefits	9
Terminated vested participants entitled to but not yet receiving benefits	8
Active participants	49
Total number of participants	66

Funding Policy –

HRP members are not required to contribute to the plan. The City is required to contribute at an actuarially determined rate; the current rate is 7.97% of annual covered payroll. The contribution requirements of the City are established and may be amended by the GMEBS Board of Trustees.

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12. EMPLOYEE BENEFIT PLANS – (Continued)

Annual Pension Cost –

For 2010, the City's annual pension cost of $159,172 for HRP was equal to the City's required and actual contributions. The required contribution was determined as part of the July 1, 2010 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), and (b) projected salary increases for inflation of 3.5% per year. The actuarial value of HRP assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a ten-year period. HRP's unfunded actuarial accrued liability is being amortized over a 30 year period from 1982 and current changes in the unfunded actuarial liability over 15 years for actuarial gains and losses, 20 years for plan provision and 30 years for actuarial assumptions and cost methods as a level dollar amount. The amortization periods, if applicable, are closed for this plan year.

Three – Year Trend Information for HRP

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/10	$ 159,172	100%	$ 0
4/30/09	$ 204,548	100%	$ 0
4/30/08	$ 130,951	100%	$ 0

Actuarial Valuation Date As of July 1,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	$1,486,308	$1,814,846	$ 328,538	81.9%	$1,962,930	16.7%

The required schedule of funding progress immediately 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.

13. JOINT VENTURE

Under Georgia law, the city, in conjunction with other cities and counties in the Metro Atlanta area, is a member of the Atlanta Regional Commission (ARC). Membership in this organization is required by the Official Code of Georgia Annotated (OCGA). Section 50-8-34, which provides for the organizational structure of the Commission in Georgia. The ARC Board membership includes the chief elected official of each county, one representative for all the cities in a member county and 15 citizen representatives. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of the ARC. Separate financial statements may be obtained from:

Atlanta Regional Commission
40 Courtland Street, NE
Atlanta, Georgia 30303

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14. HOTEL/MOTEL TAX

The City levies a 5% hotel/motel tax in accordance with the provisions of OCGA 48-13-51. In order to comply with the expenditure requirements of this code section, the City remits monies collected under this provision to the Henry County Chamber of Commerce. The following is a summary of the collections and expenditures for the year ended September 30, 2010:

	Amount	Percent
Total collected	$ 9,099	100%
Amount remitted	$ 3,972	44%

15. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Generally accepted accounting principles require disclosures, as a part of the combined statements – overview, of certain information concerning individual funds including –

A. Excess of revenues and expenditures over (under) appropriations in individual funds are as follows:

For the year ended September 30, 2010, the General Fund's fines and forfeitures revenues of $407,776 did not exceed the fund's respective appropriations of $500,000. This was due to an increase in small fine violations in the current year and a decrease in the number of fine violations.

For the year ended September 30, 2010, the General Fund's debt service principal and interest expenditures of $79,046 exceeded the fund's respective appropriations of $0. This was due to the City including these items in the appropriations for the current expenditures.

For the year ended September 30, 2010, the SPLOST III Fund's taxes revenue of $1,906,375 did not exceed the fund's respective appropriations of $2,401,603. This was due to some projects not being as far along as expected and the money was not drawn down to pay the contractors.

For the year ended September 30, 2010, the SPLOST III Fund's public utilities capital expenditures of $1,684,058 exceeded the fund's respective appropriations of $1,413,476. This was due to the construction of the City Shop running over budget.

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CITY OF HAMPTON, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF PENSION PLAN FUNDING PROGRESS

Actuarial Valuation Date As of May 1,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	$1,486,308	$1,814,846	$ 328,538	81.9%	$1,962,930	16.7%
2009	$1,013,989	$1,701,345	$ 687,356	59.6%	$1,940,279	35.4%
2008	$1,352,192	$1,549,116	$ 196,924	87.3%	$1,849,354	10.7%
2007	$1,243,945	$1,350,817	$ 106,872	92.1%	$1,449,851	7.4%
2006	$1,112,495	$1,240,176	$ 127,681	89.7%	$1,466,390	8.7%

CHANGE IN UNFUNDED ACTUARIAL ACCRUED LIABILITY:

Changes to the unfunded actuarial accrued liability as of July 1, 2010 were as follows:

Beginning balance	$ 687,356
Change due to contribution policy	2,624
Change due to actuarial gains and losses	(361,442)
Ending balance	$ 328,538

