CITY OF HELEN, GEORGIA

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

WALKER & ASSOCIATES, CPA'S, PC

CITY OF HELEN, GEORGIA
FISCAL YEAR ENDED JUNE 30, 2010
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Certified Public Accountants

Walker & Associates

A Professional Corporation

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Independent Auditor's Report

To the City Commissioners
City of Helen, Georgia

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Helen, Georgia, as of June 30, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 21, 2010, on our consideration of the City of Helen, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit. In addition, in accordance with the Official Code of Georgia, we have issued a report dated December 21, 2010, on the schedule of Special Purpose Local Option Sales Tax.

The City of Helen, Georgia has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements. However, the City of Helen, Georgia has presented budget comparison information on pages 24 through 26 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Helen, Georgia's financial statements as a whole. The combining and individual nonmajor fund financial statements, and the schedule of special purpose local option sales tax are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and is also not a required part of the financial statements. The schedule of expenditures of federal awards, the combining and individual nonmajor fund financial statements, and the schedule of expenditures of special local option sales taxes 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 stated, in all material respects, in relation to the financial statements as a whole.

Sincerely,

Walker & Associates

Walker & Associates
Certified Public Accountants
December 21, 2010

CITY OF HELEN, GEORGIA

Statement of Net Assets

June 30, 2010

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Unit
Assets				
Cash and cash equivalents	$ 2,337,752	$ 643,774	$ 2,981,526	$ 1,959
Receivables (net)	257,417	207,444	464,861	-
Prepaid expenses	32,261	3,033	35,294	-
Other assets	11,737	34,867	46,604	-
Nondepreciable capital assets	1,700,055	907,650	2,607,705	-
Capital assets, net	4,229,703	3,901,584	8,131,287	-
Total assets	8,568,925	5,698,352	14,267,277	1,959
Liabilities				
Accounts payable and other liabilities	57,635	196,327	253,962	-
Internal balances	(2,098)	2,098	-	-
Accrued balances	10,864	2,967	13,831	-
Deferred Subsidy Revenue	-	279,558	279,558	-
Short-Term Debt	-	128,397	128,397	-
Noncurrent liabilities:				
Due within one year	134,934	141,462	276,396	-
Due in more than one year	698,774	1,031,203	1,729,977	-
Total liabilities	900,109	1,782,012	2,682,121	-
Net Assets				
Invested in capital assets, net of related debt	5,225,088	3,518,466	8,743,554	-
Restricted for:				
Capital projects	1,872,377	-	1,872,377	-
Debt service	-	106,379	106,379	-
Tourism Promotion	28,365	-	28,365	-
Law Enforcement	12,278	-	12,278	-
Unrestricted	530,708	291,495	822,203	1,959
Total net assets	$ 7,668,816	$ 3,916,340	$ 11,585,156	$ 1,959

The accompanying notes are an integral part of these financial statements.

CITY OF HELEN, GEORGIA

Statement of Activities

For the Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants Contributions	Net (Expenses) Revenues and Changes in Net Assets: Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Component Unit
Primary government:								
Governmental activities								
General government	$ 1,115,734	$ 1,242,080	$ 20,670	$ 591,423	$ 738,439	$ -	$ 738,439	$ -
Public safety	787,528	140,768	31,427	-	(615,333)	-	(615,333)	-
Streets and sanitation	415,945	38,616	-	293,128	(84,201)	-	(84,201)	-
Health and welfare	-	-	-	-	-	-	-	-
Culture and recreation	186,094	-	-	-	(186,094)	-	(186,094)	-
Miscellaneous government	-	-	-	-	-	-	-	-
Interest on long term debt	29,093	-	-	-	(29,093)	-	(29,093)	-
Total governmental activities	2,534,394	1,421,464	52,097	884,551	(176,282)	-	(176,282)	-
Business-type activities								
Water and Sewer	745,982	713,936	-	74,000		41,954	41,954	-
Total business-type activities	745,982	713,936	-	74,000		41,954	41,954	-
Total primary government	$ 3,280,376	$ 2,135,400	$ 52,097	$ 958,551			(134,328)	-
Component Units:								
Downtown Development Authority	$ 4,735	$ 3,882	$ -	$ -				(853)
Total component units	$ 4,735	$ 3,882	$ -	$ -				(853)
General revenues:								
Taxes:								
Property taxes, levied for general purposes					400,167	-	400,167	-
Franchise tax					117,052	-	117,052	-
Sales taxes					600,581	-	600,581	-
Interest and investment earnings					1,480	3,200	4,680	-
Miscellaneous					24,562	14,128	38,690	-
Transfers					(216,773)	216,773	-	-
Total general revenues, special items, and transfers					927,069	234,101	1,161,170	-
Change in net assets					750,787	276,055	1,026,842	(853)
Beginning net assets					7,049,938	3,640,285	10,690,223	2,812
Prior Period Adjustment					(131,909)	-	(131,909)	-
Adjusted Beginning Balance					6,918,029	3,640,285	10,558,314	2,812
Ending net assets					$ 7,668,816	$ 3,916,340	$ 11,585,156	$ 1,959

The accompanying notes are an integral part of these financial statements.

CITY OF HELEN, GEORGIA

Balance Sheet
Governmental Funds
June 30, 2010

Assets	General Fund	Hotel/ Motel Tax Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Cash	$ 487,668	$ -	$ 1,835,814	$ 14,270	$ 2,337,752
Due from Other Governments	34,280	-	68,878	-	103,158
Receivables (net)	110,947	43,312	-	-	154,259
Prepaid Expenses	32,261	-	-	-	32,261
Due from Other Funds	30,529	3,822	-	-	34,351
Total Assets	$ 695,685	$ 47,134	$ 1,904,692	$ 14,270	$ 2,661,781
Liabilities					
Accounts Payable	$ 30,115	$ 18,769	$ 810	$ -	$ 49,694
Payroll Taxes	7,941	-	-	-	7,941
Due to Other Funds	-	-	31,629	624	32,253
Deferred Revenue	89,548	-	-	-	89,548
Total Liabilities	127,604	18,769	32,439	624	179,436
Fund balance					
Reserved for					
Capital projects	-	-	1,872,253	-	1,872,253
Equipment and other projects	-	-	-	13,646	13,646
Tourism Promotion	-	28,365	-	-	28,365
Unreserved and undesignated	568,081	-	-	-	568,081
Total Fund Balances	568,081	28,365	1,872,253	13,646	2,482,345
Total Liabilities and Fund Equity	$ 695,685	$ 47,134	$ 1,904,692	$ 14,270	$ 2,661,781

The accompanying notes are an integral part of these financial statements.

