GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF NELSON, GEORGIA
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities
ASSETS	
Current assets:	
Cash	$ 62,622
Certificates of deposit	107,115
Restricted cash	282,289
Restricted certificates of deposit	104,750
Accounts receivable	1,387
Taxes receivable	34,193
Fines receivable, net	13,870
Receivables from other governments	27,344
Prepaid items	14,172
Total current assets	647,742
Non-current assets:	
Non-depreciable capital assets	159,003
Depreciable capital assets, net	1,499,678
Total non-current assets	1,658,681
Total assets	$ 2,306,423
LIABILITIES	
Current liabilities:	
Accounts payable	$ 20,778
Accrued liabilities	4,261
Payable to other governments	74,019
Capital lease	13,846
Total current liabilities	112,904
Non-current liabilities:	
Capital lease	-
Compensated absences	835
Total non-current liabilities	835
Total liabilities	113,739
NET ASSETS	
Invested in capital assets, net of related debt	1,644,835
Restricted for capital projects	306,559
Unrestricted	241,290
Total net assets	2,192,684
Total liabilities and net assets	$ 2,306,423

The accompanying notes to financial statements are an integral part of this financial statement.

CITY OF NELSON, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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: Total Governmental Activities
Governmental activities:					
General government	$ 146,295	$ -	$ -	$ 3,254	$ (143,041)
Judicial	22,543	-	-	-	(22,543)
Public safety	107,509	44,115	-	7,162	(56,232)
Public works	171,657	41,283	-	212,660	82,286
Housing and development	3,255	300	-	-	(2,955)
Culture and recreation	8,793	-	-	-	(8,793)
Intergovernmental	74,019	-	-	-	(74,019)
Interest on long-term debt	1,263	-	-	-	(1,263)
Total governmental activities	$ 535,334	$ 85,698	$ -	$ 223,076	$ (226,560)

General Revenues:	
Property taxes levied for general purposes	121,802
Franchise taxes	31,954
Business taxes	37,734
Sales and use taxes	104,303
Unrestricted investment earnings	586
Miscellaneous	2,190
Total general revenues	298,569
Change in net assets	72,009
Net assets, beginning of year, as restated	2,120,675
Net assets, end of year	$ 2,192,684

The accompanying notes to financial statements are an integral part of this financial statement.

FUND FINANCIAL STATEMENTS

CITY OF NELSON, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	General Fund	SPLOST Fund	Total Governmental Funds
ASSETS			
Cash	$ 62,622	$ -	$ 62,622
Certificates of deposit	107,115	-	107,115
Restricted cash	-	282,289	282,289
Restricted certificates of deposit	-	104,750	104,750
Taxes receivable, net	34,193	-	34,193
Fines receivable, net	13,870	-	13,870
Accounts receivable	1,387	-	1,387
Due from other governments	17,206	10,138	27,344
Due from other funds	90,618	-	90,618
Prepaid items	14,172	-	14,172
Total assets	$ 341,183	$ 397,177	$ 738,360
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 20,778	$ -	$ 20,778
Accrued liabilities	4,235	-	4,235
Due to other governments	74,019	-	74,019
Due to other funds	-	90,618	90,618
Deferred revenue	33,413	-	33,413
Total liabilities	132,445	90,618	223,063
FUND BALANCES			
Reserved for:			
Capital projects	-	306,559	306,559
Prepaid items	14,172	-	14,172
Unreserved	194,566	-	194,566
Total fund balances	208,738	306,559	515,297
Total liabilities and fund balances	$ 341,183	$ 397,177	$ 738,360

The accompanying notes to financial statements are an integral part of this financial statement.

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

Fund balances - total governmental funds			$ 515,297
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 this fund financial statement.			
	Cost of capital assets	$ 2,340,495	
	Less accumulated depreciation	(681,814)	1,658,681
Liabilities not due and payable in the current period and, therefore, are not reported in the governmental fund balance sheets but are reported on the government-wide statement of net assets.			
	Capital lease payable	(13,846)	
	Accrued interest	(26)	
	Compensated absences	(835)	(14,707)
Other long-term assets reported are not available to pay for current period expenditures and, therefore, are deferred in the fund financial statements.			
	Property taxes		33,413
Net assets of governmental activities			$ 2,192,684

The accompanying notes to financial statements are an integral part of this financial statement.

