CITY OF PEMBROKE, GEORGIA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
DECEMBER 31, 2010

CITY OF PEMBROKE

TABLE OF CONTENTS

DECEMBER 31, 2010

Pages

Report of Independent Accountants 1-2

Basic Financial Statements:

Government-wide Financial Statements

Statement of Net Assets 3

Statement of Activities 4

Fund Financial Statements

Balance Sheet – Governmental Funds 5

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds 6

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities 7

Statement of Revenue, Expenditures, and Changes in Fund Balances – Budget (GAAP Basis) and Actual – General Fund 8

Statement of Net Assets – Proprietary Funds 9

Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds 10

Statement of Cash Flows – Proprietary Funds 11

Notes to Financial Statements 12-27

Individual Fund Statements and Schedules:

Combining Balance Sheet – Nonmajor Governmental Funds 28

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds 29

Schedule of Revenue, Expenditures, and Changes in Fund Balances Budget and Actual – Confiscated Assetst Fund 30

Schedule of Expenditures of Special Purpose Local Option Sales Tax Proceeds 31

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 32-33

Schedule of Federal Financial Awards 34

Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A133 35-36

Schedule of Findings and Questioned Costs 37

Summary Schedule of Prior Audit Findings 38

Corrective Action Plan 39

HOLLAND, HENRY & BROMLEY, LLP

Certified Public Accountants

J. Richard Henry, CPA
Christopher H. Holland, CPA, CFP®
S. Stewart Bromley, CPA, CFP®
Ronnie A. Barnhill, Jr., CPA
Shannon L. Brett, CPA, CFE

MEMBER:

American Institute of Certified Public Accountants

Georgia Society of Certified Public Accountants

South Carolina Association of Certified Public Accountants

Private Companies Practice Section Firms Division of American Institute of Certified Public Accountants

Independent Auditors' Report

Honorable Mayor and City Council
City of Pembroke
Pembroke, Georgia

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

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

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

In accordance with Government Auditing Standards, we have also issued our report dated June 27, 2011, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The City has not presented Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was performed for the purpose of forming an opinion on the financial statements of the City taken as a whole. The accompanying financial information listed as supplementary information and the schedule of expenditures of special purpose local option sales tax proceeds are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations,* and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Holland, Henry & Bromley LLP

Holland, Henry, & Bromley, LLP
Savannah, Georgia
June 27, 2011

CITY OF PEMBROKE

STATEMENT OF NET ASSETS

DECEMBER 31, 2010

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	$ 369,809	$ (7,624)	$ 362,185
Receivables:			
Taxes	35,580		35,580
Fines receivable	119,250		119,250
Accounts receivable	128,171	67,808	195,979
Sanitation	8,712		8,712
Internal balances	347,899	(347,899)	-
Restricted assets:			
Cash		218,098	218,098
Certificates of deposit	157,277	170,332	327,609
Nondepreciable capital assets	197,517	66,000	263,517
Depreciable capital assets (net where applicable)	1,104,347	8,463,394	9,567,741
Total Assets	$ 2,468,562	$ 8,630,109	$11,098,671
LIABILITIES AND NET ASSETS			
Accounts payable	$ 130,167	$ 3,895	$ 134,062
Interest payable		5,397	5,397
Current portion of bonds payable		48,105	48,105
Current portion of capitalized lease obligations	35,644	11,183	46,827
Customer deposits		133,882	133,882
Notes payable		1,040,676	1,040,676
Bonds payable, net of current portion		3,319,182	3,319,182
Capitalized lease obligation, net of current portion	39,897	8,122	48,019
Total liabilities	205,708	4,570,442	4,776,150
Net Assets:			
Invested in capital assets, net of related debt	1,226,323	4,099,221	5,325,544
Unreserved	1,036,531	(39,554)	996,977
Total Net Assets	$ 2,262,854	$ 4,059,667	$ 6,322,521

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

CITY OF PEMBROKE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2010

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets: Primary Government: Governmental Activities	Net (Expenses) Revenues and Changes in Net Assets: Primary Government: Business-type Activities	Net (Expenses) Revenues and Changes in Net Assets: Primary Government: Total
Primary government:							
Governmental activities:							
General government	$ 208,070	$ 96,057		597,008	$ 484,995		$ 484,995
Public safety	699,442	251,034			(448,408)		(356,018)
Streets and sanitation	528,253	108,065		395,068	(25,120)		(25,120)
Health and welfare	50,803	14,180			(36,623)		(45,128)
Recreation and culture	80,256	4,542			(75,714)		(75,714)
Interest	7,350			3,092	(4,258)		(4,258)
Total governmental activities	1,574,174	473,878		995,168	(105,128)	-	(105,128)
Business-type activities							
Water and sewer	1,234,713	1,021,956		$ 303,788		$ 91,031	91,031
Total business-type activities	1,234,713	1,021,956	-	303,788	-	91,031	91,031
Total primary government	$ 2,808,887	$ 1,495,834	$	$ 1,298,956	$ (105,128)	$ 91,031	$ (14,097)
General revenues:							
Property taxes levied for general purposes					$ 364,254		$ 364,254
Sales taxes					546,848		546,848
Other taxes					299,516		299,516
Miscellaneous					17,490		17,490
Interest revenue					5,995	$ 5,521	11,516
Transfers					(357,961)	357,961	-
Total general revenues and transfers					876,142	363,482	1,239,624
Changes in net assets					771,014	454,513	1,225,527
Net assets - beginning					1,491,840	3,605,154	5,096,994
Net assets - ending					$ 2,262,854	$ 4,059,667	$ 6,322,521