CITY OF HELEN, GEORGIA

Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Assets
June 30, 2010

Total fund balances - governmental funds	$ 2,482,345
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	
Governmental capital assets	10,888,682
Less: Accumulated depreciation	(4,958,924)
Accrued interest payable not reported in governmental funds	(10,864)
Accrued personal leave not reported in governmental funds	(129,038)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of capital leases and revenue bonds.	(704,670)
Debt issuance costs are reported as current year expenditures in the governmental funds and amortized over the life of the note in governmental activities.	11,737
Some of the City's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.	89,548
Net assets of governmental activities	$ 7,668,816

The accompanying notes are an integral part of these financial statements.

CITY OF HELEN, GEORGIA

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2010

Revenues	General Fund	Hotel/ Motel Tax Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Property Taxes	$ 404,704	$ -	$ -	$ -	$ 404,704
Sales Taxes	628,595	-	-	-	628,595
Fines and Forfeitures	130,475	-	-	5,088	135,563
Intergovernmental	35,870	-	594,731	293,128	923,729
Charges for services	724,174	649,685	-	-	1,373,859
Interest	1,477	-	20,235	3	21,715
Miscellaneous	64,328	-	-	350	64,678
Total Revenue	1,989,623	649,685	614,966	298,569	3,552,843
Expenditures					
Current					
General government	607,101	284,270	-	76	891,447
Public safety	776,413	-	-	1,752	778,165
Streets and Sanitation	396,866	-	180,060	580	577,506
Culture and Recreation	65,373	-	-	-	65,373
Debt Service					
Principal Retirement	149,755	-	-	-	149,755
Interest Charges	31,293	-	-	-	31,293
Total Expenditures	2,026,801	284,270	180,060	2,408	2,493,539
Excess of revenues (expenditures)	(37,178)	365,415	434,906	296,161	1,059,304
Other financing sources (uses)					
Transfers in	357,815	-	417,818	300	775,933
Transfers out	-	(357,545)	(341,933)	(293,228)	(992,706)
Total other financing sources and uses	357,815	(357,545)	75,885	(292,928)	(216,773)
Net change in fund balance	320,637	7,870	510,791	3,233	842,531
Beginning fund balance	485,486	20,495	1,361,462	10,413	1,877,856
Prior period adjustments	(238,042)	-	-	-	(238,042)
Adjusted beginning fund balance	247,444	20,495	1,361,462	10,413	1,639,814
Ending fund balance	$ 568,081	$ 28,365	$ 1,872,253	$ 13,646	$ 2,482,345

The accompanying notes are an integral part of these financial statements.

CITY OF HELEN, GEORGIA

Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2010

Net change in fund balances-total governmental funds	$	842,531
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation ($381,757) exceeded capital outlay ($225,669) in the current period.		(156,088)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments exceeded proceeds.		149,757
Because some revenues will not be collected for several months after the City's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds, but considered as revenues in the government wide financial statements. This amount represents the reclassification in deferred revenue.		(50,889)
Accrued interest and amortization of deferred charges on long term debt		963
Long term liability for compensated absences. This represents the change in vested benefit of employees for vacation pay earned but not taken as of the year end.		(35,487)
Net Change in net assets of governmental activities	$	750,787

The accompanying notes are an integral part of these financial statements.

CITY OF HELEN, GEORGIA

Statement of Net Assets

Proprietary Fund

June 30, 2010

	Water and Sewer Enterprise Fund
Assets	
Current Assets:	
Cash - operating	$ 483,975
Accounts Receivable (Net)	207,444
Accrued Revenue	2,853
Prepaid Insurance	3,033
Total Current Assets	697,305
Noncurrent Assets:	
Restricted cash	159,799
Capital assets	
Land	209,556
Buildings	22,982
Improvements other than buildings	5,662,980
Machinery and equipment	886,596
Construction in progress	698,094
Less: Accumulated depreciation	(2,670,974)
Deferred Charge	32,014
Total noncurrent assets	5,001,047
Total Assets	5,698,352
Liabilities	
Current Liabilities:	
Accounts Payable	142,907
Accrued Expenses	2,967
Due to Other Funds	2,098
Customer Deposits	53,420
Deferred Subsidy Revenue	279,558
Short Term Debt	128,397
Current Portion of Long Term Debt	141,462
Total Current Liabilities	750,809
Noncurrent Liabilities:	
Compensated Absenses	10,294
Revenue Bonds (Net of current portion)	339,281
Notes Payable (Net of current portion)	681,628
Total Noncurrent Liabilities	1,031,203
Total Liabilities	1,782,012
Fund Net assets	
Invested in capital assets, net of related debt	3,518,466
Restricted for debt service	106,379
Unrestricted	291,495
Total fund net assets	$ 3,916,340

The accompanying notes are an integral part of these financial statements.

CITY OF HELEN, GEORGIA

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund
For the Year Ended June 30, 2010

	Water and Sewer Enterprise Fund
Operating Revenue	
Charges for Service	$ 699,477
Connection Fees	14,459
Miscellaneous Income	14,128
Total Operating Revenue	728,064
Operating expenses	
Personal services	
Compensation	157,901
Employment Taxes	9,606
Benefits	32,108
Total Personal Services	199,615
Other operating expenses	
Purchased Water	7,481
Supplies	41,203
Repairs and Maintenance	113,421
Utilities	106,550
Miscellaneous	8,893
Depreciation	204,844
Insurance	10,049
Engineering, Lab Fees and Training	9,216
Total other operating expenses	501,657
Total Operating Expenses	701,272
Operating Income (loss)	26,792
Nonoperating revenues(expenses)	
Interest Income	3,200
Interest Expense	(44,710)
Total NonOperating Revenues (Expenses)	(41,510)
Capital Contribution	74,000
Transfer In	341,663
Tranfer Out	(124,890)
Change in Fund Net Assets	276,055
Fund Net Assets - Beginning	3,640,285
Fund Net Assets - Ending	$ 3,916,340

The accompanying notes are an integral part of these financial statements.