CITY OF NELSON, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	General Fund	SPLOST Fund	Total Governmental Funds
REVENUES			
Taxes	$ 289,335	$ -	$ 289,335
Intergovernmental	-	102,561	102,561
Licenses and permits	300	-	300
Fines and forfeitures	44,115	-	44,115
Charges for services	41,283	-	41,283
Investment income	586	2,315	2,901
Other	2,190	-	2,190
Total revenues	377,809	104,876	482,685
EXPENDITURES			
Current:			
General government	138,003	-	138,003
Judicial	22,543	-	22,543
Public safety	86,836	-	86,836
Public works	97,009	-	97,009
Housing and development	3,255	-	3,255
Culture and recreation	324	-	324
Intergovernmental	74,019	-	74,019
Debt service:			-
Capital lease principal payments	17,644	-	17,644
Interest on capital lease	1,237	-	1,237
Capital outlay	-	62,498	62,498
Total expenditures	440,870	62,498	503,368
Excess (deficiency) of revenues over expenditures	(63,061)	42,378	(20,683)
FUND BALANCES, beginning of year, as restated	271,799	264,181	535,980
FUND BALANCES, end of year	$ 208,738	$ 306,559	$ 515,297

The accompanying notes to financial statements are an integral part of this financial statement.

CITY OF NELSON, GEORGIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Net change in fund balances - total governmental funds:			$ (20,683)
Amounts reported for Governmental Activities in the Statement of Activities are different because:			
Governmental funds report outlays for capital assets as expenditures of the governmental fund type operating statement. However, in the government-wide statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capitalized capital outlay in the current period.			
Depreciation expense	$ (94,459)		
Capitalized outlay	44,900		(49,559)
Developer contributed infrastructure and other assets are reported as revenue on the government-wide statement of activities but not reported in the governmental funds.			118,200
Revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues at the fund financial reporting level.			
Property taxes:			
Deferred @ 6/30/2009	26,955		
Deferred @ 6/30/2010	33,413		6,458
Accrued interest is reported in the government-wide statement of activities, but does not require the use of financial resources and, therefore, are not reported as expenditures in the governmental fund type statement.			
Liability @ 6/30/2009	-		
Liability @ 6/30/2010	26		(26)
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the government-wide statement of activities.			17,644
Compensated absences reported in the government-wide statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.			
Liability @ 6/30/2009	810		
Liability @ 6/30/2010	835		(25)
Change in net assets of governmental activities			$ 72,009

The accompanying notes to financial statements are an integral part of this financial statement.

CITY OF NELSON, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over
	Original	Final	(See Note 1K)	(Under)
Resources (inflows):				
Property taxes	$ 105,600	$ 121,100	$ 115,343	$ (5,758)
Franchise taxes	29,000	34,000	31,954	(2,046)
Business taxes	32,000	38,000	37,735	(265)
Intergovernmental (SPLOST)	100,000	105,000	104,303	(697)
Licenses and permits	5,400	5,400	300	(5,100)
Intergovernmental	50,000	50,000	-	(50,000)
Charges for services	45,000	45,000	41,283	(3,717)
Fines and forfeitures	30,000	45,000	44,115	(885)
Investment earnings	500	500	586	86
Miscellaneous	2,000	2,000	2,190	191
Total Revenues	399,500	446,000	377,809	(68,191)
Charges to appropriations (outflows):				
General government:				
Legislative	48,700	55,200	54,522	(678)
General administration	68,500	81,000	80,621	(379)
Elections	3,000	3,000	2,860	(140)
Judicial:				
Municipal court	11,550	22,550	22,543	(7)
Public Safety:				
Patrol	84,500	88,500	86,836	(1,664)
Public Works:				
Highways and streets	62,900	64,900	63,418	(1,482)
Solid waste collection	46,900	53,400	52,472	(928)
Housing and development:				
Protective inspection	3,250	2,500	3,255	755
Culture and Recreation:				
Museum	200	200	53	(147)
Parks	500	250	271	21
Intergovernmental	70,000	75,000	74,019	(981)
Total Expenditures	400,000	446,500	440,870	(5,630)
Excess (Deficiency) of Revenues Over Expenditures	(500)	(500)	(63,061)	(62,561)
Other Financing Sources (Uses):				
Proceeds from disposal of assets	500	500	-	(500)
Total Other Financing Sources and Uses	500	500	-	(500)
Net change in fund balance	-	-	(63,061)	(63,061)
Fund balance, beginning of year, as restated	271,799	271,799	271,799	-
Fund balance, end of year	$ 271,799	$ 271,799	$ 208,738	$ (63,061)

The accompanying notes to financial statements are an integral part of this statement.