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

CITY OF PEMBROKE
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2010

	General	Special Sales Tax	Multiple Grant	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	$ 286,164	$ 79,880		$ 3,765	$ 369,809
Receivables:					
Taxes	35,580				35,580
Fines receivable	119,250				119,250
Accounts receivable	46,400	81,771			128,171
Sanitation	8,712				8,712
Due from other funds	387,467				387,467
Restricted assets:					
Certificates of deposit	157,277	-	-	-	157,277
TOTAL ASSETS	$ 1,040,850	$ 161,651	$ -	$ 3,765	$ 1,206,266
LIABILITIES AND NET ASSETS					
Accounts payable	$ 83,680		$ 46,487		$ 130,167
Due to other funds	-		39,568		39,568
Deferred revenue	150,184	$ 81,771	-	-	231,955
TOTAL LIABILITIES	233,864	81,771	86,055	-	401,690
Fund balances:					
Unreserved - general fund	806,986			-	806,986
Unreserved - capital projects fund		79,880		-	79,880
Unreserved - special revenue funds	-	-	(86,055)	$ 3,765	(82,290)
TOTAL FUND BALANCES	806,986	79,880	(86,055)	3,765	804,576
TOTAL LIABILITIES AND FUND BALANCES	$ 1,040,850	$ 161,651	$ -	$ 3,765	

Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in the governmental activities are not financial resources and, therefore, are not reported in the funds.	1,301,864
Other long-term assets are not available to pay for the current period expenditures, and, therefore, are deferred in the funds.	231,955
Certain liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds.	(75,541)
Net assets of governmental activities	$ 2,262,854

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

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

	General Fund	Special Sales Tax	Multiple Grant	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	$1,210,618				$ 1,210,618
Licenses and permits	39,860				39,860
Charges for services	182,984				182,984
Fines and forfeitures	261,397				261,397
Intergovernmental		$ 597,008	$ 395,068		992,076
Interest revenue	5,974	3,092		$ 21	9,087
Miscellaneous	14,731	-	-	2,759	17,490
Total	1,715,564	600,100	395,068	2,780	2,713,512
EXPENDITURES					
Current:					
General government	214,966				214,966
Public safety	711,716				711,716
Streets and sanitation	530,272		371,487		901,759
Health and welfare	50,803				50,803
Recreation and culture	67,106				67,106
Capital Outlay		86,020			86,020
Debt Service:					
Principal	46,792	535,000			581,792
Interest	1,370	5,980	-	-	7,350
Total	1,623,025	627,000	371,487	-	2,621,512
Excess revenues over expenditures	92,539	(26,900)	23,581	2,780	92,000
OTHER FINANCING SOURCES (USES)					
Transfers in	1,852				1,852
Transfers out		(357,961)		(1,852)	(359,813)
Proceeds from capital lease	90,039	-	-	-	90,039
Total other financing sources and uses	91,891	(357,961)	-	(1,852)	(267,922)
Net change in fund balance	184,430	(384,861)	23,581	928	(175,922)
Fund balance - beginning of year	622,556	464,741	(109,636)	2,837	980,498
Fund balance - end of year	$ 806,986	$ 79,880	$ (86,055)	$ 3,765	$ 804,576

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

CITY OF PEMBROKE

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

Net changes in Fund Balance - Total Governmental Funds	$	(175,922)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		465,546
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(10,363)
Other financing sources (uses) are reported on the fund level but are reported as a liability on the government-wide financial statements.		491,753
	$	771,014

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

CITY OF PEMBROKE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

BUDGET (GAAP BASIS) AND ACTUAL – GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2010

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
REVENUES:				
Taxes	$1,146,858	$1,146,858	$1,210,618	$ 63,760
Licenses and permits	41,525	41,525	39,860	(1,665)
Charges for services	209,725	209,725	182,984	(26,741)
Fines and forfeitures	198,000	198,000	261,397	63,397
Interest revenue	4,000	4,000	5,974	1,974
Miscellaneous	6,500	6,500	14,731	8,231
Total revenues	1,606,608	1,606,608	1,715,564	108,956
EXPENDITURES:				
General government	241,070	241,070	214,966	26,104
Public safety	663,198	663,198	711,716	(48,518)
Streets and sanitation	586,310	586,310	530,272	56,038
Health & welfare	54,195	54,195	50,803	3,392
Recreation & culture	61,835	61,835	67,106	(5,271)
Debt service – principal			46,792	(46,792)
Debt service – interest			1,370	(1,370)
Total expenditures	1,606,608	1,606,608	1,623,025	(16,417)
Excess revenues before other financing sources	-	-	92,539	92,539
OTHER FINANCING SOURCES (USES):				
Proceeds from capital lease			90,039	90,039
Transfers in			1,852	1,852
Total	-	-	91,891	91,891
Net change in fund balance	$ -	$ -	184,430	$ 184,430
Fund balance - beginning of year			622,556	
Fund balance - end of year			$ 806,986	

