City of Nahunta, Georgia

Annual Financial Report

For The Year Ended June 30, 2011

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For The Year Ended June 30, 2011

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Financial Section

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Independent Auditor's Report

February 24, 2012

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, and the remaining fund information of the City of Nahunta, Georgia as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. The financial statements are the responsibility of City of Nahunta, Georgia 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 & the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the City of Nahunta, Georgia as of June 30, 2011, 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 February 24, 2012 on our consideration of the City of Nahunta's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 5 through 10 and 35, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Nahunta, Georgia, basic financial statements. The individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,

Tanner & Wester, CPA's, LLC

Management's Discussion and Analysis

Management's Discussion and Analysis
(Unaudited)

Our discussion and analysis of City of Nahunta's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2011. Please read it in conjunction with the City's financial statements, which begin on page 11.

Financial Highlights

- The City's net assets increased by $29,121 as a result of this year's operations. The net assets of governmental activities decreased by $(2,882) or 1 percent and business-type activities increased by $32,003 or 2 percent.
- During the year, the City had tax and other revenues that were $5,471 more than last year.
- The governmental activities expenses for the year decreased by $65,506
- In the City's business-type activities, revenues related to charges for services increased by $42,361 or 13 percent.
- Major capital expenditures were made during the year in the amount of $ 122,373.

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 11 and 12) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 13. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the City as a Whole

Our analysis of the City as a whole begins on page 11. One of the most important questions asked about the City's finances is, "is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. You can think of the City's net assets-the difference between assets and liabilities- as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the overall health of the City.

In the Statement of Net Assets and Statement of Activities, we divide the City into two kinds of activities:

- Governmental Activities-Most of the City's basic services are reported here, including the police, fire, public works, and general administration. Property taxes, franchise taxes, sales taxes, and grants finance most of these activities.
- Business-Type Activities-The City charges a fee to customers to cover all or most of the cost of certain services it provides. The City's water and sewer system and sanitation collection is reported here.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements 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 view of the City's finances, in a manner similar to 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 whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expense are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government and administration public safety, culture and recreation, community development and cemetery. The business-type activities of the City include water and sewer operations. The government-wide financial statements can be found on page 11 of this report.

Fund Financial Statements – Our analysis of the City's major funds begins on page 40. The fund financial statements provide detailed information about the most significant funds-not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City established many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two kinds of funds – governmental and proprietary-use different accounting approaches and are described more fully below.

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

Governmental funds- Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's net-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 government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's net-term financing decisions. Both the governmental funds balance sheets and the governmental fund statements of revenues, expenditures and changes in fund balances provides a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The city maintains one governmental 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 the General Fund, which are considered to be a major fund. If the City maintained other governmental funds, data from the other funds would be combined into a single, aggregated presentation, and individual fund data for each of the non-major governmental funds would be provided in the form of combining statements elsewhere in the report. The basic governmental funds financials statements can be found on pages 13 & 15.

Proprietary Funds-The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water & Sewer Fund since it is considered to be a major fund of the City. The basic proprietary fund financial statements can be found on pages 17-19 of this report.

Notes to 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. The notes to the financial statement can be found on pages 20-39.

Other Information- In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The required supplementary information can be found on page 40 of this report.

Governmental-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the government's financial position. In the case of the City of Nahunta, assets exceeded liabilities by $2,339,258 as of June 30, 2011.

The largest portion of the City's net assets (89%) reflects its investments in capital assets (e.g. land, building, equipment, improvements, construction in progress, and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide service to citizens; consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Nahunta's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2010	2011	2010	2011	2010	2011
Current and other assets	120,146	49,383	259,360	317,764	379,506	367,147
Capital assets	262,588	322,769	2,467,454	2,434,209	2,730,042	2,756,978
Total assets	382,734	372,152	2,726,814	2,751,973	3,109,548	3,124,125
Long-term debt outstanding	21,897	14,895	674,000	658,000	695,897	672,895
Other liabilities	6,687	5,988	96,829	105,984	103,516	111,972
Total liabilities	28,584	20,883	770,829	763,984	799,413	784,867
Net assets:						
Invested in capital assets, Net of debt	240,691	307,874	1,793,454	1,776,209	2,034,145	2,084,083
Restricted	130,576	99,840	55,504	47,967	186,080	147,807
Unrestricted (deficit)	(17,117)	(56,445)	107,027	163,813	89,910	107,368
Total net assets	354,150	351,269	1,955,985	1,987,989	2,310,135	2,339,258

Net assets of the City's governmental activities decreased by 1 percent or $ (2,881). An additional portion of the City's net assets represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is $ (56,445). The unrestricted net assets represent the amount that may be used to meet the government's ongoing obligation to citizens and creditors.

The net assets of our business-type activities increased by 2 percent or $ 32,004. The City generally can only use these net assets to finance the continuing operations of the public utilities (water & sewer and sanitation collection).

Changes in Net Assets

	Governmental Activities		Business-type Activities		Totals	
	2010	2011	2010	2011	2010	2011
Revenues						
Program Revenues						
Charges for Services	70,112	62,989	327,618	369,979	397,730	432,968
Operating Grants	0	0	0	0	0	0
Capital Grants	0	0	0	0	0	0
General Revenues						
Property Taxes	195,242	191,988	0	0	195,242	191,988
Other Taxes	341,334	351,464	0	0	341,334	351,464
Grants	0	5,500	0	0	0	5,500
Investment Earnings	2,265	1,466	211	284	2,476	1,750
Other	48,605	7,188	0	0	48,605	7,188
Total Revenues	657,558	620,595	327,829	370,263	985,387	990,858
Program Expenses						
General Government	229,009	218,630	0	0	229,009	218,630
Judicial	4,330	4,457	0	0	4,330	4,457
Public Safety	200,565	194,055	0	0	200,565	194,055
Public Works	255,079	206,335	0	0	255,079	206,335
Community Development	0	0	0	0	0	0
Public Utilities	0	0	332,893	338,260	332,893	338,260
Total Expenses	688,983	623,477	332,893	338,260	1,021,876	961,737
Transfers	0	0	0	0	0	0
Increase (Decrease) in net assets	(31,425)	(2,882)	(5,064)	32,003	(36,489)	29,121

The City's total revenues increased by $ 5,471 (1 percent) and the total expenses decreased by $ 60,139 (6 percent). The total increase in revenues was primarily accounted for by receipt of tax revenues. Total net assets increased by $ 29,121. Our analysis below separately considers the operations of governmental and business-type activities.

Governmental Activities

To aid the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical statement of Revenues, Expenses and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a net(expense) revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants. Some of the individual line item revenues reported for each function are:

General Government	Occupational licenses, other fees
Public Safety	Fines and forfeitures, grants
Public Works	Capital grants for infrastructure improvements

All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue even if restricted for a specific purpose.

	Governmental Activities			
	Total Cost of Services		Net Cost of Services	
	2010	2011	2010	2011
General Government	229,009	217,835	208,481	190,664
Judiciary	4,330	4,457	4,330	4,457
Public Safety	200,565	194,055	150,981	159,032
Public Works	255,079	206,335	255,079	200,835
Community Development	0	0	0	0
Totals	688,983	623,477	618,871	554,988

Business Type Activities

Operating revenues of the City's business-type activities increased by 3 percent ($ 327,618 in 2010 compared to $ 338,260 in 2011) and operating expenses decreased by 2% percent. Revenue increases thru adjustment of rates and expenses decrease through management scrutiny of personnel and operating procedures.