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES:

The financial statements of the City of Nelson, Georgia ("the City") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. THE REPORTING ENTITY

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The City's financial statements include the City's accounts of all operations. The criteria for including organizations within the City's reporting entity, as set forth in Governmental Accounting Standards Board's Statement No. 14 (GASB 14), "The Financial Reporting Entity", is financial accountability. Financial accountability is defined as appointment of a voting majority of the component unit's board and either the ability to impose will by the primary government or the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. As of June 30, 2010, there are no component units included in the financial statements of the City.

B. BASIS OF PRESENTATION - FUND ACCOUNTING

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The City's funds are grouped into two broad fund categories and four generic fund types for financial statement presentation purposes. Governmental funds include the general and capital projects funds.

C. BASIS OF ACCOUNTING

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements report on all non-fiduciary activities of the primary government. There are no component units to be considered at this time. These statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Transfers between funds reported in the governmental activities column are eliminated. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

The government-wide statement of activities presents a comparison between expenses and program revenues for each governmental program of the City. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the City.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. It is the City's policy to utilize restricted resources, when available for use, before utilizing unrestricted resources.

FUND FINANCIAL STATEMENTS

Fund financial statements report detailed information about the City. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column.

GOVERNMENTAL FUNDS

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Revenue Recognition

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e., collectible within the current year or within 60 days of year-end and available to pay obligations of the current period). This includes investment earnings, income taxes withheld by employers, fines and forfeitures and state-levied locally shared taxes (including motor vehicle fees). Reimbursements due for federally funded projects are accrued as revenue at the time the expenditures are made, or when received in advance, deferred until expenditures are made.

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Property taxes, though measurable, are not available soon enough in the subsequent year to finance current period obligations. Therefore, property tax receivables are recorded and deferred until they become available.

Other revenues, including licenses and permits, certain charges for services, income taxes other than those withheld by employers, and miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Fines receivable for the fiscal year ended 2010 totaled, $20,196. An allowance for uncollectible fines was established at $6,326. The net fines receivable is $13,870.

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on long-term debt, which has not matured, are recognized when paid. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

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

SPLOST Fund: The SPLOST Fund is used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts or major capital projects) that are restricted to expenditures for specified purposes.

D. ENCUMBRANCES

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 not employed by the City because it is at present considered not necessary to assure effective budgetary control or to facilitate effective cash planning and control.

E. CASH AND INVESTMENTS

Cash includes amounts in demand deposits. Statutes authorize the City to invest in U.S. Government obligations, U.S. Government agency obligations, State of Georgia obligations, obligations of other counties, municipal corporations and political subdivisions of the State of Georgia which are rated "AA" or better by Moody's Investors Service, Inc., negotiable certificates of deposit issued by any bank or trust company organized under the laws of any state of the United States of America or any national banking association, repurchase agreements when collateralized by U.S. Government or agency obligations, and pooled investment

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

programs sponsored by the State of Georgia for the investment of local government funds.

F. PROPERTY TAX CALENDAR

The City is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the schools and special districts with in the City. The City geographically lies on the boundary lines for Pickens County, Georgia and Cherokee County, Georgia and property taxes are collected based on each county's digest. For both Pickens County and Cherokee County, the City levies property taxes as of December 1, 2009 for values that were assessed in 2009. Secured property tax payments are due on February 1, 2010; penalties and interest are applied on March 2, 2010. The City has not established a lien date for either county at June 30, 2010.

G. CAPITAL ASSETS

All assets over the capitalization threshold of $5,000 for infrastructure and $1,500 for all other types of assets with a useful life extending beyond one year are capitalized and depreciated over time using the straight line method. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets include all roads and bridges and other infrastructure assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Asset Class	Estimated Useful Lives
Infrastructure	30 years
Buildings	50 years
Building improvements	20 years
Land improvements	10 to 15 years
Machinery and equipment	3 to 15 years
Vehicles	2 to 15 years

H. PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond June 30, 2010 are recorded as prepaid items. Prepaid insurance and prepaid dues were $13,554 and $618, respectively, for total prepaid assets of $14,172 as of June 30, 2010.