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

CITY OF PEMBROKE

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

DECEMBER 31, 2010

ASSETS	
Cash	$ (7,624)
Receivables:	
Accounts receivable	67,808
Restricted assets:	
Cash	218,098
Certificates of deposit	170,332
Total current assets	448,614
Nondepreciable capital assets	66,000
Depreciable capital assets (net where applicable)	8,463,394
Total capital assets	8,529,394
Total Assets	$ 8,978,008
LIABILITIES AND NET ASSETS	
Accounts payable	$ 3,895
Interest payable	5,397
Due to other funds	347,899
Current portion of bond payables	48,105
Notes payable	1,040,676
Current portion of capital leases	11,183
Customer deposits	133,882
Total current liabilities	1,591,037
Capital leases	8,122
Bonds payable	3,319,182
Total liabilities	4,918,341
Net Assets:	
Invested in capital assets, net of related debt	4,099,221
Unrestricted	(39,554)
Total Net Assets	$ 4,059,667

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

CITY OF PEMBROKE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NETASSETS

PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2010

REVENUES:	
Operating revenues:	
Water sales and sewer revenue	$ 917,852
Other operating income	104,104
Total	1,021,956
EXPENSES:	
Operating expenses:	
Salaries	257,642
Payroll taxes	18,540
Depreciation	240,561
Legal	3,153
Oxidation pond closure	39,447
Utilities	119,806
Rent	50,000
Repair and maintenance	44,855
Insurance	56,095
Chemicals	8,186
Audit	4,000
Other operating expenses	7,466
Lab	7,843
Gas/Oil	16,362
Retirement	15,727
Telephone	6,929
Supplies	39,481
Equipment	9,689
Male prisoner expenses	73,440
Contracted expenses	11,502
Total	1,030,724
Operating loss	(8,768)
Nonoperating revenues (expenses):	
Interest income	5,521
Interest expense	(203,989)
Intergovernmental revenue	303,788
Total	105,320
Transfers in	357,961
Change in net assets	454,513
Net Assets – beginning of year	3,605,154
Net Assets – end of year	$ 4,059,667

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

CITY OF PEMBROKE

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2010

Cash flows from operating activities:	
Cash received from providing services	$ 1,014,556
Cash paid to suppliers	(535,201)
Cash paid to employees	(257,642)
Net cash provided by operating activities	221,713
Cash flows from capital and related financing activities:	
Purchase of equipment/land	(552,254)
Interest payments	(203,989)
Principal payments on bonds payable	(44,006)
Payments on notes payable	(315,797)
Borrowings from notes payable	184,164
Principal payments on capital leases	(13,471)
Operating subsidies and transfer	357,961
Intergovernmental revenue	303,788
Net cash used for capital and related financing activities	(283,604)
Cash flows from investment activities:	
Interest on investments	5,521
Net decrease in cash	(56,370)
Cash - beginning of year	437,176
Cash - end of year	$ 380,806
Reconciliation of operating income to net cash provided by operating activities:	
Operating loss	$ (8,768)
Adjustment to reconcile net loss to net cash provided by operating activities:	
Depreciation	237,656
Increase in accounts receivable	(7,400)
Increase in accounts payable and deposits	225
Increase in due to other fund	-
Net cash provided by operating activities	$ 221,713

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

CITY OF PEMBROKE

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

NOTE 1 - THE REPORTING ENTITY

The City of Pembroke, Georgia (the City) operates under a corporate charter that was revised on February 21, 1951. During 2005, the City celebrated its Centennial anniversary of incorporation. The City's government is a Council/Mayor form of government and provides the following services: public safety (police and fire), highways and streets, sanitation, culture and recreation, public improvements, cemetery, planning and zoning and general administration.

The City has implemented the Governmental Accounting Standards Board Statement 14, "The Financial Reporting Entity". Statement 14 applies at all levels to all state and local governments. The Statement applies to financial reporting by primary governments, governmental joint ventures, jointly governed organizations, and other stand-alone governments; and it applies to the separately issued financial statements of governmental component units. The financial reporting entity of (a) primary government, (b) organizations for which the primary government is financially accountable, and (c) primary organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The nucleus of a financial reporting entity usually is a primary government. However, a governmental organization other than a primary government (such as a component unit, a joint venture, a jointly governed organization, or another stand alone government) serves as the nucleus for its own reporting entity when it issues separate financial statements.

In conformity with GASB Statement 14 there is no component unit that meets the criteria for component units requiring discrete presentation in the primary government financial reporting entity.

NOTE 2 - BASIS OF PRESENTATION

Government-wide Statements: The statement of net assets and the statement of activities display information about the primary government (the City). These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating 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. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported on nonoperating revenues and expenses.

The City reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the City. It is used to account for all revenues and expenditures which are not accounted for in other funds.
Special Sales Tax Fund - The special sales tax fund accounts for the special purpose local option sales tax received from Bryan County to be spent for various capital projects.
Multiple Grant Fund – The multiple grant fund is a special revenue fund used to account for intergovernmental revenues that are legally restricted to expenditure for a specific purpose.
The City reports the following major enterprise fund:

Water/Sewer Fund – The Water/Sewer Fund is used to account for operation and maintenance of the City's water and sewer system.

Additionally, the City reports the following fund types:

The special revenue funds accounts for revenue sources that are legally restricted to expenditure for specific purpose.

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

NOTE 3 - BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus.

Eliminations have not been made between funds.

Governmental Funds

All governmental funds are accounted for using the modified accrual basis accounting. Under the modified accrual basis of accounting, revenues are generally recognized when they become measurable

and available as net current assets. Revenues which are susceptible to accrual include (1) property taxes, (2) garbage collection fees and (3) interest, franchise taxes, sales taxes and intergovernmental revenues when received after the end of the accounting period so as to be both measurable and available. Property tax revenues are considered measurable and available to the extent they are collected within the current period or collected sixty days after the end of the period. Property taxes not collected within sixty days after the end of the period are recorded as deferred revenues and recognized when collected.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) accumulated unpaid vacation, sick pay, and other employee benefits which are not accrued; (2) inventory type items which are expensed when purchased; and (3) principal and interest on general long-term debt which is recognized when due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources. The flow of current financial resources measurement focus is used for all governmental funds.