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CITY OF HAMPTON, GEORGIA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010

	HOTEL/ MOTEL TAX FUND	OTHER CAPITAL PROJECTS FUND	SPLOST CAPITAL PROJECTS FUND	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
Assets				
Cash and cash equivalents	$ 19,699	$ 0	$ 824,091	$ 843,790
Receivables (net of allowance for uncollectibles)				
Taxes	897	0	0	897
Total assets	$ 20,596	$ 0	$ 824,091	$ 844,687
Liabilities				
Accounts payable –				
Operating	$ 423	$ 0	$ 0	$ 423
Total liabilities	423	0	0	423
Fund balances				
Reserved for:				
Capital projects	0	0	824,091	824,091
Unreserved:				
Special revenue	20,173	0	0	20,173
Total fund balances	20,173	0	824,091	844,264
Total liabilities and fund balances	$ 20,596	$ 0	$ 824,091	$ 844,687

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CITY OF HAMPTON, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	HOTEL/ MOTEL TAX FUND	OTHER CAPITAL PROJECTS FUND	SPLOST CAPITAL PROJECTS FUNDS	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
REVENUES				
Taxes	$ 9,099	$ 0	$ 0	$ 9,099
Investment income	52	0	6,494	6,546
Total revenues	9,151	0	6,494	15,645
EXPENDITURES				
Current:				
Community development	12,302	0	0	12,302
Capital:				
General government	0	0	443	443
Public utilities	0	0	2,745	2,745
Highways and streets	0	58,173	134,131	192,304
Parks and recreation	0	0	9,202	9,202
Total expenditures	12,302	58,173	146,521	216,996
Excess (deficiency) of revenues over expenditures	(3,151)	(58,173)	(140,027)	(201,351)
Other financing sources:				
Transfers	0	174,580	0	174,580
Total	0	174,580	0	174,580
Net change in fund balances	(3,151)	116,407	(140,027)	(26,771)
Fund balance – beginning of period	23,324	(116,407)	964,118	871,035
Fund balances – end of period	$ 20,173	$ 0	$ 824,091	$ 844,264

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CITY OF HAMPTON, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET (GAAP BASIS) AND ACTUAL
HOTEL/MOTEL TAX FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	BUDGET AMOUNTS			VARIANCE WITH FINAL
	ORIGINAL	FINAL	ACTUAL	BUDGET
REVENUES				
Taxes	$ 11,772	$ 11,772	$ 9,099	$ (2,673)
Investment income	132	132	52	(80)
Total revenues	11,904	11,904	9,151	(2,753)
EXPENDITURES				
Current:				
Community development	11,904	11,904	12,302	(398)
Total expenditures	11,904	11,904	12,302	(398)
Net change in fund balances	0	0	(3,151)	(3,151)
Fund balance – beginning of year	23,324	23,324	23,324	0
Fund balance – end of year	$ 23,324	$ 23,324	$ 20,173	$ (3,151)

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CITY OF HAMPTON, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET (GAAP BASIS) AND ACTUAL
SPLOST CAPITAL PROJECTS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	BUDGET AMOUNTS			VARIANCE WITH FINAL
	ORIGINAL	FINAL	ACTUAL	BUDGET
REVENUES				
Investment income	$ 0	$ 0	$ 6,494	$ 6,494
Total revenues	0	0	6,494	6,494
EXPENDITURES				
Capital:				
General government	3,000	3,000	443	2,557
Highways and streets	382,000	382,000	134,131	247,869
Water system improvements	543,380	543,380	2,745	540,635
Parks and recreation	8,000	8,000	9,202	(1,202)
Total expenditures	936,380	936,380	146,521	789,859
Net change in fund balances	(936,380)	(936,380)	(140,027)	796,353
Fund balance – beginning of year	964,118	964,118	964,118	0
Fund balance – end of year	$ 27,738	$ 27,738	$ 824,091	$ 796,353

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CITY OF HAMPTON, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET (GAAP BASIS) AND ACTUAL
SPLOST III FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	BUDGET AMOUNTS			VARIANCE WITH FINAL
	ORIGINAL	FINAL	ACTUAL	BUDGET
REVENUES				
Intergovernmental	$ 2,401,603	$ 2,401,603	$ 1,906,375	$ (495,228)
Investment income	0	0	210	210
Total revenues	2,401,603	2,401,603	1,906,585	(495,018)
EXPENDITURES				
Capital:				
Public safety	313,401	313,401	24,555	288,846
Public utilities	1,413,476	1,413,476	1,684,058	(270,582)
Highways and streets	477,726	477,726	0	477,726
Parks and recreation	197,000	197,000	84,985	112,015
Total expenditures	2,401,603	2,401,603	1,793,598	608,005
Net change in fund balances	0	0	112,987	112,987
Fund balance – beginning of year	(19,673)	(19,673)	(19,673)	0
Fund balance – end of year	$ (19,673)	$ (19,673)	$ 93,314	$ 112,987