CITY OF HELEN, GEORGIA

Statement of Cash Flows
Proprietary Fund
For The Year Ended June 30, 2010

	Water and Sewer
Cash flows from operating activities:	
Receipts from customers	$ 728,064
Payments to suppliers	(152,731)
Payments to employees	(199,615)
Net cash provided by operating activities	375,718
Cash flows from noncapital financing activities:	
Advances to Other funds	20,800
Transfers from other funds	341,663
Transfer to other funds	(124,890)
Net cash provided by noncapital financing activities	237,573
Cash flows from capital and related financing activities:	
Proceeds from debt	80,224
Deferred Subsidy Revenue	187,188
Capital Contribution	74,000
Purchase of capital assets	(641,970)
Debt payments, principal and interest and deferred charge	(196,182)
Net cash provided (used) by capital and related financing activities	(496,740)
Cash flows from investing activities:	
Interest on investments	3,200
Net cash provided by investing activities	3,200
Net increase in cash and cash equivalents	119,751
Cash and cash equivalents - beginning of year	524,023
Cash and cash equivalents - end of year	$ 643,774
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	$ 26,792
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	204,844
Changes in assets and liabilities:	
Receivables and accrued revenue	(3,768)
Accounts payable	137,752
Prepaid expenses	1,873
Customer deposits	8,225
Net cash provided by operating activities	$ 375,718

The accompanying notes are an integral part of these financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of City of Helen, Georgia, have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to government units. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and Accounting Principles Board (APB) opinions, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The more significant of the government's accounting policies are described below.

1-A The Reporting Entity

The reporting entity is defined by GASB 14 and is made up of the primary government and its component units.

The foundation of a primary government is a separately elected governing body--one that is elected by the citizens in a general, popular election. As the nucleus of the financial reporting entity, the primary government generally is the focal point for the users of the financial statements. A primary government is any state government or general purpose local government (municipality or county) that meets all of the following criteria:

a. It has a separately elected governing body.
b. It is **legally separate**.
c. It is **fiscally independent** of other state and local governments.

All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are, for financial reporting purposes, part of a primary government.

The following circumstances set forth a primary government's financial accountability for a legally separate organization.

The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board.

In accordance with GASB 14 the following component unit is included the City's financial statements under the Discretely Presented Component Unit caption.

1. The Downtown Development Authority is governed by a seven member board, appointed by the City Commission and is a separate legal, public body corporate and politic created and existing under instrumentality of the City of Helen for the purpose of acquiring and financing land to be leased to the City of Helen for use as a public pay parking lot.

The above component unit's General Fund is reflected on the City's financial statements under the Discretely Presented Component Unit caption. No separate statements are available.

1-B Basis of Presentation, Basis of Accounting

Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the *governmental* and *business-type* activities of the City. Governmental

activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

Fund Financial Statements: The fund financial statements provide information about the City's funds. Separate statements for each fund category- governmental and proprietary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues and expenses result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues and expenses, such as subsidies, investment earnings or interest expense, result from non-exchange transactions or ancillary activities.

The City reports the following major governmental funds:

General Fund. This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Special Revenue Fund. This fund accounts for the receipt and expenditure of Hotel/Motel tax revenues.

Capital Projects Fund. This fund accounts for *Special Purpose Local Option Sales Tax* financial resources expended for purposes approved by referendum.

The City reports the following major enterprise fund:

Water and Sewer Fund. This fund accounts for the operations of the City's water and sewer services.

Measurement Focus, Basis of Accounting

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

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within thirty days after year-end except for property taxes for which sixty days after year end applies. Property taxes, sales taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and adjustments, and compensated absences, which are recognized as expenditures to the extent they have matured. General

capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

1-C Assets, Liabilities, and Equity [Primary government]

Investments

As of June 30, 2010, the City did not have investments.

Cash and Cash Equivalents

The City considers short-term liquid investments that are both readily convertible to known amounts of cash and so near maturity that they present insignificant risk of changes in value because of changes in interest rates to be cash equivalents. Only investments with original maturities of three months or less meet this definition. Non-negotiable certificates of deposit are considered to be cash equivalents.

Restricted Assets

These assets are held in the capital projects fund and special revenue funds for specific purposes defined by statute, referendum, or grant contract and not generally available for general government operations.

Receivables and Payables

All trade and property tax receivables are shown net of an allowance for doubtful collections.

Property Tax Calendar

The City set its millage rate for 2009 on July 21, 2009 at 4.90 mils. Property tax bills were mailed on August 18, 2009 and were due November 15, 2009. Penalties and interest are due on all accounts not paid by the due date. Fifa's on delinquent tax accounts could be filed on November 16, 2009. The City contracts with the White County Tax Commissioner's Office to process tax bills, collect and remit tax payments. The fee for this service is $5.00 per tax bill.

Inventories and Prepaid Items

Inventories are valued at the lower of cost or market. In the governmental funds, the costs of inventory items are recorded as expenditures at the time of purchase. The City maintains no significant inventories. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable government or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $2,500 (amount not rounded) and an estimated useful life in excess of two years. The government reports infrastructure

assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of amount.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the government chose to include all such items regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the government values these capital assets at the estimated fair value of the item at the date of its donation.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	*Estimated Lives*	*Capitalization Threshold*
Buildings	35	$2,500
Building Improvements	35	$2,500
Vehicles	7-15	$2,500
Equipment	5-25	$2,500
Infrastructure	20-25	$2,500

Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary fund statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vested method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Retirement Plans

The City sponsors the Helen Section 457 Deferred Compensation Plan, a defined contribution plan, for the benefit of its employees. All funding is from employee deferrals. In order to participate, an employee must work for the City for at least six months. From six months to two years, the employee contributes a percentage of salary. From year two to year five, the City will match up to 5% of the employee's salary. After the fifth year of employment, the City will match up to 10% of the employee's salary. The plan holds its assets in a separate trust invested in annuity contracts in the name of each participant and consequently is not reported on the City's financial statements. As administrator of the plan, the City may amend the plan at its discretion. For the year ending June 30, 2010, the eleven (11) employee/participants contributed $30,960 to the plan, and the employer matched with a contribution of $29,790.