Those revenues susceptible to accrual are property taxes, franchise taxes, licenses, interest revenue and charges for services. Sales taxes collected and held by the state at year-end on behalf of the City are recognized as revenue. Fines and permits are not susceptible to accrual because they generally are not measurable until received in cash.

Proprietary Funds

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred. Unbilled water and sewer utility service receivables are recorded at year end.

The City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Effective January 1, 2004 the City implemented the provisions of GASB No. 34, Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments, GASB No. 37, Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments: Omnibus, and amendment to GASB Statements No. 21 and No. 34, and GASB No. 38, Certain Financial Statement Disclosures. These statements significantly change the financial reporting model used by the City including statement formats, changes in fund types and the elimination of account groups. Additionally, the categories of fund equity for proprietary funds have been reclassified into categories of net assets.

GASB No. 34 requires government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund or account group, but distinguish between the City's governmental activities and business type activities. Significantly, the statement of net assets will include noncurrent assets which were previously reported in the General Fixed Asset Account Group and long-term liabilities previously reported in the General Long-Term Debt Account Group. In addition, the government-wide statement of activities reflects depreciation expenses on the City's capital assets.

Like the government-wide financial statements, all proprietary fund types are accounted for on a flow of economic resources management focus on both financial reporting levels.

NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Budgetary Data

1. Budgets are usually adopted for all governmental fund types. Prior to December 1, the Mayor submits to the Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. The Council holds a public hearing on the budget, giving notice thereof at least ten days in advance by publication in the official organ.
3. The budget is then revised and adopted or amended by the Council prior to December 31.
4. The budget so adopted may be revised during the year only by formal action of the Council in a regular meeting and no increase shall be made therein without provision also being made for financing same.
5. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles.
6. Budgeted amounts are as originally adopted with one budget amendment before year end. All expenditures were approved by the City Council before funds were expended.
7. The level of control (level at which expenditures may not legally exceed the budget) is exercised by the Mayor and Council at the department level.

Encumbrances

Encumbrance accounting under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation that is not employed. Accordingly, encumbrances outstanding at year end are not reported as reservations of fund balances nor do they constitute expenditures or liabilities. Generally accepted accounting principles do not require encumbrance accounting.

Inventory

Inventory consists of expendable supplies held for consumption. The cost of these supplies on hand are considered immaterial to the balance sheets of the various funds and are not shown as assets of the funds nor is any portion of the fund balance reported as an expenditure when purchased.

Receivables

Property taxes are considered fully collectible and therefore no provision for uncollectible taxes is provided. Accounts receivable of the Water and Sewer Fund are stated net of an allowance for doubtful accounts of $3,570.

Compensated absences and other employee benefits

Accumulated unpaid vacation, sick pay and other fringe benefits are not accrued since the amounts do not exceed a normal year's accumulation. These expenses are recorded as incurred.

Deposits and investments

The City's cash and cash equivalents consists of cash on hand and on deposit with financial institutions. For purposes of reporting cash on the statement of net assets, the City considers all unrestricted highly liquid investments with original maturities of three months or less from the date of acquisition to be cash equivalents.

All investments are reported at fair value, which is based on quoted market prices.

The City is authorized by Georgia statutes to invest in the following:

1. Deposit accounts with eligible depository institutions,
2. Obligations of the State of Georgia or of other states,
3. Obligations issued by the United States government,
4. Obligations fully insured or guaranteed by the United States government or a United States government agency,
5. Obligations of any corporation of the United States government,
6. Prime banker's acceptances,
7. The local government investment pool established by Georgia Code Section 36-83-8,
8. Repurchase agreements, and
9. Obligations of other political subdivisions of the State of Georgia

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

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

Asset Class	Estimated Useful Lives
Buildings	20 – 50
Machinery and equipment	3 – 15
Water/Sewer System	5 – 50

Deficits

The only fund to have a deficit fund balance as of December 31, 2010 was the multiple grant special revenue fund with a deficit balance of $86,055.

Interfund transactions

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

NOTE 5 - DEPOSITS AND INVESTMENTS

At year end, the carrying amount of the City's deposits was $580,283 and the certificates of deposit carrying amount was $327,609 for a total carrying amount of $907,892. The financial institution balance was $611,303 and $327,609 for cash deposits and certificates of deposit respectively for a total financial institution balance of $938,912 which was entirely insured or collateralized with securities held by the pledging financial institution's agent in the City's name.

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to the City. The Official Code of Georgia Annotated (OCGA) Section 45-8-12 provides that there shall not be on deposit at any time in any depository for a time longer than ten days a sum of money which has not been secured by a surety bond, by guarantee of insurance, or by collateral. The aggregate of the face value of such surety bond and the market value of securities pledged shall be equal to not less than 110% of the public funds being secured after the deduction of the amount of depository insurance. The city has no custodial credit risk policy that would require additional collateral requirements.

The carrying amount of the City's deposits and certificates of deposit are classified as follows on the statement of net assets:

Cash and cash equivalents	$ 580,283
Certificates of deposit	327,609
Total	$ 907,892

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk is the risk that issuer or counterparty to an investment will not fulfill its obligations. State law governs the investment of retirement funds (OCGA 47-20-84) and limits investments to maximum concentrations by investment category (at cost). The City has no formal investment policy that would further limit its investment choices.