The City's Funds

As the City completed the year, its governmental funds (as presented on page 13) reported a combined fund balance of ($ 9,813).

The revenues for the General Fund decreased by $ 28,899 over the prior year and expenditures increased by $ 27,498. The decrease in revenue was primarily due to other revenue and fine & forfeiture revenue decreases during the year. The expenditures increased due to capital expenditures during the year.

General Fund Budgetary Highlights

Several departments showed amounts over budget. The total budgeted expenditures were $ 654,642 and the total actual expenditures totaled $ 690,659. The amounts of expenditures over budget were primarily due to capital outlay made in each department. A more detailed comparison is on page 40.

Capital Asset and Debt Administration

At the end of 2011, the City had $ 5,241,915 invested in a broad range capital assets, including police and fire equipment, buildings, and water and sewer lines. The table below provides further analysis of these capital assets.

Capital Assets at Year End

	Governmental Activities		Business-Type Activities		Totals	
	2010	2011	2010	2011	2010	2011
Land	17,500	17,500	88,450	88,450	105,950	105,950
Buildings/Improvements	323,848	347,694	22,303	45,953	346,151	393,647
Equipment	464,793	539,670	617,956	617,956	1,082,749	1,157,626
Infrastructure	0	0	3,584,692	3,584,692	3,584,692	3,584,692
Accumulated Depreciation	(543,553)	(582,095)	(1,845,947)	(1,902,842)	(2,389,500)	(2,484,937)
Totals	262,588	322,769	2,467,454	2,434,209	2,730,042	2,756,978

The major additions to capital assets during the current year were the construction of a public works building and heavy equipment purchases.

Debt

At year end, the City had $ 672,895 in debt outstanding versus $ 695,897 last year-a decrease of $ 23,002 – as shown in the following table.

Outstanding Debt at Year End

	Governmental Activities		Business-Type Activities		Totals	
	2010	2011	2010	2011	2010	2011
Capital Leases	21,897	14,895	0	0	21,897	14,895
Notes Payable	0	0	0	0	0	0
Revenue Bonds	0	0	674,000	658,000	674,000	658,000
Other	0	0	0	0	0	0
Totals	21,897	14,895	674,000	658,000	695,897	672,895

The City maintains a note and bonds used to finance water & sewer infrastructure. The largest portion of the debt service payment during the year was related to the water and sewer operations in the amount of $ 65,722. The outstanding balance is $ 658,000 with a debt service amount due in 2011 of $ 67,161.

Economic Factors and Next Year's Budgets and Rates

The City's elected and appointed officials considered many factors when setting the fiscal-year 2011 budget, tax rates, and fees that will be charged for the business type activities. One of those factors was the City's continued a lack of significant growth of commercial retail businesses in the area. However, there was the encouraging sign of sales tax revenue growth during the current year. The City believes this trend will continue.

The City continues to search for ways to control operating costs. During the recent year, the City has install its new computer system and software and trained its personnel how to effectively operate it to provide effective budget reporting. Management believes these efforts will allow the City to continue to improve its financial stability.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerks Office at the City of Nahunta, P.O. Box 156, Nahunta, Georgia 31553.

Basic Financial Statements

City of Nahunta, Georgia
Statement of Net Assets
June 30, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash & Cash Equivalents	60,336	95,558	155,894
Receivables, Net	58,297	30,696	88,993
Internal Balances	(191,510)	191,510	-
Receivables from Other Governments	122,260	-	122,260
Land & Improvements	17,500	88,450	105,950
Other Capital Assets, Net	305,269	2,345,759	2,651,028
Total Assets	372,152	2,751,973	3,124,125
Liabilities			
Accounts Payable and Accrued Expenses	5,988	105,984	111,972
LongTerm Balances-Due within one Year	7,295	17,000	24,295
LongTerm Balances-Due in more than one Year	7,600	641,000	648,600
Total Liabilities	20,883	763,984	784,867
Net Assets			
Invested in Capital Assets, Net of Related Debt	307,874	1,776,209	2,084,083
Restricted for:			-
Capital Projects	97,311	47,967	145,278
Debt Service	-	-	-
Community Development Projects	-		-
Other Purposes	2,529	-	2,529
Unrestricted (deficit)	(56,445)	163,813	107,368
Total Net Assets	351,269	1,987,989	2,339,258
Total Liabilities & Net Assets	372,152	2,751,973	3,124,125

See accompanying notes to basic financial statements.

City of Nahunta, Georgia
Statement of Activities
For the Year ended June 30, 2011

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Business-Type Activities	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Total
Primary Government:							
Governmental Activities:							
General Government	217,835	27,966	-	-	(189,869)		(189,869)
Judicial	4,457	-	-	-	(4,457)		(4,457)
Public Safety	194,055	35,023	-	-	(159,032)		(159,032)
Public Works	206,335	-	-	5,500	(200,835)		(200,835)
Community Development	-	-	-	-	-		-
Interest on Long Term Debt	795	-	-	-	(795)		(795)
Total Government Activities	623,477	62,989	-	5,500	(554,988)	-	(554,988)
Business-Type Activities:							
Public Utilities-Water & Sewer	287,774	320,973	-	-		33,199	33,199
Solid Waste	50,486	49,006				(1,480)	(1,480)
Total Business-Type Activities	338,260	369,979	-	-	-	31,719	31,719
Total Primary Government	961,737	432,968	-	5,500	(554,988)	31,719	(523,269)
General Revenues:							
Taxes:							
Property Taxes					191,989		191,989
Franchise Taxes					57,172		57,172
Sales Taxes					154,148		154,148
Other Taxes					140,144		140,144
Grants and Contributions not restricted to specific programs					-	-	-
Unrestricted Investment Earnings					1,466	284	1,750
Miscellaneous					7,188		7,188
Total General Revenues					552,107	284	552,391
Change in Net Assets					(2,881)	32,003	29,122
Net Assets-Beginning					354,150	1,955,986	2,310,136
Net Assets-Ending					351,269	1,987,989	2,339,258

See accompanying notes to basic financial statements.

City of Nahunta, Georgia
Balance Sheet
Governmental Funds
June 30, 2011

	General Fund	Total Governmental Funds
Assets		
Cash & Cash Equivalents	60,336	60,336
Receivables, Net	58,296	58,296
Due From Other Funds	29,120	29,120
Receivables from Other Governments	122,260	122,260
Prepaid Items	-	-
Land, Improvements, and Const in Progress	-	-
Other Capital Assets, Net	-	-
Total Assets	270,012	270,012
Liabilities and Fund Balances		
Liabilities		
Accounts Payable and Accrued Expenses	5,988	5,988
Due to Other Funds	220,630	220,630
Short-Term Loan Payable	-	-
Deferred Revenues	53,208	53,208
Total Liabilities	279,826	279,826
Fund Balances		
Reserved For:		-
Capital Projects	97,311	97,311
Debt Service		-
Other	2,529	2,529
Unreserved, reported in:		-
General Fund	(109,653)	(109,653)
Special Revenue Funds		-
Capital Project Funds		-
Total Fund Balances	(9,813)	(9,813)
Total Liabilities and Fund Balances	270,012	270,012

See accompanying notes to basic financial statements.