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CITY OF HAMPTON, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET (GAAP BASIS) AND ACTUAL
OTHER CAPITAL PROJECTS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	BUDGET AMOUNTS			VARIANCE WITH FINAL
	ORIGINAL	FINAL	ACTUAL	BUDGET
EXPENDITURES				
Capital:				
Highways and streets	75,000	75,000	58,173	16,827
Sewer system improvements	3,744,500	3,744,500	2,004,784	1,739,716
Water system improvements	1,300,000	1,300,000	86,667	1,213,333
Electric system improvements	77,500	77,500	63,994	13,506
Total expenditures	5,197,000	5,197,000	2,213,618	2,983,382
Excess (deficiency) of revenues over expenditures	(5,197,000)	(5,197,000)	(2,213,618)	2,983,382
Other financing sources (uses):				
Transfers	0	0	2,330,025	2,330,025
Net change in fund balances – Budget basis	(5,197,000)	(5,197,000)	116,407	5,313,407
Reconciliation to GAAP:				
To remove Utility Fund expenditures that are required to be reported in the Utility Fund, net of the related transfers.			0	
Net change in fund balance – GAAP basis			116,407	
Fund balance – beginning of year	(116,407)	(116,407)	(116,407)	0
Fund balance – end of year	$ (5,313,407)	$ (5,313,407)	$ 0	$ 5,313,407

DRAFT

INDEPENDENT AUDITORS' REPORT ON SCHEDULE OF EXPEDITURES
OF FEDERAL AWARDS

To the Board of Directors and Officers of
City of Hampton, Georgia

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Hampton, Georgia's financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

DRAFT

Morrow, Georgia
March 24, 2011

CITY OF HAMPTON, GEORGIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2010

State Organization	Program name	Loan number	CFDA #	Expenditures	Due from State Agency	Loan Amount Outstanding
Georgia Environmental Finance Authority	Clean Water State Revolving Fund	CWSRF 04-004	66.458	$ 1,821,951	$ 187,418	$ 10,682,476

DRAFT

CITY OF HAMPTON, GEORGIA
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2010

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal loan activity of City of Hampton, Georgia and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

DRAFT

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 City Council
City of Hampton, Georgia

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hampton, Georgia as of and for the year ended September 30, 2010, which collectively comprise the City of Hampton, Georgia's basic financial statements and have issued our report thereon dated March 24, 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.

DRAFT

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Hampton, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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*.

This report is intended solely for the information and use of management, the Finance committee, others within the organization, City Council, and federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

Morrow, Georgia
March 24, 2011

DRAFT

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

To the Honorable Mayor and Members of City Council
City of Hampton, Georgia

Compliance

We have audited City of Hampton, Georgia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Hampton, Georgia's major federal programs for the year ended September 30, 2010. City of Hampton, Georgia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Hampton, Georgia's management. Our responsibility is to express an opinion on City of Hampton, Georgia's compliance based on our audit.

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

In our opinion, City of Hampton, Georgia, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010.

DRAFT

Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Finance committee, others within the organization, City Council, and federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

DRAFT

Morrow, Georgia
March 24, 2011

CITY OF HAMPTON, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Financial Statements

Type of auditor's report issued: **Unqualified**

Internal control over financial reporting:

	Yes	No	None Reported
• Material weakness(es) identified?		X	
• Significant deficiencies identified that are not considered to be material weaknesses?			X
Noncompliance material to financial statements noted?		X	

Federal Awards

Internal control over major programs:

• Material weakness(es) identified?		X	
• Significant deficiencies identified that are not considered to be material weaknesses?			X

Type of auditor's report issued on compliance for Major programs: **Unqualified**

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?		X	

DRAFT

CITY OF HAMPTON, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Identification of Major Programs:

CFDA Number(s)	Name of Federal Program or Cluster
66.458	Environmental Protection Agency

Dollar threshold used to distinguish between type A and type B programs: $300,000

	Yes	No
Auditee qualified as low-risk auditee?	X	

Section II – Federal Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

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