NOTE 6 - LITIGATION AND COMMITMENTS

At December 31, 2010, the City had no pending litigation, unasserted claims, or commitments which would have a material effect on the financial condition of the City.

NOTE 7 - STEWARDSHIP AND COMPLIANCE

The City participates in various federally and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

NOTE 8 - PENSION REQUIREMENTS

The City participates in the Georgia Municipal Employees Benefit System (GMEBS). The Board of Trustees of GMEBS has adopted an actuarial funding policy for determination of annual contributions and the systematic funding of liabilities arising under the plan. The plan is an agent multiple-employer defined benefit pension plan. The minimum annual contribution is required under Public Retirement Systems Law (Georgia Code Section 47-20-10). The primary benefit of the plan is to fund retirement for participant employees. Benefits are fully vested after 5 years of service. Participants become eligible to retire at 65, with 5 years of participation in the Plan. Upon eligibility to retire, participants are entitled to an annual benefit in the amount of 2.0% of final average earnings up to a participant's amount of covered compensation, multiplied by the participant's years of total credited service. These benefit provisions and all other requirements are established and amended by local ordinance. The pension plan issues a stand-alone financial report.

The GMEBS issues a publicly available financial report that includes financial statements and supplementary information. The report may be obtained by writing to:

Georgia Municipal Association
201 Pryor Street, SW
Atlanta, Georgia 30303-3606

Trend information

Year ending	Annual Pension Cost	% of APC Contributed	Net Pension Obligation
12/31/08	40,501	100%	-
12/31/09	46,749	100%	-
12/31/10	47,658	100%	-

Annual pension cost for the year ended December 31, 2010 was $47,658. The required contribution rate of the City is 8.94% of the employee's salary. The employees are not required to make contributions. July 1, 2009 is the actuarial valuation date. On this date there was no actuarial accrued liability. The pension plan issues a stand-alone financial report. Current year payroll totaled $ 838,159.

Significant Actuarial Assumptions

The significant actuarial assumptions used to compute the actuarial accrued liability are the same as those used to compute the actuarial determined contribution requirements of the plan.

The significant actuarial assumptions used in the current valuation are:

Rate of return on investment	7.75% per year
Projected salary increases for	
Inflation and merit	3.5% per year
Post retirement benefit increases	Not applicable

Effect of Plan Changes on the Actuarial Accrued Liability

The plan provisions valued and the actuarial assumptions are the same as those used in the preceding valuation.

Funding Policy and Annual Contributions

The funding policy for the plan is to contribute an amount equal to the recommended contribution in each year. These contributions are determined under the projected unit credit actuarial cost method. The period and related method for amortizing the initial unfunded actuarial accrued liability is 30 years from 1981 and current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods as a level dollar amount. The recommended contributions under this policy for 2010 are shown below:

Normal cost	
Plan benefits	$ 47,329
Recommended contribution	57,467
Covered payroll	632,045
Recommended contribution as a %	
of covered payroll	8.94%%

Effect of Plan Changes on Contribution Requirements

The plan provisions valued and the actuarial assumptions and cost methods are the same as those used to determine the contribution requirement for the preceding year.

Current Plan Membership

As of July 1, 2010, the current plan membership includes the following categories of participants:

Retirees and beneficiaries currently receiving benefits	12
Terminated employees entitled to benefits but not yet receiving them	14
Current active employees	
Vested	14
Nonvested	13
Total membership in the plan	53

Historical Trend Information

The table below sets forth required supplementary information to be disclosed in the plan's financial statements. The items presented are based on the July 1, 2010 actuarial valuation:

Market value of assets	$ 858,665
Actuarial accrued liability	915,252
Percentage funded	93.8%
Unfunded actuarial accrued liability (funding excess)	(56,587)
Annual covered payroll	632,045
Unfunded accrued liability as a percentage of covered payroll	8.95%

Fiscal Year Starting July 1	Actuarial Value of Assets	Actuarial Accrued Liability	% Funded	Unfunded Accrued Liability	Annual Covered Payroll	Actuarial Accrued Liability as a % of Covered Payroll	Annual Pension Costs
2008	827,058	722,596	114.5%	(104,462)	560,336	(18.6%)	$ 40,501
2009	644,246	738,143	87.3%	93,897	426,725	22.0%	$ 46,749
2010	858,665	915,252	93,8%	56,587	632,045	8.95%	$ 47,658

Asset Data

GMEBS has supplied all asset data used in the valuation. The market value of assets is based on current values as of two months preceding the valuation date and is assumed to be current through that date.

Participant Data

The primary source of participant data for the current valuation is a census of all participants which was prepared by the employer through GMEBS. The data are typically collected by the employer two months prior to valuation date and assumed to be current through that date. This pension plan issues a stand-alone report.

The amortization period for the unfunded actuarial liability is open.

Actuarial Assumptions and Methods

Economic Assumptions	
Interest rate	7.75%
Annual rates of increase in:	
Salaries	3.5%
Cost of living adjustment	N/A

Demographic Assumptions

Mortality	RP-2000 Combined Mortality Table
Retirement	Employees: 65 with 5 years of service Officials: 65
Form of payment	Life annuity
Administrative expenses	$2,500 plus $45 per participant, plus .05% of the market value of assets.