NOTE 2. CASH [Primary government]

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties or municipalities.

NOTE 2. CASH (continued)

The City's custodial credit risk policy is to require all banks to collateralize the City's deposits at 110% of account balances and to have a perfected security agreement supporting the collateral agreement with the bank. The City does not have a foreign credit risk.

At June 30, 2010, all bank deposits were insured or fully collateralized.

NOTE 3. RECEIVABLES [Primary government]

The following is a summary of amounts due from other others at June 30, 2010.

Receivable from:	
Governmental funds:	
Due from other governments	$103,158
Taxes receivable, net	154,259
	257,417
Business-Type funds:	
Accounts receivable, net	207,444
	$464,861

NOTE 4. LITIGATION [Primary government]

The Attorneys for the City have advised that there are no known legal matters which will have a material effect on the City's financial condition. No provision has been made to provide reserves for litigation settlements.

NOTE 5. DEFERRED CHARGE [Primary government]

Bond issuance cost is capitalized as a deferred charge on the balance sheet and is amortized over the life of the bonded indebtedness. The amount reported on the Statement of Net Assets is net of amortization:

Business-type activities	$32,014
Governmental activities	$11,737

NOTE 6. LONG-TERM DEBT [Primary government]

The City's Long Term Debt consists of obligations under capital leases and revenue bonds and notes payable. The following is a summary of changes in long-term debt for the year ended June 30, 2010. The amounts reported as Long Term Debt in the Statement of Net Assets represents amounts not expected to be paid with expendable available resources. The interest expense reported in the government-wide Statement of Activities for governmental activities is $29,093 which was paid as a direct cost of long-term debt. In business-type activities, the City incurred $44,710 as a direct cost of long-term debt.

Governmental Activities Debt – The following is a summary of the outstanding debt for the City's governmental activities.

Bonds -- On November 11, 1995, the City issued $300,000 in Revenue Bonds for the purchase and development of a new Welcome Center. These bonds were issued at a rate of 3.25%, require monthly payments of $2,111 and mature on June 1, 2016. Annual debt service requirements to amortize the 1995 series bonds are as follows:

NOTE 6. LONG-TERM DEBT [Primary government](continued)

Series 1995 revenue bonds for Welcome Center

Year	Principal	Interest	Total
2011	$ 18,407	$ 6,920	$ 25,327
2012	19,948	5,379	25,327
2013	20,655	4,672	25,327
2014	21,880	3,447	25,327
2015	23,177	2,149	25,326
2016	26,054	775	26,829
Totals	**$ 130,121**	**$ 23,342**	**$ 153,463**

Capital Leases -- The City has entered into capital lease agreements as lessee for financing the acquisition of land, police vehicles, equipment and a building. These leases qualify as capital leases for accounting purposes (i.e., title transfers at the end of the lease term) and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of the inception of the lease. Capital lease payments are reflected as debt service expenditures at the fund reporting level. The City has four capital lease arrangements outstanding at June 30, 2010.

On June 6, 2001, the City entered into a capital lease to finance the acquisition of land, known as the Riverwalk property, at a rate of 5.17%, with semi-annual payments of $31,354 and a maturity date of March 5, 2011.

On December 21, 2005, the City entered into a capital lease to finance the acquisition of land and building and the remodeling of the building to be used as the new City Hall, at a rate of 5.17%, with annual payments of $31,354 and a maturity date of March 3, 2019.

On July 9, 2007, the City entered into a capital lease to finance the acquisition of a Mini-Pumper Emergency Body, at a rate of 4.78%, with monthly payments of $2,613 and a maturity date of April 15, 2012.

On January 9, 2008, the City entered into a capital lease to finance the acquisition of a Street Sweeper, at a rate of 3.82%, with monthly payments of $2,775 and a maturity date of November 15, 2010.

The assets acquired through capital leases are as follows:

Asset	Governmental Activities
Land	$ 729,401
Buildings	470,139
Equipment	78,253
Less accumulated depreciation	(156,523)
Total	$ 1,121,270

NOTE 6. LONG-TERM DEBT (continued)

The outstanding balance of the corresponding liabilities is included in governmental activities long-term debt. Future minimum lease payments are as follows:

Total Governmental Capital Leases:

Year	Principal	Interest	Total
2011	$ 116,527	$ 21,978	$ 138,505
2012	52,746	17,503	70,249
2013	44,235	15,563	59,798
2014	45,934	13,864	59,798
2015	47,698	12,100	59,798
2016-2020	267,409	31,579	298,988
Totals	**$ 574,549**	**$ 112,587**	**$ 687,136**

Business-type Activities Debt – The following is a summary of the outstanding debt for the City's business-type activities.

Bonds -- In November 1995, the City issued Water and Sewerage Revenue Refunding Bonds, Series 1995 in the amount of $1,350,000, at an interest rate of 5.65%, with quarterly payments of $29,308 and a maturity date of November 30, 2015. Proceeds from this issue were used for water plant improvements.

Maturities and debt service requirements remaining on the bond issue are as follows:

Year	Principal	Interest	Total
2011	$ 102,137	$ 15,095	$ 117,232
2012	106,007	11,225	117,232
2013	110,024	7,208	117,232
2014	114,193	3,039	117,232
2015	9,057	90	9,147
Totals	**$ 441,418**	**$ 36,657**	**$ 478,075**

Intergovernmental loans:

In October 2005, the City received a loan from GEFA in the amount of $724,687, in order to repair tornado damage to the City's waste treatment facility. Those repairs were completed, as of June 30, 2007, and the draw note was converted to a permanent loan to be amortized over 20 years at an interest rate of 3.73%, amortized quarterly, with payments of $12,894, with a maturity date of December 1, 2026.

In November 2007, the City received a loan from GEFA in the amount of $115,163, in order to repair/improve the waste treatment spray fields. The loan rate is 2% amortized monthly, with payments of $1,060, with a maturity date of November 1, 2027.