City of Nahunta, Georgia
Reconciliation of the Governmental Funds Balance Sheet to Statement of Net Assets
June 30, 2011

Total Fund Balance-total governmental funds	(9,813)
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet	322,769
Deferred revenues	53,208
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 Lease/Loans payable	(14,895)
Net assets of governmental activities	351,269

See accompanying notes to basic financial statements.

City of Nahunta, Georgia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

	General Fund	Total Governmental Funds
Revenues:		
Taxes	531,172	531,172
Licenses & Permits	27,966	27,966
Fines & Forfeitures	35,023	35,023
Charges for Services	-	-
Intergovernmental	5,500	5,500
Other	7,188	7,188
Total Revenues	606,849	606,849
Expenditures:		
Current-		
General Government	200,001	200,001
Judicial	4,457	4,457
Public Safety	181,430	181,430
Public Works	198,251	198,251
Capital Outlay	98,723	98,723
Debt Service	7,797	7,797
Total Expenditures	690,659	690,659
Excess(deficiency) of revenues over expenditures	(83,810)	(83,810)
Other Financing Sources (Uses):		
Proceeds from Long Term Debt	-	-
Sale of Fixed Assets	-	-
Total other financing sources(uses)	-	-
Change in Fund Balance	(83,810)	(83,810)
Fund balances at beginning of year	73,997	73,997
Fund balances at end of year	(9,813)	(9,813)

See accompanying notes to basic financial statements.

City of Nahunta, Georgia
Reconciliation of the Statement of Revenues, Expenditure, and
Changes in Fund Balance of Governmental Funds to the Statement of Activities
For the Year ended June 30, 2011

Net change in fund balances-total governmental funds	(83,810)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	98,723
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expnese is not reported as expenditure in governmental funds.	(38,543)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issurance cost, premiums, discounts, and similar items when debt is first issued, wheras the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	7,002
Some expenses reported in the statement of activities do not require the use of current financial resources: therefore, are not reported as expenditures in governmental funds.	-
Revenues that were reported in the statement of activities as intergovernmental revenues based on providing current financial resources in the previous year-	
Grant	-
Some property tax will not be collected for several months after the city's fiscal year end, they are not considered "available" revenues in the governmental funds.	13,747
Change in net assets of governmental activities	(2,881)

See accompanying notes to basic financial statements.

City of Nahunta, Georgia
Statement of Net Assets
Proprietary Fund
June 30, 2011

	Business-Type Activities-Enterprise Funds		
	Water & Sewer Fund	Sanitation Fund	Totals
Assets			
Current Assets-			
Cash & Cash Equivalents	46,560	1,031	47,591
Receivables, Net	26,324	4,373	30,696
Inventories	-		-
Interfund balances	220,630	45,582	266,212
Restricted Assets:			
Cash & Cash Equivalents	47,967	-	47,967
Total Current Assets	341,481	50,986	392,467
Capital Assets, net of accumulated depreciation	2,434,209	-	2,434,209
			-
Total Assets	2,775,690	50,986	2,826,676
Liabilities			
Current Liabilities			
Accounts Payable and Accrued Expenses	9,564	-	9,564
Customer Deposits	68,367	-	68,367
Accrued interest	28,053	-	28,053
Interfund balances	45,582	29,120	74,703
Current portion of long term debt	17,000	-	17,000
Total Current Liabilities	168,566	29,120	197,686
Noncurrent Liabilities:			
Revenue Bonds Payable	658,000	-	658,000
Notes Payable	-	-	-
Less: current portion	(17,000)	-	(17,000)
Total Noncurrent Liabilities	641,000	-	641,000
Total Liabilities	809,566	29,120	838,686
Net Assets			
Invested in Capital Assets, Net of Related Debt	1,776,209	-	1,776,209
Restricted for:			
Capital Projects	47,967	-	47,967
Debt Service	-	-	-
Community Development Projects	-	-	-
Other Purposes	-	-	-
Unrestricted (deficit)	141,948	21,866	163,813
Total Net Assets	1,966,124	21,866	1,987,990
Reconciliation to government-wide statements of net assets:			
Adjustments			-
Net assets of business-type activities			1,987,990

See accompanying notes to the basic financial statements.

City of Nahunta, Georgia
Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Year Ended June 30, 2011

	Business-Type Activities-Enterprise Funds		
	Water and Sewer Fund	Sanitation Fund	Total
Operating Revenues:			
Charges for services	320,973	49,006	369,978
Miscellaneous	-		-
Total operating revenues	320,973	49,006	369,978
Operating Expenses:			
Personal Services	63,420		63,420
Contractual Services	21,522	50,486	72,007
Supplies, Repairs, Maintenance	34,050		34,050
Other	62,861		62,861
Depreciation	56,895		56,895
Total Operating Expenses	238,748	50,486	289,234
Income (loss) form operations	82,225	(1,480)	80,745
Nonoperating revenues(expenses):			
Investment income	284		284
Capital Grant Proceeds	-		-
Interest expense	(49,025)		(49,025)
Total nonoperating revenues(expenses)	(48,741)	-	(48,741)
Income(loss) before contributions and tranfers	33,484	(1,480)	32,003
Capital contributions	-		-
Transfers (Out)	-		
Change in net assets	33,484	(1,480)	32,003
Net assets at beginning of year	1,932,640	23,346	
Net assets at end of year	1,966,124	21,866	
Reconciliation to government-wide statements of net assets:			
Adjustments			-
Change in net assets of business-type activities			32,003

See accompanying notes to basic financial statements.

City of Nahunta, Georgia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2011

	Business-Type Activities-Enterprise Funds		
	Water & Sewer Fund	Sanitation Fund	Total
Cash flows from operating activities:			
Cash received from customers	315,031	48,442	315,031
Cash received from operating grants	-	-	-
Cash received from other funds for services	(85,564)	(6,116)	(85,564)
Cash payments to employees for services and benefits	(63,420)	-	(63,420)
Cash payments to suppliers for goods and services	(112,895)	(50,486)	(112,895)
Cash payments to other funds for services	-	-	-
Net cash provided (used) by operating activities	53,152	(8,160)	53,152
Cash flows from noncapital financing activities:			
Transfers from other funds	-	-	-
Transfers to other funds	-	-	-
Net cash provided (used) noncapital financing activities	-	-	-
Cash flows from capital and related financing activities:			
Acquistion and construction of capital assets	(23,650)		(23,650)
Proceeds from capital debt	-		-
Interest payments on capital debt	(49,025)		(49,025)
Principal paid on capital debt	(16,000)		(16,000)
Net cash provided (used) by capital and related financing activities	(88,675)	-	(88,675)
Cash flow from investing activities:			
Interest on cash and investments	284		284
Net increase (decrease) in cash and cash investments	(35,239)	(8,160)	(35,239)
Cash and cash investments, July 1	129,766	9,191	129,766
Cash and cash investments, June 30	94,527	1,031	94,527
Reconciliation of income (loss) from operations to net cash provided (used) by operating activities:			
Income (loss) from operations	82,225	(1,480)	82,225
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:			
Depreciation	56,895	-	56,895
Change in assets and liabilities:			
(Increase) Decrease in receivables	(9,560)	(564)	(9,560)
Increase (Decrease) in interfund payables	(85,564)	(6,116)	(85,564)
Increase (Decrease) in accounts payable	5,538	-	5,538
Increase (Decrease) in customer deposits payable	3,618	-	3,618
Net cash provided (used) by operating activities	53,152	(8,160)	53,152
Reconciliation of total cash and cash investments:			
Current assets-cash and cash investments	46,560	1,031	47,591
Restricted assets-cash and cash investments	47,967	-	47,967
Total cash and cash investments	94,527	1,031	95,558

See accompanying notes to basic financial statements.