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

I. COMPENSATED ABSENCES

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

J. USE OF ESTIMATES

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

K. BUDGETS AND BUDGETARY CONTROL

The Finance Committee prepares a rough draft of the annual budgets from which the Mayor and City Council prepare proposed budgets. The City advertises in the local newspaper to give notice regarding a public hearing in which local citizens may give their input relating to the proposed budgets. The City also places a copy of the proposed budget on file for public inspection prior to the actual approval. Once these steps have been completed, the City Council then formally adopts the annual balanced budgets in a legally permissible manner.

Budgets have been legally adopted for all funds. Budgets are adopted on a basis consistent with generally accepted accounting principles, and on the same basis of accounting used by each fund to which the budget applies. The legal level of control of the City's budget is at the department level. All appropriations lapse at year end.

Revenues are budgeted by source. Expenditures are budgeted by department and may not exceed appropriations at this level. Budget revisions are subject to review and approval by the City Council.

For the year ended June 30, 2010, expenditures exceeded budget in the General Fund as follows:

Housing and development – protective inspections	$ 755
Culture and recreation - parks	$ 21

The expenditure overages resulted from unanticipated costs, and were funded by available fund balance.

NOTE 2 – SUMMARY OF DEPOSIT BALANCES

Custodial risk for deposits is the risk that in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal and state government instruments) to be collateralized by depository insurance, obligations of the U.S. Government, or bonds of public authorities, counties or municipalities. As of June 30, 2010, the amount of the City's uninsured bank balances amounted to approximately $132,000, and therefore, the amount was subject to custodial credit risk on the basis that they were uncollateralized by the financial institution in which the deposit accounts were held.

NOTE 3 - INTERFUND BALANCES AND ACTIVITY

A. BALANCES DUE TO/FROM OTHER FUNDS

Balances due to/from other funds at June 30, 2010 consist of the following:

Due to:	Due from:	
General Fund	SPLOST Fund	$ 90,618

Due to/from balances are for reimbursement of expenses.

B. TRANSFER TO/FROM OTHER FUNDS

There were no transfers to/from other funds during the year ended June 30, 2010.

NOTE 4 - DUE TO/FROM OTHER GOVERNMENTS

The following amounts are due from other governments at June 30, 2010:

General Fund:	
Georgia Department of Revenue	$ 17,206
SPLOST Fund:	
Georgia Department of Revenue	10,138
Total	$ 27,344

Intergovernmental payables at June 30, 2010 consist of $74,019 due to Cherokee County that represents the City's collection of fire tax on the County's behalf.

NOTE 5 - CAPITAL ASSETS

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

	Beginning Balances	Additions	Disposals	Ending Balances
Governmental Activities:				
Non-depreciable capital assets:				
Land	$ 136,803	$ 22,200	$ -	$ 159,003
Construction in progress	71,967	(71,967)	-	-
Total non-depreciable capital assets	208,770	(49,767)	-	159,003
Depreciable Capital Assets:				
Infrastructure	1,082,001	212,867	-	1,294,868
Buildings and improvements	454,697	-	-	454,697
Land improvements	12,862	-	-	12,862
Machinery and equipment	236,119	-	-	236,119
Vehicles	182,946	-	-	182,946
Total depreciable capital assets	1,968,625	212,867	-	2,181,492
Less accumulated depreciation:				
Infrastructure	(303,589)	(42,781)	-	(346,370)
Buildings and improvements	(47,642)	(9,179)	-	(56,821)
Land improvements	(3,642)	(1,146)	-	(4,788)
Machinery and equipment	(128,791)	(14,461)	-	(143,252)
Vehicles	(103,691)	(26,892)	-	(130,583)
Total accumulated depreciation	(587,355)	(94,459)	-	(681,814)
Total depreciable capital assets, net	1,381,270	118,408	-	1,499,678
Governmental activities capital assets, net	$ 1,590,040	$ 68,641	$ -	$ 1,658,681

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

General government	$ 6,479
Public safety	16,803
Public works	62,708
Culture and recreation	8,469
Total	$ 94,459

NOTE 6 - RESTRICTED ASSETS / NET ASSETS

Cash of $282,289 and certificates of deposit of $104,750 totaling $387,039 in the SPLOST Fund are restricted for the purpose of constructing, maintaining and improving roads and bridges in the City, in addition to other specific projects outlined in the referendum. The source of these funds consists of proceeds from a special one percent local option sales tax levied by Cherokee County. Net assets totaling $306,559 in the government-wide financial statements are restricted by enabling legislation related to SPLOST funds.