NOTE 6. LONG-TERM DEBT (continued)
The maturities and debt service requirements are as follows:

Year	Principal	Interest	Total
2011	$ 39,325	$ 24,966	$ 64,291
2012	40,621	23,671	64,292
2013	41,961	22,330	64,291
2014	43,350	20,942	64,292
2015	44,786	19,506	64,292
2016-2020	213,613	74,996	288,609
2021-2025	221,227	36,655	257,882
2026-2027	76,070	2,555	78,625
Totals:	**$ 720,953**	**$ 225,621**	**$ 946,574**

Changes in Long-term Debt – Changes in the City's long-term obligations, including current portions, consisted of the following for the year ended June 30, 2010:

	Outstanding 07/01/09	Additions	Reductions	Outstanding 06/30/10	Amount Due in One Year
Governmental Activities					
Revenue Bonds	$ 148,112	$ -	$ 17,991	$ 130,121	$ 18,407
Capital Leases	706,315	-	131,766	574,549	116,527
Compensated Absences	93,551	35,487	-	129,038	-
Net Governmental Activities	**$ 947,978**	**$ 35,487**	**$ 149,757**	**$ 833,708**	**$ 134,934**
Business-Type Activities					
Water & Sewer Revenue Bonds	$ 538,743	$ -	$ 97,325	$ 441,418	$ 102,137
Intergovernmental loans	759,108	-	38,155	720,953	39,325
Compensated Absences	6,796	3,498	-	10,294	-
Net Business-Type Activities	**$ 1,304,647**	**$ 3,498**	**$ 135,480**	**$ 1,172,665**	**$ 141,462**

Compensated absences is composed of accumulated personal leave pay at June 30, 2010, which will be paid from the General fund and the Water and Sewer Fund.

NOTE 7. SHORT-TERM DEBT:

Intergovernmental loans:

In August 2009, the City received a construction loan from GEFA in an amount up to $1,288,000 for the rehabilitation of the City's wastewater treatment facility. This project is scheduled to be completed by the end of December 2010. Once the project is completed GEFA will forgive 70% of the construction loan's balance as a subsidy to the City. The remaining 30% balance will be converted to a permanent loan to be amortized over 20 years at an interest rate of 3.00% amortized monthly. As of June 30, 2010, the City has recorded a short-term debt balance equal to 30% of the total GEFA loan draws received totaling $119,810.

As a condition of the GEFA construction loan received in August 2009, the City was required to pay a 2% loan origination fee of $25,760. The origination fee is being paid as a one year zero percent loan to be paid in monthly installments beginning in November 2009. As of June 30, 2010, the outstanding balance of this loan is $8,587. The final payment is scheduled to be made in October 2010. Payments are being made out of operating revenues.

Changes in Short Term Debt	Outstanding 07/01/09	Additions	Reductions	Outstanding 06/30/10	Amount Due in One Year
GEFA Construction Loan	$ -	$ 399,366	$ 279,556	$ 119,810	$ 119,810
GEFA Origination Fee Loan	-	25,760	17,173	8,587	8,587
	$ -	$ 425,126	$ 296,729	$ 128,397	$ 128,397

NOTE 8. DEFERRED REVENUE:

Deferred revenue in the governmental fund financial statements:

Fines and Forfeitures	$84,350	Imposed nonexchange transaction which is received beyond the City's period of availability.
Tax revenues	5,198	Taxes earned in the current year but received beyond the City's period of availability.
Total	$ 89,548	

Deferred revenue in the proprietary fund financial statements:

GEFA Subsidy	$187,188	Funds received, but not earned until completion of sewer plant rehabilitation project.
Total	$ 187,188	

NOTE 9. COMPENSATED ABSENCES [Primary government]

Governmental Accounting Standards Board Statement 16, effective for fiscal years beginning after June 15, 1993, requires that such benefits be accrued when: (1) the employer's obligation to employees' right to receive compensation for future benefits is attributable to employees' service already rendered; (2) the obligation relates to rights that vest or accumulate; (3) payment of the compensation is probable; and (4) the amount can be reasonably estimated. Accrued Vacation and Personal Leave in the amount of $139,332 is included in the Statement of Net Assets, under noncurrent liabilities in due in more than one year, in the amount of $129,038 and $10,294 for the Governmental activities and Business-type activities respectively.

NOTE 10. RISK MANAGEMENT [Primary government]

The City purchases Workers Compensation Insurance through the Georgia Municipal Association Worker's Compensation Self Insurance Fund. The City's policy year starts on January 1st and ends on December 31st of each year. The premium for the policy year of 2010 was $45,000. The City also purchases General Liability Insurance through the Georgia Interlocal Management Agency. The City's policy year starts May 1st and ends on April 30th of each year. The premium for the year ending April 30, 2010 was $58,466.

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

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

With respect to other types of risk including torts, theft or destruction of assets, errors of omissions, and acts of God, the City has purchased sufficient insurance and, therefore, transferred risk of loss. There have been no settlements in the previous three years in excess of insurance.

NOTE 11. HOTEL-MOTEL TAX COMPLIANCE [Primary government]

The City passed an ordinance to increase their Hotel-Motel excise tax from 5% to 8% beginning in July 2009. As required by code section 48-13-51 of the O.C.G.A the city is required to spend 40% of the first 5% of the tax assessed on the promotion of tourism and trade. In addition, 50% of the amount assessed over 5% must also be expended for promotion of tourism and trade. At June 30, 2010, the City funds the Alpine Helen/White County Convention and Visitors Bureau for the expenditure of this tax revenue and provides the Chamber with 45% percent of total tax collections. In addition, the city is required to spend the entire balance retained over the 5% tax rate for tourism product development.