Notes to Basic Financial Statements

City of Nahunta, Georgia
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City of Nahunta, Georgia
Notes to Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 1: Summary of Significant Accounting Policies

A. General Statement

The City operates under a council/mayor form of government and provides the following services: public safety, highways and streets, public improvements, and general and administrative services. In addition, the City operates two enterprise funds (water & sewer and sanitation) for the incorporated and immediate surrounding areas.

The financial statements of the City of Nahunta, Georgia have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Government Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled "Audits of State and Local Governmental Units", and by the Financial Accounting Standards Board (when applicable), FASB Statements and Interpretations. The Governmental Accounting Standards Board (GASB) is the accepted Standard-setting body for establishing governmental accounting and financial reporting principles. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The City elected to apply Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989. The more significant of the government's accounting policies are described below.

B. Reporting Entity

In conformity with generally accepted accounting principles, as set forth in GASB Statement No. 14, The Financial Reporting Entity, the financial statements of the reporting entity include those of the City of Nahunta. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

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

Discretely Presented Component Units- Based on the GASB criteria, the City has no entities that qualify as discretely presented component units.

Blended Component Units- Based on the GASB criteria, the City has no entities that qualify as blended component units.

NOTE 1: Summary of Significant Accounting Policies (cont'd)

Joint Ventures and Related Organizations

Under Georgia law, the City, in conjunction with other cities and counties in the Southeast Georgia area, is a member of the Southern Georgia Regional Commission (RC) and is required to pay annual dues thereto. Membership in an RC is automatic for each municipality and county in the State. The official Code of Georgia Section 50-8-34(Georgia Planning Act of 1989) provides for the organization structure of the RC's. Each county and municipality in the State is required by law to pay minimum annual dues to the RDC based on population. The Board of the RC includes elected officials from member counties and cities and nonpublic appointed members. The law defines RC's as "public agencies and instrumentalities of their members". Georgia laws also provide that the member governments are liable for any debts or obligations of an RDC beyond its resources. Complete financial statements of the Southern Georgia Regional Commission can be obtained from: Southern Georgia Regional Commission, 1725 South Georgia Parkway West, Waycross, Georgia 31501.

The Housing Authority of the City of Nahunta is considered a related organization based upon the criteria of GASB Statement 10. The Housing Authority is a legally separate entity having a board composed of members appointed originally by the City of Nahunta. The City is not able to impose its will upon the Housing Authority and a financial benefit/burden relationship does not exist between them. Therefore, based upon the criteria above, the Housing Authority is a related organization.

At year-end, there were no receivables or payables between the City and this organization.

C. Basis of Presentation

The government-wide statements (the statement of net assets and the statement of changes in net assets) report information on all the activities of the City. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which relay to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

NOTE 1: Summary of Significant Accounting Policies (cont'd)

Fund Financial Statements

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City has presented the following major governmental funds:

General Fund-

General Fund is the main operating fund of the City. The fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Special Revenue Fund-

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for a specific purpose.

The City currently has no special revenue funds.

Proprietary Funds are accounted for using economic resources measurement focus and accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Assets. The City has presented the following major proprietary funds:

Water & Sewer Fund-

The Water & Sewer Fund is used to account for the provision of water and sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water and sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

NOTE 1: Summary of Significant Accounting Policies (cont'd)

Sanitation Fund-

The Sanitation Fund is used to account for operations of solid waste collection and disposal services. All costs are funded through charges to sanitation customers.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liabilities incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. Sales taxes collected and held by the state at year-end on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received.

NOTE 1: Summary of Significant Accounting Policies (cont'd)

E. Budgetary Control

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

1. Prior to June 1, the Mayor 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.
2. Public hearings are conducted at City Hall to obtain taxpayer comments.
   The City Council approves, by ordinance, total department budget appropriations. Therefore, the level of budgetary responsibility is by department appropriations; however, for reporting purposes, this level has been expended to a functional basis (General Government, Public Safety, etc.)
3. Unused appropriations for all of the above annually budgeted funds lapse at the end of the fiscal year.
5. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.
6. Formal budgetary integration is employed as a management control device during the Year for the General Fund. The budget for the general fund is prepared on the cash and expenditures/encumbrances basis. Revenues are budgeted in the year receipt is expected; and expenditures, which include encumbrances, are budgeted in the year that the applicable purchase orders are expected to be issued. The budget for the Enterprise Fund is adopted under a basis consistent with GAAP, except that depreciation, certain capital expenses, and certain non-operating income and expense items are not considered. Annual appropriated budgets are adopted for the special revenue funds and the debt service fund.

Budgeted amounts are as originally adopted or as amended by the City Council. Individual amendments were not material in relation to the original appropriations, which were adopted.

For the year ended June 30, 2011, an annual budget was adopted for all funds. OCGA 36-81-3(b) requires an annual balanced budget for the general fund, each special revenue fund and requires a project-length balanced budget for each capital project fund.

The legal level of budgetary control for the City of Nahunta is at the departmental level.

The Statement of Revenues, Expenditures, and Changes in Fund Balances- Budget and Actual-General Fund presents a comparison of budgetary data to actual results. The General Fund utilizes the same basis of account for both budgetary purposes and actual results.

F. Cash and Investments

Cash includes currency on hand and demand deposits with banks and other financial institutions. Cash equivalents are short-term, highly liquid investments that are readily convertible to know cash amounts and are so near to maturity that they present an insignificant risk of changes in value because of change in interest rates. Examples include treasury bills, commercial paper, and money market accounts not classified as cash and other short-term investments whose original maturity is three months or less.

All investments recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

NOTE 1: Summary of Significant Accounting Policies (cont'd)

G. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance 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 employed as an extension of formal budgetary integration in the General Fund and Special Revenue Funds. Encumbrances outstanding at fiscal year end lapse and must be re-budgeted.

H. Prepaid Items

Prepaid balances are for payments made by the City in the current year to provided services occurring in the subsequent fiscal year, and the reserve for prepaid items has been recorded to signify that a portion of fund balance is not available for to the subsequent expenditures.

I. Inventories

The inventories in the Proprietary Funds consist of supplies and are valued at the lower of weighted average cost or market.

J. Interfund Receivables and Payables

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

K. Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

L. Capital Assets

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

NOTE 1: Summary of Significant Accounting Policies (cont'd)

Assets capitalized, not including infrastructure assets, have an original cost of $1,000 or more and over three years of useful life. Infrastructure assets capitalized have an original cost of $5,000 or more. Depreciation has been calculated on each class of depreciable property, using the straight-line method. The estimated useful lives are as follows:

Buildings	25 - 50 years
Water and Sewer System	30 - 50 years
Infrastructure	20 - 35 years
Machinery and Equipment	5 - 10 years
Improvements	20 years

Pursuant to GASB Statement 34, the City has reported infrastructure completed during the year and included construction in progress in its capital assets.