NOTE 7 - CHANGES IN LONG-TERM DEBT

The City has entered into a capital lease for the purchase of capital assets as follows:

Georgia Municipal Association, sanitation truck lease payable in quarterly installments of $4,710, including interest at 4.52%. Original loan of $84,336, matures March 2011.	$ 13,846

Included above are the following capital assets purchased with capital leases:

Vehicles	$ 84,336
Less: accumulated depreciation	(58,567)
Total	$ 25,769

Changes in long-term liabilities for the year ended June 30, 2010 is as follows:

	Beginning Balances	Additions	Reductions	Ending Balances	Amounts Due in One Year
Capital Lease	$ 31,490	$ -	$ 17,644	$ 13,846	$ 13,846
Compensated absences	810	25	-	835	-
Total long-term liabilities	$ 32,300	$ 25	$ 17,644	$ 14,681	$ 13,846

Capital leases and compensated absences are generally liquidated by the general fund.

Future minimum payments under the above capital lease consist of the following at June 30, 2010:

	Principal	Interest
2011	$ 13,846	$ 313

NOTE 8 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; and workers compensation for which the City carries the following insurance coverage.

There were no significant reductions of insurance coverage compared to the prior year. Settled claims have not exceeded the commercial excess coverage in any of the past three fiscal years.

Risk Pools

The City is a member of the Georgia Interlocal Risk Management Agency (GIRMA). Insurance coverage and deductible options for property, casualty and crime under the policy are selected by City's management based on the anticipated needs. The City is required to pay all premiums, applicable deductibles and assessments billed by GIRMA, as well as following loss reduction and prevention procedures established by GIRMA. GIRMA's responsibility includes paying claims, and representing the City in defense and settlement of claims. GIRMA's basis for estimating the liabilities for unpaid claims is "IBNR" established by an actuary. The City has not compiled a record of the claims paid up to the applicable deductible for the prior year or the current fiscal year. The City is unaware of any claims that the City is liable (up to the applicable deductible) which were outstanding and unpaid at June 30, 2010. No provisions have been made in the financial statements for the year ended June 30, 2010 for any estimate of potential unpaid claims.

The City has elected to be a member of the Georgia Municipal Association Workers' Compensation Self-Insurance Fund (GMAWCSIF), a risk management agency created under Georgia law. As a participant in the GMAWCSIF, the City has no legal obligation to pay its own workers' compensation claims. The City is required to make an annual contribution to the fund in an amount that is determined on the basis of actuarial projections of losses. With payment of the City's annual contribution, the City has effectively transferred the risk and responsibility for payment of its workers' compensation claims. However, the enabling statute creating the GMAWCSIF permits the fund to levy an assessment upon its members to make up any deficiency the fund may have in surplus or reserves. No amount has been recorded in the financial statements for this contingency, as management believes the likelihood for assessment is remote.

NOTE 9 - JOINT VENTURE

The City, in conjunction with cities and counties in a fifteen (15) county area, is a member of the Northwest Regional Commission (RC). 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 and House Bill 1216) provides for the organizational structure of the RCs. Each county and municipality in the state is required by law to pay minimum annual dues to the RC. The RC Board membership includes the chief elected official of each County and the chief elected official of each municipality. The County board members and municipal board members from the same County elect one member of the Board who is a resident (but not an elected or appointed official or employee of the County or municipality) to serve as the non-public Board member from a County.

NOTE 9 - JOINT VENTURE (CONTINUED)

The Georgia Planning Act of 1989 (O.C.G.A. 50-8-34) defines RCs as public agencies and instrumentalities of their members. Georgia law also provides that the member government are liable for any debts or obligations of an RC beyond its resource. (OCGA 50-8-39.1). Separate financial statements may be obtained from the Northwest Georgia Regional Commission at the following address:

Northwest Georgia Regional Commission
1 Jackson Hill Drive
Rome, Georgia 30162-1798

NOTE 10 – PRIOR PERIOD ADJUSTMENT

The City has determined that a restatement is required to correct a understatement of prepaid insurance in the prior period. The impact of the restatement to fund balance is as follows:

General Fund	
Fund Balance, June 30, 2009, as previously reported	$ 264,462
Adjustment to increase prepaid insurance	7,337
Fund Balance, June 30, 2009, as restated	$ 271,799

The prior period adjustment discussed above also impacted the prior period balance of net assets of the governmental activities. The following adjustment was necessary at June 30, 2009:

Net Assets, June 30, 2009, as previously reported	$ 2,113,338
Adjustment to increase prepaid insurance	7,337
Net Assets, June 30, 2009, as restated	$ 2,120,675