Tax Collections:	$649,685
Amount Provided to CVB:	$284,270
Promotion Expenditures:	$284,270

NOTE 12. CAPITAL ASSETS [Primary government]

	Primary Government			
	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	$ 20,460	$ -	$ -	$ 20,460
Land and improvements	1,672,481	7,114	-	1,679,595
Total capital assets not being depreciated	1,692,941	7,114	-	1,700,055
Capital assets being depreciated				
Buildings	2,326,956	-	-	2,326,956
Vehicles	464,111	232,888	-	696,999
Equipment	407,472	20,929	-	428,401
Road network	5,572,534	163,737	-	5,736,271
Total capital assets being depreciated	8,771,073	417,554	-	9,188,627
Less accumulated depreciation for:				
Buildings	910,385	69,714	-	980,099
Vehicles	352,871	139,150	-	492,021
Equipment	191,945	23,370	-	215,315
Road network	3,029,099	242,390	-	3,271,489
Total accumulated depreciation	4,484,300	474,624	-	4,958,924
Total capital assets being depreciated, net	4,286,773	(57,070)	-	4,229,703
Governmental activity assets, net	$5,979,714	$ (49,956)	$ -	$ 5,929,758

Depreciation expense was charged to functions as follows:

Governmental activities:		Business-type activities:	
General government	$312,801	Water and Sewer	$204,844
Public safety	56,719		
Streets and sanitation	12,237		
Total depreciation	$381,757		

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Water and Sewer				
Capital assets not being depreciated:				
Land	$ 209,556	$ -	$ -	$ 209,556
Construction in progress	993,639	568,821	864,366	698,094
Total capital assets not being depreciated	1,203,195	568,821	864,366	907,650
Capital assets being depreciated:				
Buildings	22,982	-	-	22,982
Equipment	878,197	8,399	-	886,596
Water and sewer system	4,733,864	929,116	-	5,662,980
Total capital assets being depreciated	5,635,043	937,515	-	6,572,558
Less accumulated depreciation for:				
Buildings	14,051	1,017	-	15,068
Equipment	707,409	31,059	-	738,468
Water and sewer system	1,744,670	172,768	-	1,917,438
Total accumulated depreciation	2,466,130	204,844	-	2,670,974
Total capital assets being depreciated, net	3,168,913	732,671	-	3,901,584
Business-type activity assets, net	$4,372,108	$1,301,492	$ 864,366	$ 4,809,234

NOTE 13. BUDGETS [Primary government]

The following are Governmental Funds for which budgets were legally adopted:

	Budgeted Expenditures and other Financing Uses	Actual Expenditures and Other Financing Uses	Actual in Excess of Appropriations
General Fund	$2,215,576	$2,026,801	$ -
Hotel/Motel Tax Special Revenue Fund	$ 666,500	$ 641,815	$ -
Confiscated Assets Fund	$ 3,500	$ 0	$ -
Police Technology Fund	$ 7,000	$ 1,752	$ -
Grant Fund	$ 0	$ 293,004	$ 293,004

The City's legal level of control is at the department level which is the basis on which the Budgetary Comparison Schedule is prepared.

NOTE 14. INTERFUND BALANCES AND TRANSFERS

	Due To					
Due From	Grant Fund	Capital Projects Fund	Water & Sewer Fund	Hotel/Motel Fund	General Fund	Totals
General Fund	$ -	$ 86,401	$ 201,556	$ 3,822	$ -	$ 291,779
Water & Sewer	47,452	-	-	-	231,594	279,046
Capital Projects	32,870	-	75,291	-	9,869	118,030
Tree Fund	-	-	-	-	405	405
Confiscated Assets	-	-	-	-	19	19
Grant fund	-	-	100	-	80,422	80,522
Totals	**$ 80,322**	**$ 86,401**	**$ 276,947**	**$ 3,822**	**$ 322,309**	**$ 769,801**

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

This government reports interfund transfers between many of its funds. Some of the transfers are considered immaterial and are aggregated into a single column or row titled *Other Funds.* The sum of all transfers presented in the table agrees with the sum of interfund transfers presented in the governmental and proprietary fund financial statements. These transfers have been eliminated from the government-wide financial statements.

		Transfer from					
		General Fund	**Capital Projects**	**Hotel/Motel Tax**	**Enterprise Fund**	**Other Funds**	**Total**
Transfer to	General Fund	$ -	$ 270	$ 357,545	$ -	$ -	$ 357,815
	Capital Projects	-	-	-	124,590	293,228	417,818
	Grant Fund	-	-	-	300	-	300
	Enterprise Fund	-	341,663	-	-	-	341,663
	Total	**$ -**	**$ 341,933**	**$ 357,545**	**$ 124,890**	**$ 293,228**	**$1,117,596**

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) provide unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 15. ALLOWANCE FOR UNCOLLECTABLE TAXES AND ACCOUNTS

The balance of taxes and accounts receivable at June 30, 2010, are net of the following allowances for doubtful accounts.

Fund	Taxes	Accounts	Fines
General	$ 192	$ 2,854	$57,319
Enterprise	-0-	7,964	-0-
	$ 192	$10,818	$57,319

NOTE 16. SERIES 1995 WATER AND SEWER BOND COVENANTS

A. The City of Helen has approximately 702 water and sewer customers at June 30, 2010.

B. The following is a list of insurance policies and fidelity bonds paid for and in force at June 30, 2010.

Items Covered	Insurance Company	Limits
General Liabilities	Georgia Interlocal Risk Management Agency	$1,000,000
Workmans Comp.	Georgia Interlocal Risk Management Agency	$1,000,000
Building & Contents	Georgia Interlocal Risk Management Agency	$5,700,740
Vehicles	Georgia Interlocal Risk Management Agency	$1,000,000
Water Plant Equipment	Georgia Interlocal Risk Management Agency	$5,700,740
Fidelity Bond: Blanket		
City Manager & Clerk	Georgia Interlocal Risk Management Agency	$500,000
Public Officials	Georgia Interlocal Risk Management Agency	$1,000,000
Law Enforcement	Georgia Interlocal Risk Management Agency	$1,000,000

C. Auditor's Statement

The terms and conditions of the Series 1995 bond resolution have been examined for the fiscal year ending June 30, 2010. The City is in compliance with all bond covenants.

NOTE 17. JOINT VENTURES

Under Georgia law, the City, in conjunction with other cities and counties in the northeast Georgia area, is a member of the Georgia Mountains Regional Development Center (RDC) and is required to pay annual dues thereto. During its year ended June 30, 2010, the City paid $870 in such dues. Membership in an RDC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34, which provides for the organizational structure of the RDC in Georgia. The RDC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RDC. Separate financial statements may be obtained from:

Georgia Mountains Regional Development Center
1310 W. Ridge Road
Gainesville, GA 30501

NOTE 18. COMPLIANCE

At June 30, 2010, the City was not in compliance with the following statute:

OCGA 36-81-3 Relating to the failure to adopt a budget for the Tree Fund, the failure to adopt a balanced budget and expenditures in excess of appropriations for the Grant fund.