M. Accumulated Compensated Absences

It is the City's policy to permit employees to accumulate a limited amount of earned but unused vacation that will be paid to employees upon separation for City's service.

Accumulated sick pay benefits have not been recorded as a liability because the payment of benefits is contingent upon the future illness of an employee. It is not expected that any unrecorded sick pay benefits will exceed a normal year's accumulation.

In accordance with the provisions of Statement of Governmental Accounting Standards No 16, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

N. Restricted Assets

Certain proceeds from grants and receivables from grantors have been classified as restricted assets in the balance sheet because their use is limited by the applicable grant agreements. The restricted cash has been set aside in a separate account. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, it is the City's policy is to first apply unrestricted resources.

O. Bond Discounts/Issuance Costs

Bond discounts and issuance costs for proprietary fund types are deferred and amortized over the term of the bonds using the bond-outstanding method, which approximates the effective interest method. Bond discounts are presented as a reduction of the face amount of bonds payable whereas issuance costs are recorded as deferred charges.

NOTE 1: Summary of Significant Accounting Policies (cont'd)

P. 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 improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed by creditors, grantors or laws or regulations of other governments.

Q. Capital Lease Obligations

The capitalized lease obligations are stated at the original fair market value of leased assets capitalized, less payments since the inception of the lease, discounted at the implicit rate of interest in the lease.

R. Implementation of New Accounting Principles

The City has elected to utilize the infrastructure transition option in the implementation of GASB Statement No. 34 (GASB 34), "Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments". The City has currently begun recording new infrastructure items as they are completed. The remaining infrastructure already in place will be added in a future year.

NOTE 2: Stewardship, Compliance and Accountability

By its nature as a local government, the City is subject to various federal, state, and local laws and contractual regulations. An analysis of the City's compliance with significant laws and regulations and demonstration of its stewardship over City resources follows.

The following departments in the governmental-type activities had an excess of expenditures over appropriations for the year ended June 30, 2011:

Fund	Budgeted Expenditures	Budgetary Basis Expenditures	Excess of Actual Over Budgeted Expenditures
General Fund-			
Public Works	$ 171,111	$ 198,251	$ (27,140)
Public Safety	21,800	98,723	(76,923)

The City has taken steps to ensure that this is corrected by hiring new management who are aware of the importance of amending the budget during the year.

The City had a deficit fund balance in the General Fund at June 30, 2011 in the amount of $ (9,814). The City are taking steps to correct this by hiring new management and implementing tighter budget controls.

NOTE 3: Cash and Investments

Cash-

State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Georgia or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. The City's deposits, including certificates of deposit, were fully insured or collateralized as required by the state statutes at June 30, 2011.

At June 30, 2011, the carrying amount of the City deposits was $155,894 and the bank balance was $ 174,591. Category 1-insured or collateralized with securities held by the entity or by its agent in the entity's name; Category 2–collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name; Category 3-uncollateralized, including any bank balance that is collateralized with securities held by the pledging institution, or by its trust department or agent but not in the entity's name.

	Category			Bank	Carrying
	1	2	3	Balance	Amount
Total Reporting Entity	$ 174,591	$ 0	$ 0	$ 174,591	$ 155,894

The City is allowed to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) negotiable certificate of deposits issued by any bank or trust company organized under the laws or any state of the United States and (3) any repurchase agreement organized under the laws of any state of the United States having a nationally recognized investment firm rating of A or higher.

For fiscal year 2011, the City invested only in certificates of deposits.

NOTE 4- Receivables and Payables

Amounts were recorded in the basic financial statements as receivables (amounts due to the City) and payables (amounts due others from the City).

Receivables at June 30, 2011 were as follows:

	Taxes	Accts	Other Gov'ts	Other	Total
Governmental Activities:					
General	58,297	0	122,260	0	180,557
	0		0	0	0
Total governmental activities	58,297	0	122,260	0	180,557
Business-Type Activities:					
Water & Sewer	0	26,324	0	0	26,324
Sanitation	0	4,373	0	0	4,373
Total business-type activities	0	30,696	0	0	30,696

NOTE 4- Receivables and Payables (cont'd)

Payables at June 30, 2011, were as follows:

	Vendors	Salaries/ Benefits	Accrued Interest	Other	Total
Governmental Activities:					
General	6,687	0	0	0	6,687
	0	0	0	0	0
Total governmental Activities	6,687	0	0	0	6,687
Business-Type Activities:					
Water & Sewer	3,344	0	28,735	64,749	96,828
Sanitation	0	0	0	0	0
Total business-type Activities	3,344	0	28,735	64,749	96,828

NOTE 5- Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

	Balance July 1	Additions Completions	Retirements Adjustments	Balance June 30
Governmental Activities:				
Capital assets not being depreciated-				
Land	17,500	0	0	17,500
Const in Progress	0			0
Total capital assets not being depreciated	17,500	0	0	17,500
Capital assets, being depreciated-				
Buildings	323,848	23,846	0	347,694
Equipment	464,793	74,877	0	539,670
Infrastructure	0			0
Total capital assets being depreciated	788,641	98,723	0	887,364
Less accumulated depreciation for:				
Buildings	(129,803)	(11,392)		(141,195)
Equipment	(413,750)	(27,150)		(440,900)
Infrastructure	0			0
Total accumulated depreciation	(543,553)	(38,542)	0	(582,095)
Total capital assets, being depreciated, net	245,088	60,181	0	305,269
Governmental activities capital assets, net	262,588	60,181	0	322,769

NOTE 5- Capital Assets (cont'd)

	Balance July 1	Additions Completions	Retirements Adjustments	Balance June 30
Business-type activities:				
Capital assets not being depreciated-				
Land	88,450	0	0	88,450
Construction in progress	0	0	0	0
Total capital asset not being depreciated	88,450	0	0	88,450
Capital assets being depreciated-				
Buildings/Improvements	22,303	23,650	0	45,953
Equipment	617,956	0	0	617,956
Infrastructure	3,584,692	0	0	3,584,692
Total capital assets, being depreciated	4,224,951	23,650	0	4,248,601
Less accumulated depreciation for:				
Buildings/Improvements	(14,014)	(1,313)	0	(15,327)
Equipment	(259,593)	(10,907)	0	(270,500)
Infrastructure	(1,572,340)	(44,675)	0	(1,617,015)
Total accumulated depreciation	(1,845,947)	(56,219)	0	(1,902,842)
Total capital assets being deprec, net	2,379,004	(56,219)	0	2,345,759
Business-type activ. capital assets, net	2,467,454	(56,219)	0	2,434,209

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

Governmental activities:	
General government and administration	17,834
Public safety	12,625
Public works	8,084
Total depreciation expense-governmental activities	38,542
Business-type activities:	
Water & Sewer	56,895
Total depreciation expense-business-type activities	56,895

NOTE 6- Interfund Balances and Activity

There were no transfers between funds during the year.

The following interfund balances existed at June 30, 2011

	Receivable	(Payable)
Governmental Activities:		
Due from General Fund to Wtr & Sewer	0	220,630
Due General Fund from Sanitation Fund	29,120	0
Business Type Activities:		
Due to Water & Sewer from General Fund	220,630	0
Due from Wtr & Swr to Sanitation fund	45,582	45,582
Due from Sanitation Fund to General Fund	0	29,120
Total	295,332	295,332

The interfund balance between these two funds was created by cash flow short falls and accounting system of transferring monies after collection to proper funds. Management is implementing steps to correct this.