Actuarial Methods

Normal Cost and Actuarial Accrued Liability	Projected Unit Credit

Actuarial Value of Assets	Sum of the actuarial value at the beginning of year and the cash flow during year plus the assumed investment return, adjusted by 10 percent of the amount that the value exceeds or is less that the market value at end of year. The actuarial value is adjusted, if necessary, to within 44% of market value for 2010.

NOTE 9 - PROPERTY TAXES

Property taxes attach as an enforceable lien as of January 1. Taxes are typically billed in October and are due and payable within sixty days of the mailing date. Taxes were levied on November 1st and due by December 31, 2010. The millage rate for the year ended December 31, 2010 was 8.359. Property tax revenues are recognized when levied. Those property taxes not received within 60 days after the year end are recorded as deferred revenues.

NOTE 10 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Water and Sewer Fund	$(347,899)
Multiple Grant Fund	$ (39,568)
General Fund	$ 387,467

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. The City expects to pay all interfund balances within one year.

Interfund transfers:

Transfer out	Transfer in	Amount
Special sales tax fund	Proprietary fund	$ 357,961
Confiscated assets fund	General fund	$ 1,852
Total		$ 359,813

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) move unrestricted general fund revenues to finance various programs that the City must account for in other funds in accordance with budgetary authorizations.

NOTE 11 - CAPITAL ASSETS OF GENERAL FUND

	Balance 12/31/09	Additions	Deletions	Balance 12/31/10
Capital assets not being depreciated:				
Construction in progress		$ 86,020		$ 86,020
Land	$ 105,497	6,000	-	111,497
Total nondepreciable capital assets	105 497	92,020	-	197,517
Other capital assets:				
Building and infrastructure	1,662,418	371,487		2,033,905
Machinery and equipment	1,577,492	90,039	-	1,667,531
Total other capital assets	3,239,910	461,526	-	3,701,436
Accumulated depreciation:				
Building	997,878	41,592		1,039,470
Machinery and equipment	1,511,211	46,408	-	1,557,619
Total accumulated depreciation	2,509,089	88,000	-	2,597,089
TOTAL	$ 836,318	$ 465,546	$	$ 1,301,864
Depreciation expense:				
General government		$ 18,537		
Public safety		32,939		
Streets and sanitation		23,374		
Recreation and culture		13,150		
Total depreciation expense		$ 88,000		

NOTE 12 - CAPITAL ASSETS OF PROPRIETARY FUND

	Balance 12/31/09	Additions	Deletions	Balance 12/31/10
Capital assets not being depreciated:				
Construction in progress	$ 1,394,273	$	$ 1,394,273	$ -
Land	66,000			66,000
Total nondepreciable capital assets	1,460,273		1,394,273	66,000
Other capital assets:				
Machinery and equipment	781,883			781,883
Water/Sewer system	7,433,498	1,946,527		9,380,025
Total other capital assets	8,215,381	1,946,527		10,161,908
Accumulated depreciation:				
Machinery and equipment	280,540	23,575		304,115
Water/Sewer system	1,180,318	214,081		1,394,399
Total accumulated depreciation	1,460,858	237,656		1,698,514
TOTAL	$ 8,214,796	$ 1,708,871	$ 1,394,273	$ 8,529,394

NOTE 13 - LONG-TERM DEBT:

Governmental Activities	Balance December 31, 2009	Additions	Reductions	Balance December 31, 2010
Notes payable	$ 535,000		$ 535,000	
Capital leases payable	32,294	$ 90,039	46,792	$ 75,541
Total Governmental Activities	$ 567,294	$ 90,039	$581,792	$ 75,541
Business-Type Activities				
Capital leases payable	$ 32,776		$ 13,471	$ 19,305
Revenue bonds payable	3,411,293		44,006	3,367,287
Notes payable	1,172,309	$184,164	315,797	1,040,676
Total Business-Type Activities	$ 4,616,378	$184,164	$373,274	$4,427,268

General long-term debt of governmental funds consisted of a note payable to a local financial institution and lease obligations on various equipment The City borrowed $535,00 as an advance on SPLOST funds. The note was for one year with principal and interest due December 31, 2010. The interest rate was 3.75%. The principal balance owed at December 31, 2010 was $0.

Amounts due in one year for governmental activities include $35,644 on capital leases totaling $75,541.

Long-term debt of proprietary funds consisted of bonds payable, 2 notes payable to a local financial institution and lease obligations on various equipment. The City borrowed $660,105 as an advance on SPLOST funds. The note was for one year with principal and interest due December 31, 2010. The interest rate wa 3.75%. The principal balance owed at December 31, 2010 was $0. The City also borrowed $1,046,959 as an advance on CDBG funds. The note is for one year with principal and interest due on December 31, 2010. The interest rate is 3.75%. The principal balance owed at December 31, 2010 was $1,040,676.

The City's long-term debt to maturity, including interest of $39,657 and principal of $1,040,676, is as follows:

Year ending December 31, 2011	$ 1,080,333

Amounts due in one year for business-type activities include $1,040,676 on notes payable and $11,183 on capital leases totaling $19,305.