NOTE 19. PRIOR PERIOD ADJUSTMENT

General Fund:

To reclassify $238,042 in accumulated prior period payments made to White County for the purchase of a fire truck originally recorded as an "other asset". The fire truck was paid off during 2009 and is now jointly owned by the City of Helen and White County. An additional prior period adjustment of $131,909 was required to record the accumulated depreciation expense incurred since the fire truck was placed in service.

CITY OF HELEN, GEORGIA
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2010

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Budgetary	Budget to Differences Over / (Under)	Actual GAAP Basis	Variance with Final Budget Over / (Under)
Revenues						
Property Taxes	$ 397,152	$ 397,152	$ 404,704	$ -	$ 404,704	$ 7,552
Sales Taxes	564,004	564,004	628,595	-	628,595	64,591
Fines and Forfeitures	90,000	90,000	130,475	-	130,475	40,475
Intergovernmental	19,400	19,400	35,870	-	35,870	16,470
Charges for Services	736,605	736,605	724,174	-	724,174	(12,431)
Interest	6,000	6,000	1,477	-	1,477	(4,523)
Transfers	374,916	374,916	357,815	-	357,815	(17,101)
Prior Year Fund Balance	-	5,500	-	-	-	(5,500)
Miscellaneous	22,000	22,000	64,328	-	64,328	42,328
Total Revenues	2,210,077	2,215,577	2,347,438	-	2,347,438	131,861
Expenditures						
Current Operating:						
General government	586,825	592,325	607,101	-	607,101	14,776
Public safety	827,932	827,932	776,413	-	776,413	(51,519)
Streets and sanitation	422,328	422,328	396,866	-	396,866	(25,462)
Culture and recreation	187,834	187,834	65,373	-	65,373	(122,461)
Debt service	185,158	185,158	181,048	-	181,048	(4,110)
Total Expenditures	2,210,077	2,215,577	2,026,801	-	2,026,801	(188,776)
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ -	$ -	320,637	$ -	320,637	$ 320,637
Fund Balance - beginning			485,486		485,486	
Prior Period Adjustment			(238,042)		(238,042)	
Fund Balance - ending			$ 568,081		$ 568,081	

See accompanying note to budgetary comparison schedule.

CITY OF HELEN, GEORGIA
Budgetary Comparison Schedule
Hotel/ Motel Tax Fund
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual	Budget to GAAP Differences	Actual	Variance with Final Budget
	Original	Final	Budgetary	Over / (Under)	GAAP Basis	Over / (Under)
Revenues						
Charges for services	$ 666,500	$ 666,500	$ 649,685	-	$ 649,685	$ (16,815)
Total Revenues	666,500	666,500	649,685	-	649,685	(16,815)
Expenditures						
Current Operating:						
General government	291,584	291,584	284,270	-	284,270	(7,314)
Other financing uses						
Transfers out	374,916	374,916	357,545	-	357,545	$ (17,371)
Total Expenditures	666,500	666,500	641,815	-	641,815	(24,685)
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ -	$ -	7,870	$ -	7,870	$ 7,870
Fund Balance - beginning			20,495		20,495	
Fund Balanced - ending			$ 28,365		$ 28,365	

See accompanying notes to budgetary comparison schedules.

CITY OF HELEN, GEORGIA
Notes to Required Supplementary Information
on Budgetary Accounting and Control
Year Ended June 30, 2010

BUDGETARY ACCOUNTING AND CONTROL

Budget Law

The City prepares its annual operating budget under the provisions of the official Code of Georgia. In accordance with those provisions, the following process is used to adopt the annual budget:

(a). Prior to June 1, the City Finance Officer submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

(b). Public hearings are conducted at regular Commission meetings to obtain taxpayer comments. Public hearings are normally scheduled no later than 15 days prior to the beginning of the budget year.

(c). Subsequent to the public hearings, the budget is legally enacted through the passage of a resolution by the City Council.

All governmental funds with revenues and/or expenditures as defined by State law are required to have annual budgets. The legal level of control at which expenditures may not legally exceed appropriations is at the department level within a fund.

Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The appropriated budget is prepared by fund, function, and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

BUDGET REQUIREMENTS

Amendments to the original budget appropriations were properly approved by the City Commissioners. For the year ended June 30, 2010, the following supplemental increases and decreases in appropriations were approved:

Fund Type	Original Budget	Supplemental Appropriations	Supplemental Decreases	Revised Appropriations
General Fund	$ 2,210,077	$ 5,500	$ -	$ 2,215,577
	$ 2,210,077	$ 5,500	$ -	$ 2,215,577

CITY OF HELEN, GEORGIA

Combining Fund Balance Sheet
Other Governmental Funds
June 30, 2010

	Special Revenue Funds				
	Grant Fund	Tree Fund	Confiscated Assets Fund	Police Technology Fund	Totals
Assets					
Cash and cash equivalents	$ 324	$ 1,649	$ 4,150	$ 8,147	$ 14,270
Total assets	$ 324	$ 1,649	$ 4,150	$ 8,147	$ 14,270
Liabilities					
Due to other funds	$ 200	$ 405	$ 19	$ -	$ 624
Total liabilities	200	405	19	-	624
Fund balances					
Reserved	124	1,244	4,131	8,147	13,646
Total liabilities and fund balances	$ 324	$ 1,649	$ 4,150	$ 8,147	$ 14,270

CITY OF HELEN, GEORGIA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Other Governmental Funds
For the Year ended June 30, 2010

	Special Revenue Funds				
	Grant Fund	Tree Fund	Confiscated Assets Fund	Police Technology Fund	Total
Revenues					
Donations	$ -	$ 350	$ -	$ -	$ 350
Fines and Forfeitures	-	-	-	5,088	5,088
Intergovernmental	293,128	-	-	-	293,128
Interest	-	1	2	-	3
Total revenues	293,128	351	2	5,088	298,569
Expenditures					
Current:					
General government	76	-	-	-	76
Public safety	-	-	-	1,752	1,752
Streets and sanitation	-	580	-	-	580
Total expenditures	76	580	-	1,752	2,408
Excess of revenues (expenditures)	293,052	(229)	2	3,336	296,161
Other financing sources and (uses)					
Transfers in	300	-	-	-	300
Transfers out	(293,228)	-	-	-	(293,228)
Total other financing sources and uses	(292,928)	-	-	-	(292,928)
Net changes in fund balance	124	(229)	2	3,336	3,233
Beginning fund balance	-	1,473	4,129	4,811	10,413
Ending fund balance	$ 124	$ 1,244	$ 4,131	$ 8,147	$ 13,646

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Martha P. Smith
Teresa Standridge

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

To the Mayor and City Commission
City of Helen
Helen, Georgia

We have audited the financial statements of the governmental funds, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Helen, Georgia as of and for the year ended June 30, 2010, and have issued our report thereon dated December 21, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs, item 2010-1, to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Helen, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2010-2.