NOTE 7: Long-Term Obligations

Transactions for the year ended June 30, 2011 are summarized as follows:

	Balance July 1	Issues or Additions	Payments or Expenditures	Adjust.	Balance June 30	Due within one year
Governmental Type Activities:						
Capital Lease Payable	21,897	0	(7,002)	0	14,895	7,295
Total governmental Activities	21,897	0	(7,002)	0	14,895	7,295
Business-Type Activities:						
USDA Rev Bonds	674,000	0	(16,000)	0	658,000	17,000
Total business-type Activities	674,000	0	(16,000)	0	658,000	17,000

Changes in Outstanding Debt-

Governmental Type Activities:

Capital Leases
The City has enters into various lease agreements as lessee to finance various equipment. These leases qualify as capital leases for accounting purposes and therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. The following is a summary of equipment leased under capital lease agreements by the City as of June 30, 2011:

	Governmental-type Activities	Business-type Activities
Computer Equipment/Software	$ 35,188	$ 0
	$ 35,188	$ 0

NOTE 7: Long-Term Obligations (Cont'd)

The following is a schedule of the future minimum lease payments required under these capital leases and the present value of the net minimum lease payments at June 30, 2011:

Year Ending June 30,	Governmental-Type Activities	Business-Type Activities
2012	7,797	
2013	7,797	0
Total Minimum Lease Payments	15,594	0
Less: Amount	(699)	(0)
Present Value of Future Minimum Lease Payments	14,895	0

In June, 2008 the City entered into a municipal lease agreement to purchase computer equipment and software with the Georgia Municipal Association and Branch Banking & Trust Company for $35,188. The lease has an interest rate of 4.12% and quarterly lease payments are $ 1,949.22. The first payment is due 08/15/2008 and the outstanding balance at June 30, 2011 was $ 14,895.

Business Type Activities:

Bonds Payable:
The Water & Sewer Fund has debt outstanding consisting of the Series 1989A and Series 1989B Revenue Bonds. The 1989A Series was originally issued for $ 498,000 and the 1989B Series was originally issued for $ 327,000. Both bonds were issued for construction of a water and sewer system. The following is a summary of the City's individual bond issues that are outstanding at June 30, 2011.

(1) Schedule of Series 1989A Bonds Payable (7.75% interest rate):

Due December 1	Principal Due Each Year	Interest Due	Total Payment
2011	10,000.00	29,795.00	39,795.00
2012	10,000.00	29,057.50	39,057.50
2013	12,000.00	28,320.00	40,320.00
2014	13,000.00	27,435.00	40,435.00
2015	14,000.00	26,476.25	40,476.25
2016	15,000.00	25,443.75	40,443.75
2017	17,000.00	24,337.50	41,337.50
2018	17,000.00	23,083.75	40,083.75
2019	19,000.00	21,830.00	40,830.00

NOTE 7: Long-Term Obligations (Cont'd)

(1) Schedule of Series 1989A Bonds Payable (7.75% interest rate): (cont'd)

Due December 1	Principal Due Each Year	Interest Due	Total Payment
2020	21,000.00	20,428.75	41,428.75
2021	23,000.00	18,880.00	41,880.00
2022	25,000.00	17,183.75	42,183.75
2023	27,000.00	15,340.00	42,340.00
2024	30,000.00	13,348.75	43,348.75
2025	33,000.00	11,136.25	44,136.25
2026	36,000.00	8,702.50	44,702.50
2027	39,000.00	6,047.50	45,047.50
2028	43,000.00	3,171.25	46,171.25
Total	404,000.00	350,017.50	754,017.50

(2) Schedule of Series 1989B Bonds Payable (7.75% interest rate):

Due December 1	Principal Due Each Year	Interest Due	Total Payment
2011	7,000.00	18,732.50	25,732.50
2012	8,000.00	18,216.25	26,216.25
2013	8,000.00	17,626.25	25,626.25
2014	9,000.00	17,036.25	26,036.25
2015	10,000.00	16,372.50	26,372.50
2016	10,000.00	15,635.00	25,635.00
2017	11,000.00	14,897.50	25,897.50
2018	12,000.00	14,086.25	26,086.25
2019	13,000.00	13,201.25	26,201.25
2020	14,000.00	12,242.50	26,242.50
2021	15,000.00	11,210.00	26,210.00
2022	16,000.00	10,103.75	26,103.75
2023	17,000.00	8,923.75	25,923.75
2024	18,000.00	7,670.00	25,670.00
2025	19,000.00	6,342.50	25,342.50
2026	21,000.00	4,941.25	25,941.25
2027	22,000.00	3,392.50	25,392.50
2028	24,000.00	1,770.00	25,770.00
Total	254,000.00	212,400.00	466,400.00

NOTE 8: Retirement Benefits

City employees are covered under the provisions of the Social Security act.

Peace Officers' Annuity and Benefit Fund

The Police Chief and policemen are covered under separate pension plans which require that certain sums from fines or bonds forfeited be remitted to the pension plans before the payment of any costs or other claims.

Defined Benefit Plan-

The City of Nahunta, Georgia maintains a agent multiple-employer, defined benefit pension plan (Public Employees Retirement System) which covers all of its employees, and participates in the statewide local government retirement system, a multiple-employer, cost sharing public employee pension plan which covers substantially all of the City's employees. The City of Nahunta Retirement Plan is administered by the Georgia Municipal Employee Benefit System (GMEBS). GMEBS is an agent multiple employer defined benefit plan.

Employees are not obligated to make contributions to the pension plan. The City's contribution obligation consists of three parts l) normal cost, i.e. plan benefits and administration expenses, 2) amortization of un-funded actuarial accrued liability, and 3) interest assumed from valuation date to the date contributions are paid.

Plan description and provision:

All of the City's employees who work twenty hours or more per week are eligible to participate in the PERS, a agent multiple-employer, defined benefit pension plan. Elected officials are not eligible to participate. The payroll of employees covered by the PERS for the year was $ 289,302. Current membership in the PERS is comprised of the following:

Group	Jan 1, 2011
Retirees and beneficiaries currently receiving benefits	4
Vested terminated employees	4
Active employees:	
Fully vested	12
Nonvested	0
Total Membership in the plan	20

The pension benefits are fully vested after 10 years in the plan. Employees attaining the age of 65 who have completed 5 or more continuous years of service are entitled to benefits of their average monthly earnings for each year of continuous service. Upon eligibility to retire, participants are entitled to an annual benefit in the amount 1.25 to 1.75% of his final average earnings in excess of a breakpoint that is determined based on age. An employee may elect early retirement at age 55 provided that he has a minimum of 10 years total credited service. Participants who have completed 10 years of credited service are eligible to designate a beneficiary to receive death benefits.

The Board of Trustees of GMEBS adopts/amends policies and provisions of the plan in accordance with the Public Retirement System Standards Law (GA Code Sec 47-20-10).

NOTE 8: Retirement Benefits (cont'd)

The Plan's financial statements are prepared on the accrual basis, modified to include unrealized gains or losses on marketable securities owned by the Plan and increments in cash value of death benefits. Investments in securities are valued at current market prices. Plan assets do not include any loans, notes, bonds, or other instruments or securities of the City or related parties.