Revenue bonds – proprietary funds

The resolutions under which the bond series were issued provide that principal and interest are to be paid solely from the revenues of the system, which are pledged for that purpose. The revenue bonds were issued for the construction and expansion of the water and sewer system. The bonds outstanding at year end are as follows:

Purpose	Original Issue	Interest Rate	Bond payable
2002 A bonds	$ 1,669,300	4.50%	$ 1,574,790
2002 B bonds	1,900,000	4.50%	1,792,497
Total bonds			3,367,287
Less: current portion			48,105
Total long-term debt			$ 3,319,182

Revenue bonds debt service requirements to maturity are as follows:

Year	Principal	Interest	Total
2011	48,105	148,503	196,608
2012	50,315	146,293	196,608
2013	52,627	143,981	196,608
2014	55,044	141,564	196,608
2015	57,573	139,035	196,608
2016-2020	330,054	652,986	983,040
2021-2025	413,161	569,879	983,040
2026-2030	517,193	465,847	983,040
2031-2035	647,420	335,620	983,040
2036-2040	810,095	172,945	983,040
2041-2043	385,700	-	385,700
TOTAL	$ 3,367,287	$ 2,916,653	$ 6,283,940

Capital leases- governmental funds

The City has entered into several lease agreements as lessee for vehicles, and equipment. These lease agreements qualify as capital leases for accounting purposes and have been recorded at the present values of the future minimum lease payments as of the date of their inceptions. These leases vary in remaining life from 1-5 years and have annual interest rates that range from 3.37% to 4.73%.

The equipment leased under capital leases as of December 31, 2010 consisted of the following:

Vehicles	$ 125,969
Equipment	-
Total	$ 125,969

The following is a schedule of future minimum lease payments under the capital leases:

Year ending December 31,	
2011	$ 38,069
2012	28,133
2013	16,288
2014	-
2015	-
Total minimum lease payments	82,490
Less amounts interest	6,949
Present value of future minimum lease payments	$ 75,541

Capital leases- proprietary funds

The City has entered into several lease agreements as lessee for vehicles, and equipment. These lease agreements qualify as capital leases for accounting purposes and have been recorded at the present values of the future minimum lease payments as of the date of their inceptions. These leases vary in remaining life from 1-5 years and have annual interest rates of 4.73%.

The equipment leased under capital leases as of December 31, 2010 consisted of the following:

Vehicles	$ 23,209
Equipment	78,603
Total	$ 101,812

The following is a schedule of future minimum lease payments under the capital leases:

Year ending December 31,	
2011	$ 11,382
2012	3,417
2013	3,417
2014	1,709
2015	-
Total minimum lease payments	19,925
Less amounts interest	620
Present value of future minimum lease payments	$ 19,305

NOTE 14 - EXPENDITURES OVER APPROPRIATIONS

For the year ended December 31, 2010, expenditures exceeded appropriations in public safety and recreation and culture of the general fund by $48,518 and $5,271, respectively. These over expenditures were funded by greater than anticipated revenues in each fund.

NOTE 15 - STATEMENT OF CASH FLOWS

As required by GASB statement No. 9, a statement of cash flows has been presented rather than a statement of changes in financial position for the proprietary fund. The amount of $380,806 is considered highly liquid.

NOTE 16 - PREPAID ITEMS

There were no amounts recorded for prepaid items in the financial statements. Prepaid items are amounts that would benefit future periods; therefore, these amounts would not be recorded as expenditures in the appropriate funds.

NOTE 17 - RISK MANAGEMENT

The government 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 Government has joined together with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency Property and Liability Insurance Fund and 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 Government is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The Government is also to allow the pool's agents and attorneys to represent the Government in investigation, settlement discussions and all levels of litigation arising out of any claim made against the Government within the scope of loss protection furnished by the funds.
The Funds are to defend and protect the members of the funds against liability or loss as prescribed in the member government contract and in accordance with the worker's compensation law of Georgia. The funds are to pay all cost taxed against the 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. Settled claims in the past three years have not exceeded the coverages.

NOTE 18 - JOINT VENTURE

Under Georgia law, the City, in conjunction with other cities and counties in the nine counties and thirty cities, is a member of the Coastal Georgia Regional Commission (CRC) and is required to pay annual dues thereto. Membership in a CRC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the CRC in Georgia. The CRC Board membership includes the chief elected official of each city and municipality of the area. OCGA 50-8-391 provides that the member governments are liable for any debts or obligations of a CRC. Separate financial statements may be obtained from:

Coastal Georgia Regional Commission
127 F Street
Brunswick, Georgia 31520

CITY OF PEMBROKE

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2010

	Confiscated Assets Fund	Total Governmental Funds
ASSETS		
Cash	$ 3,765	$ 3,765
	-	-
	$ 3,765	$ 3,765
LIABILITIES AND FUND BALANCES		
Accounts payable		
Due to other funds		
Fund balance:		
Unreserved	$ 3,765	$ 3,765
	$ 3,765	$ 3,765

CITY OF PEMBROKE

COMBINING STATEMENT OF REVENUES, EXPENDITURES,

AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2010

	Confiscated Assets Fund	Total Governmental Funds
REVENUES:		
Intergovernmental		
Special investigations	$ 2,759	$ 2,759
Interest revenue	21	21
Total	2,780	2,780
EXPENDITURES:		
Public safety	-	-
Streets and sanitation	-	-
Capital outlay	-	-
Total	-	-
Excess revenues over expenditures	2,780	2,780
OTHER FINANCING SOURCES (USES):		
Transfers in		
Transfers out	(1,852)	(1,852)
Total	(1,852)	(1,852)
Fund balance - beginning of year	2,837	2,837
Fund balance - end of year	$ 3,765	$ 3,765