The City of Helen, Georgia's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City of Helen, Georgia's response and, accordingly, we express no opinion on it.

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

Walker & Associates, CPA's, PC
Gainesville, Georgia
December 21, 2010

THE CITY OF HELEN, GEORGIA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2010

Summary of Auditor's Results

1. The auditor's report expresses an unqualified opinion on the financial statements of the City of Helen, Georgia.

2. Significant deficiencies relating to the audit of the financial statements are reported in this schedule under the caption "Findings-Financial Statement Audit". Finding 2010-1 is considered a material weakness.

3. Instances of noncompliance material to the financial statements of the City of Helen were disclosed during the audit.

4. No significant deficiencies relating to the audit of the major federal award programs were reported.

5. The auditor's report on compliance for the Capitalization Grants for Clean Water Revolving Loan Program, the COPS Hiring Recovery Program and the Employee Incentive Program express an unqualified opinion.

6. There are no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.

7. The program tested as a major program includes: Capitalization Grants for Clean Water Revolving Loan Program CFDA # 66.458.

8. The threshold used for distinguishing between Type A and B programs was $300,000.

9. The City of Helen, Georgia did not qualify as a low-risk auditee.

Findings-Financial Statement Audit

Internal Control

2010-1

Condition: The City does not possess adequate capabilities to prepare financial statements in accordance with accounting principles generally accepted in the United States.

Criteria: The City should possess the ability to prepare its own financial statements or have access to someone with adequate technical training and education to review the financial statements prepared by others.

Cause: The City staff does not have the accounting skills necessary to prepare financial statements in accordance with accounting principles generally accepted in the United States.

Effect: The City does not possess adequate capabilities to prepare financial statements in accordance with accounting principles generally accepted in the United States.

Recommendation: The City should consider employing someone or contracting with another entity to review the financial statements prepared by the auditor.

Response: The City agrees with the finding.

Compliance

2010-2

Condition: The City did not adopt a budget for the Tree fund, failed to adopt a balanced budget for the Grant fund and had expenditures in excess of appropriations for both funds.

Criteria: Georgia code OCGA 36-81-3 requires a balanced budget be adopted for all governmental funds and limits expenditures to the legally approved budget amounts.

Cause: The City did not adopt a budget for the Tree fund and failed to adopt a balanced budget for the Grant fund.

Effect: At June 30, 2010, the City was not in compliance with OCGA 36-81-3.

Recommendation: We recommend that the City comply with all relevant statutes concerning the operation of a local government in order to reduce the risk of litigation and other unforeseen actions.

Response: The City agrees with this finding.

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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

Independent Auditor's Report

Helen City Commission
Helen, Georgia

Compliance

We have audited City of Helen, 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 Helen, Georgia's major federal programs for the year ended June 30, 2010. The City of Helen, Georgia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Helen, Georgia's management. Our responsibility is to express an opinion on the City of Helen, Georgia's compliance based on our audit.

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

In our opinion, the City of Helen, 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 June 30, 2010.

Internal Control Over Compliance

Management of the City of Helen, 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 the City of Helen, Georgia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order 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 Helen, Georgia's internal control over compliance.

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

possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

The City of Helen, Georgia's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of Helen, Georgia's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the Helen City Commission, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Walker & Associates, CPAs, PC
Gainesville, Georgia
December 21, 2010

City of Helen, Georgia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U. S. Environmental Protection Agency			
Pass-through programs:			
Georiga Environmental Facilities Authority			
ARRA-Capitalization Grants for Clean Water Revolving Loan Funds	66.458	CWSRF 09-006	$ 399,426
Total pass through programs			399,426
Total U.S. Environmental Protection Agency			399,426
U.S. Department of Justice			
Direct Program			
COPS Hiring Recovery Program	16.710		44,051
Total direct programs			44,051
Total U.S. Department of Justice			44,051
U.S. Department of Housing and Urban Development			
Pass-through programs:			
Georgia Department of community Affairs			
Employee Incentive Program	14.228	06Q-X-154-2-3256	293,128
Total Pass-through programs			293,128
Total U.S. Department of Housing and Urban Development			293,128
Total expenditures of federal awards			$ 736,605

City of Helen, Georgia
Notes to Schedule of Expenditures of Federal Awards
for the Year Ended June 30, 2010

Note 1-Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Elbert County, Georgia and is presented on the accrual basis of accounting. The information 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 basic financial statements.

Note 2-Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments,* wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.

CITY OF HELEN, GEORGIA
Schedule of Special Purpose Local Option Sales Tax
Estimated Cost and Expenditure Summary
For the Year Ended June 30, 2010

Project Description	Estimated Cost		Expenditures		
	Original	Current	Prior Years	Current Year	Total
SPLOST 2004					
Water, wastewater improvements	$2,500,000	$2,500,000	$1,867,473	$ 341,933	$2,209,406
Roads, streets, bridges and parks	500,000	500,000	540,250	173,959	714,209
Totals for SPLOST 2004	3,000,000	3,000,000	2,407,723	515,892	2,923,615
SPLOST 2009					
Roads, streets, Sidewalks & Bridges	1,280,000	1,280,000	-	-	-
Water/Wastewater Improvements	1,850,000	1,850,000	-	-	-
Public Buildings and Grounds	250,000	250,000	-	6,101	6,101
Totals for SPLOST 2009	3,380,000	3,380,000	-	6,101	6,101
Report Totals	$6,380,000	$6,380,000	$2,407,723	$ 521,993	$2,929,716