The financial report for the pension plan is included in the report of a Public Employee Retirement System (PERS). The financial report of Georgia Municipal Employee Benefit System (GMEBS) can be obtained:
Georgia Municipal Association
201 Pryor Street, SW
Atlanta, Georgia 30303-3606

Significant Actuarial Assumptions

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

The significant actuarial assumptions used in the current valuation are:

- Rate of return on investment — 7.75% per year
- Projected salary increases — 3.5% per year
- Projected salary increases for merit or seniority — 0.5% per year
- Post-retirement benefit increases — Not applicable

Fund policy and annual contributions

The funding policy for the plan is to contribute an amount equal to the recommended contribution list in the following table:

Development of Recommended Contribution-

	Jan 1, 2010	Jan 1, 2011
Minimum Contribution		
Normal Cost	10,774	14,012
Return of Employee Contributions	0	0
Administrative Expenses	2,215	2,299
Total Normal Cost	12,989	16,311
Expected Employee Contributions	0	0
Employer Normal Cost	12,989	16,311
Payment on Unfunded Actuarial Accrued Liability	16,596	16,076
Interest	1,125	1,232
Recommended Contribution	30,710	33,619
Recommended Contribution (after applying 2008 rate)	38,685	44,560

NOTE 8: Retirement Benefits (cont'd)

The recommended contribution meets the guidelines for calculating an annual required contribution set forth in Paragraphs 9-10 of Statement No. 27. These contributions are determined under the projected unit credit actuarial cost method and the asset valuation method for developing the actuarial value of assets as described below:

> *Calculate expected actuarial value of assets by rolling forward prior year's actuarial value with contributions, disbursements, and expected return on investments. Preliminary actuarial value of assets is expected actuarial value of assets plus (minus) 10 % of the amount that market value of assets exceeds (is less than) expected actuarial value of assets. In addition, the actuarial value of assets will not be less than 60% or greater than 140% of the market value of assets. This 40% corridor will be reduced by 5% each year until 2007, after which time the actuarial value of assets will not be less than 80% or greater than 120% of the market value of assets*

The period, and related method, for amortizing the initial unfounded actuarial accrued liability is 30 years from 1996 and current changes in un-funded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods, if applicable, are closed for this plan year

Present Value of Accrued Plan Benefits	Jan 1, 2010	Jan 1, 2011
(On Going Basis)		
Total present value of accrued plan benefits	287,617	300,878
Market value of assets	169,671	197,579
Fund percentage	58.99 %	65.67 %
(Plan Termination Basis)		
Total present value of accrued plan benefits	497,421	575,574
Market value of assets	169,671	197,579
Fund percentage	34.11 %	34.33 %

NOTE 8: Retirement Benefits (cont'd)

Funded Status

The table below sets forth required supplementary information disclosed in the schedule of funding progress based on the March 1 of each year/ January 1 beginning 2010.

	Actuarial Value Assets	Actuarial Accrued Liability	Funded Ratio	Total Unfunded Actuarial Liability	Annual Covered Payroll	UAAL as a % of Covered Payroll
1997	11,699	87,516	13.37%	(75,817)	154,599	49.04%
1998	23,797	99,450	23.93%	(75,653)	194,871	38.82%
1999	37,912	127,822	29.65%	(89,910)	185,951	48.35%
2000	52,714	166,023	31.75%	(113,039)	238,607	47.37%
2001	74,349	186,964	39.76%	(112,615)	253,026	44.51%
2002	92,358	202,617	45.58%	(110,259)	248,763	44.32%
2003	100,744	224,048	44.97%	(123,304)	262,358	46.99%
2004	119,718	247,109	48.45%	(127,391)	248,372	51.29%
2005	142,966	254,042	56.30%	(111,076)	124,166	89.46%
2006	162,100	278,526	58.20%	(116,426)	117,791	98.84%
2007	178,260	279,686	63.74%	(101,426)	110,156	92.07%
2008	197,460	280,144	70.48%	(82,684)	120,057	68.87%
2009	169,700	328,433	51.67%	(158,733)	270,313	58.72%
2010	215,895	332,806	64.87%	(116,911)	251,157	46.55%
2011	239,619	352,867	67.91%	(113,248)	289,302	39.15%

The market value of assets is the current value of assets on the valuation date. This value fluctuates with changing financial market conditions.

Effect of plan changes on the actuarial accrued liability

The effect on the actuarial accrued liability of any current-year changes in actuarial assumptions or benefit provisions is: The plan provisions valued and the actuarial assumptions are the same as those used in the preceding valuation.

Effect of plan changes on recommended contributions

The effect on the recommended contributions of any current-year changes in actuarial assumptions, benefit provisions or actuarial funding method is: The plan provisions valued and the actual assumptions and cost methods are the same as those used to determine the contribution requirement for the preceding year.

Trend Information:

Fiscal Year	Annual Pension Cost	Percentage Contributed
1997	13,156	100%
1998	13,864	100%
1999	15,440	100%
2000	18,078	100%
2001	21,288	100%
2002	22,281	100%
2003	21,203	100%
2004	24,024	100%
2005	19,822	100%
2006	22,081	100%
2007	20,596	100%
2008	18,171	100%
2009	34,647	100%
2010	38,685	100%
2011	44,560	100%

NOTE 8: Retirement Benefits (cont'd)

The method for determining the actuarial value of assets is part of GMEBS actuarial funding policy. It produces an adjusted actuarial value of assets. The smoothing technique gradually incorporates investment performance that exceeds or falls short of the expected return of 8%, which is the valuation's investment return assumption. Further, this method involves rolling forward prior year's actuarial value with contributions, disbursements, and expected return on investments, plus 10% of investment gains(losses) during 10 prior years.

Ten-year historical trend information can be found in a separately issued PERS report. This report will also provide information about progress made in accumulating sufficient assets to pay benefits when due.

NOTE 9 - Commitments and Contingencies

The City has participated in a number of federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Such audits could result in request for reimbursement by the Federal and State agencies for expenditures disallowed under the terms and conditions of the appropriate agency. The amount of expenditures which may be disallowed by granting agencies cannot be determined at this time; although, the City expects such amounts, if any, to be immaterial.

Various claims and lawsuits may be pending against the City. The City estimates that the potential claims from the pending lawsuits against the City, not covered by insurance, would not materially affect the financial statements of the City.

NOTE 10-Risk Management

The City is exposed to various risks of losses related to torts, thefts of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City maintains property, liability, and workers compensation insurance to manage these risks.

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains property, liability, and workers compensation insurance to manage these risks.

The City has joined together with other municipalities in the state as part of the Georgia Municipal Association Group Self-Insurance Workers Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for member local governments.

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

NOTE 10-Risk Management (cont'd)

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 fund are to pay all cost 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.

During the past year the City paid out $ 12,075 related to claims to cover legal costs and insurance deductibles.

The City is exposed to various risks of losses related to torts, thefts of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City maintains property, liability, and workers compensation insurance to manage these risks.

The City has joined together with other municipalities in the state as part of the Georgia Municipal Association Group Self-Insurance Workers Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for member local governments. The Fund is to defend, in the name of and on behalf of the members, any suits or other proceedings which may at any time be instituted against them on account of injuries or death within the preview of the Workers' Compensation Law of Georgia, or on the basis or employer's liability, including suits or other proceedings alleging such injuries and remanding or compensation, therefore, although such suits, other proceedings, allegations or demands be wholly groundless, false or fraudulent. The Fund is 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.