CITY OF PEMBROKE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL – CONFISCATED ASSETS FUND

FOR THE YEAR ENDED DECEMBER 31, 2010

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
REVENUES:				
Special investigations	$ 2,000	$ 2,000	$ 2,759	$ 759
Interest revenue	25	25	21	(4)
Total revenues	2,025	2,025	2,780	755
EXPENDITURES:				
Public safety	2,025	2,025	-	2,025
Total expenditures	2,025	2,025	-	2,025
Excess revenues before other financing uses	-	-	2,780	2,780
Other financing uses:				
Transfers out	-	-	(1,852)	(1852)
Excess revenues over expenditures and other uses	$ -	$ -	928	$ 928
Fund balance - beginning of year			2,837	
Fund balance - end of year			$ 3,765	

CITY OF PEMBROKE

SCHEDULE OF EXPENDITURES

SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS

FOR THE YEAR ENDED DECEMBER 31, 2010

	Original Estimated Cost	Revised Estimated Cost	Expenditures		
			Prior Years	Current Year	Total
Project Description:					
CDBG Project (2820) match on water and sewer system improvements	$ 475,315	$ 475,315	$ 475,315	$ -	$ 475,315
CDBG Project (3062) match on water and sewer system improvements	$ 775,000	$ 775,000	$ 775,000	$ -	$ 775,000
Municipal facilities	$ 535,000	$ 535,000	$ 481,047	$ 86,020	$ 567,067
Total all Projects	$ 1,785,315	$ 1,785,315	$ 1,731,362	$ 86,020	$ 1,817,382

HOLLAND, HENRY & BROMLEY, LLP

Certified Public Accountants

J. Richard Henry, CPA
Christopher H. Holland, CPA, CFP®
S. Stewart Bromley, CPA, CFP®
Ronnie A. Barnhill, Jr., CPA
Shannon L. Brett, CPA, CFE

MEMBER:

American Institute of
Certified Public Accountants

Georgia Society of
Certified Public Accountants

South Carolina Association of
Certified Public Accountants

Private Companies Practice
Section Firms Division of
American Institute of
Certified Public Accountants

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

Honorable Mayor and City Council
City of Pembroke
Pembroke, Georgia

We have audited the basic financial statements of the governmental activities, the business-type activities and each major fund and the aggregate remaining fund information of the City of Pembroke (the City) as of and for the year ended December 31, 2010 and have issued our report thereon dated June 27, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Pembroke's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City'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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

This report is intended solely for the information of the board of directors, management, 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.

Holland, Henry & Bromley LLP

Holland, Henry & Bromley, LLP
Savannah, Georgia
June 27, 2011

CITY OF PEMBROKE

SCHEDULE OF FEDERAL FINANCIAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2010

Federal granting agency Pass-through agency Program name	Federal CFDA number	Agency or pass-through number	Federal expenditures
U.S. Department of Transportation			
Georgia Department of Transportation			
DOT Storm Drain	20.205		95,068
Transportation Enhancement Grant	20.205		300,000
U.S. Department of Housing and Urban Development			
Community Development Block Grant- ARRA	14.258		303,788
			$ 698,856

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

HOLLAND, HENRY & BROMLEY, LLP

Certified Public Accountants

J. Richard Henry, CPA
Christopher H. Holland, CPA, CFP®
S. Stewart Bromley, CPA, CFP®
Ronnie A. Barnhill, Jr., CPA
Shannon L. Brett, CPA, CFE

MEMBER:

American Institute of Certified Public Accountants

Georgia Society of Certified Public Accountants

South Carolina Association of Certified Public Accountants

Private Companies Practice Section Firms Division of American Institute of Certified Public Accountants

Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

Honorable Mayor and City Council
City of Pembroke
Pembroke, Georgia

Compliance

We have audited the compliance of The City of Pembroke. (the City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2010. The City's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2010.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's

2 East Bryan Street • Post Office Box 8878 • Savannah, Georgia 31412-8878 • Telephone (912) 235-3410 • FAX (912) 235-3414 • www.hhbcpa.com

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether that the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect of 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 disclose no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended for the information of management and federal awarding agencies and pass-through entities and is not intended to be used by anyone other than specified parties.

Holland, Henry & Bromley LLP

Holland, Henry, & Bromley, LLP
Savannah, Georgia
June 27, 2011

CITY OF PEMBROKE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

DECEMBER 31, 2010

PART 1: Summary of Audit Results

1. The accountants' report expresses an unqualified opinion on the financial statements of the City of Pembroke (the City).
2. No significant deficiencies in internal control were disclosed by the audit of the financial statements.
3. The audit disclosed no instances of noncompliance which are material to the financial statements of the City.
4. No significant deficiencies in internal controls over major programs were disclosed by the audit of major federal programs.
5. The accountants' report expresses an unqualified opinion on compliance for major programs of the City.
6. No audit findings related to major programs were disclosed by the audit of major federal programs.
7. The programs identified and tested as major federal programs are:

Agency	Title	CFDA #
U.S. Dept. of Transportation	TE	20.205
U. S. Dept of Housing and Urban Dev.	CDBG	14.218

8. The threshold for distinguishing Type A and Type B programs was $300,000.
9. The City does not qualify as a low-risk auditee.

PART 2: Findings - Financial Statement Audit (GAGAS)

None noted

PART 3: Audit Findings and Questioned Costs - Major Programs

None noted

CITY OF PEMBROKE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2010

Not required in the current year due to no reported findings in the prior year 'Schedule of Findings and Questioned Costs'.

CITY OF PEMBROKE

CORRECTIVE ACTION PLAN

DECEMBER 31, 2010

Not required in the current year due to no findings.