NOTE 11- Property Taxes

The property tax calendar is as follows: Jan 31- Property values are assessed by the Brantley County Tax Assessors. November 1 -Property Tax notices are mailed to taxpayers. December 31- Property taxes are due 60 days after mailing. Jan. 1-Property taxes attach as an enforceable lien on property within sixty-one days after tax notices are received by the taxpayer. Collections of property taxes are accounted for in the General Fund of the City of Nahunta. City property taxes are recognized to the extent that they result in current receivables at December 31.

Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered part of the basic financial statements. Such information includes:

- Budgetary Comparison-General Fund

City of Nahunta, Georgia
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2011

	Budgeted Amounts		GAAP/Budget	Variance with Final Budget Positive
	Original	Final	Basis	(Negative)
Revenues:				
Taxes	537,441	537,441	531,172	(6,269)
Licenses & Permits	27,528	27,528	27,966	438
Fines & Forfeitures	66,000	66,000	35,023	(30,977)
Charges for Services	-	-	-	-
Intergovernmental	-	-	5,500	5,500
Other	23,673	23,673	7,188	(16,485)
Total Revenues	654,642	654,642	606,849	(47,793)
Expenditures:				
Current:				
General Government	234,708	234,708	200,001	34,707
Judicial	4,500	4,500	4,457	43
Public Safety	214,523	214,523	181,430	33,093
Public Works	171,111	171,111	198,251	(27,140)
Capital Outlay	21,800	21,800	98,723	(76,923)
Debt Service	8,000	8,000	7,797	203
Total Expenditures	654,642	654,642	690,659	(36,220)
Excess(deficiency) of revenues over expenditures	-	-	(83,810)	(83,810)
Other Financing Sources (Uses):				
Proceeds from Long Term Debt	-	-	-	-
Transfers Out	-	-	-	-
Total other financing sources(uses)	-	-	-	-
Excess(deficiency) of revenues and other sources over expenditures and other uses	-	-	(83,810)	(83,810)
Fund balances at beginning of year			73,997	
Fund balances at end of year			(9,813)	

Federal & State Program Section

TANNER & WESTER CPA's, LLC

Certified Public Accountants

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Blackshear, GA 31516
Ph. (912) 449-4724

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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

February 24, 2012

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the City of Nahunta, Georgia as of and for the year ended June 30, 2011, which collectively comprise the City of Nahunta, Georgia's basic financial statements and have issued our report thereon dated February 24, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Nahunta, 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 Nahunta's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Nahunta'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 the normal course of performing their assigned functions, to prevent or detect 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.

Our consideration of the 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. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. (items 2005-1 and 2005-2) A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

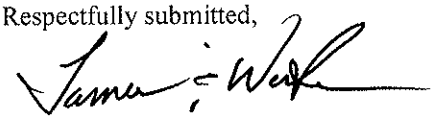
Compliance

As part of obtaining reasonable assurance about whether City of Nahunta, 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 that are required to be reported under Government Auditing Standards.

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

This report is intended solely for the information and use of management, City Council, 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.

Respectfully submitted,



Tanner & Wester, CPA's, LLC

City of Nahunta, Georgia
Schedule of Findings
For the Year ended June 30, 2011

Section I- Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:
Material weakness identified? ___ yes _X_ no
Significant deficiencies identified that are not
considered to be material weaknesses? _X_ yes ___ no

Noncompliance material to financial statements noted? ___ yes _X_ no

Section II- Financial Statement Findings

Finding 2005-01
Improper segregation of duties

Condition:
Due to relatively small size of the City, it is not possible to maintain proper segregation of duties.
The City has an office staff of two persons who must perform a number of related tasks. This makes it extremely difficult to maintain proper segregation of duties at all times.
Recommendation:
Management should look for innovative ways to create a segregation of duties by using non-office personnel and elected officials when possible to improve this area of internal controls. Example: The cashier should be given a certain amount of change at the beginning of each day. At the end of that day, the cash should be counted by a person other than the cashier. This count should be reconciled with the collections recorded in the computer system and receipt records for that day. Both persons should sign off on the count sheet for that day. The deposit should not be prepared by the cashier.
Management View: Management concurs with findings and has submitted a corrective action plan to address.

Finding 2005-02
Absence of proper control techniques

Condition:
Although the City has purchased new accounting software, the City has not properly maintained the proper accounting records necessary to produce financial statements comparing the approved budget to actual financial activity each month. The City does not currently prepare monthly bank reconciliations. Also, daily receipts are not reconciled to deposits. This does not allow management to properly control the receipts or expenditures of the City and avoid exceeding the adopted budget. The City also does not maintain sufficient written purchasing procedures outlining approval processes, bid procedures, etc.
Recommendation:
Management should immediately provide necessary training to maintain necessary accounting records to provide financial statements that allow the control of expenditures related to the approved budget. Also, the City should adopt updated written purchasing procedures detailing items such as the purchase approval & payment process, bid procedures, etc. This process should include the documentation of approval of all invoices by management.
Management View: Management concurs with findings and has submitted a corrective plan to address.

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628 Plant Avenue
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Independent Auditor's Report on Special County One-Percent Sales and Use Tax

February 24, 2012

To the Honorable Mayor and
Members of the City Council
Of City of Nahunta, Georgia

We have audited the accompanying Schedule of Projects Constructed with Special Sales Tax Proceeds for the year ended June 30, 2011. The Schedule is the responsibility of City of Nahunta's management. Our responsibility is to express an opinion on the Schedule of Projects Constructed with Special Sales Tax Proceeds based on our audit.

Our audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards issued by the Comptroller General of the United States as required by Section 48-8-121 of the Official Code of Georgia Annotated (OCGA). Thos 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 assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation. We believe that our audit provides a reasonable basis for our opinion.

In the conduct of our audit, we verified and tested expenditures of each project constructed or under construction which were identified in the resolution or ordinance calling for imposition of the special sales and use tax authorized by Section 48-8-110 OCGA. The accompanying schedule is intended to present the projects constructed with sales tax proceeds and is not intended to be a complete presentation of entity's assets, liabilities, revenues and expenses. The City prepares the accompanying Schedule of Projects Constructed with Special Sales Tax Proceeds in accordance with accounting principles generally accepted in the United States of America.

In our opinion, the accompanying Schedule of Projects Constructed with Special Sales Tax Proceeds which lists each identified project and information required by Section 48-8-121 OCGA presents fairly in all material respects the original estimated cost of each project, expenditures incurred and the estimated percentage of completion of each project through June 30, 2011, the end of the fiscal year covered by this audit.

Respectfully submitted,

Tanner & Wester, CPA's, LLC

City of Nahunta, Georgia
Schedule of Projects Constructed
With Special Local Option Sales Tax Proceeds
For the Year ended June 30, 2011

Project	Original Estimated Cost	Expenditures Prior Year	Expenditures Current Year	Total To Date	Est % of Completion
Road , Street, and Bridge Improvements	$337,500	0.00	70,989.98	70,989.98	21.00%
Totals		0.00	70,989.98	70,989.98	

Note: The original estimated cost is the total project amount included in the original referendum for collection of a special local option sales tax and approved by the voters of Brantley County.