CITY OF POULAN, GEORGIA
REPORT ON EXAMINATION
OF
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2010

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the City Council
Poulan, 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 Poulan, Georgia, as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Poulan, Georgia's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. 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.

The City of Poulan, Georgia has not presented the Management Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

In our opinion, the financial statements referred to in the first paragraph 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 of Poulan, Georgia as of December 31, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 29, 2011, on our consideration of the City of Poulan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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 the report in considering the results of our audit.

The budgetary comparison schedules on pages 33 through 36 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that basic financial statements. The combining and individual major and nonmajor fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual major and nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The accompanying schedule of expenditures of Special Purpose Local Option Sales Tax Proceeds is presented for purposes of additional analysis as required by Official Code of Georgia 48-8-121, and is not a required part of the financial statements. The accompanying Project Cost Schedule and Source and Application of Funds Schedule are also presented for additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements, and in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Hudson & NeSmith, CPA's

Hudson & NeSmith, CPAs
Sylvester, Georgia
April 29, 2011

CITY OF POULAN, GEORGIA
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

SECTION A

BASIC FINANCIAL STATEMENTS

See accompanying notes to the financial statements.

CITY OF POULAN, GEORGIA
STATEMENT OF NET ASSETS
GOVERNMENT-WIDE
DECEMBER 31, 2010

Exhibit A-1

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets:			
Cash on Hand and in Banks	$ 275,462	$ 25,686	$ 301,148
Taxes Receivable	32,070	-	32,070
Accounts Receivable	5,386	7,551	12,937
Due from Other Governments	6,815	-	6,815
Total Current Assets	319,733	33,237	352,970
Long-Term Assets:			
Restricted Cash	1,430	13,897	15,327
Land	45,000	-	45,000
Other Capital Assets, Net of Accumulated Depreciation	704,985	612,203	1,317,188
Total Long-Term Assets	751,415	626,100	1,377,515
Total Assets	$ 1,071,148	$ 659,337	$ 1,730,485
Liabilities			
Current Liabilities:			
Accounts Payable	$ 14,791	$ 5,822	$ 20,613
Employee Withholdings Payable	189	-	189
Current Portion of Long-Term Liabilities:			
Notes Payable	24,969	7,522	32,491
Total Current Liabilities	39,949	13,344	53,293
Long-Term Liabilities:			
Notes Payable	55,669	35,871	91,540
Total Long-Term Liabilities	55,669	35,871	91,540
Total Liabilities	95,618	49,215	144,833
Net Assets			
Invested in Capital Assets: Net of Related Debt	624,347	568,810	1,193,157
Restricted for Special Revenue Projects	1,430	-	1,430
Restricted for Debt Service	-	13,897	13,897
Unrestricted	349,753	27,415	377,168
Total Net Assets	$ 975,530	$ 610,122	$ 1,585,652

See accompanying notes to the financial statements.

CITY OF POULAN, GEORGIA
STATEMENT OF ACTIVITIES
GOVERNMENT-WIDE
FOR THE YEAR ENDED DECEMBER 31, 2010

Exhibit A-2

		Program Revenues		
	Expenses	**Fees, Fines and Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Activities:				
Governmental:				
General Government	$ 132,144	$ 5,147	$ -	$ -
Public Safety	463,313	474,535	-	64,813
Public Works	262,927	64,452	27,117	6,696
Culture and Recreation	7,285	-	-	-
Housing and Development	46,118	-	51,388	-
Interest on Long-Term Debt	5,954	-	-	-
Total Governmental Activities	917,741	544,134	78,505	71,509
Business-type:				
Water	144,781	113,188	-	-
Total Business-Type Activities	$ 144,781	$ 113,188	$ -	$ -

General Revenues:
Taxes:
Property Taxes, levied for general purposes
Automobile and Mobile Home Tax
Insurance Premium Tax
Beer Tax
Local Option Sales Tax
Business Occupational Tax
Franchise Tax

Other General Revenues
Investment Earnings
Miscellaneous

Transfers

Total General Revenues and Transfers

Changes in Net Assets

Net Assets - Beginning

Prior Period Adjustment

Net Assets - Ending

See accompanying notes to financial statements.

CITY OF POULAN, GEORGIA
STATEMENT OF ACTIVITIES (CONTINUED)
GOVERNMENT-WIDE
FOR THE YEAR ENDED DECEMBER 31, 2010

	Net (Expense) Revenue and Changes in Net Assets		
	Governmental Activities	**Business-Type Activities**	**Total**
	$ (126,997)	$ -	$ (126,997)
	76,035	-	76,035
	(164,662)	-	(164,662)
	(7,285)	-	(7,285)
	5,270	-	5,270
	(5,954)	-	(5,954)
	(223,593)	-	(223,593)
	-	(31,593)	(31,593)
	-	(31,593)	(31,593)
	44,064	-	44,064
	4,216	-	4,216
	50,925	-	50,925
	7,768	-	7,768
	72,025	-	72,025
	4,083	-	4,083
	38,218	-	38,218
	967	-	967
	11,071	-	11,071
	(86,172)	86,172	-
	147,165	86,172	233,337
	(76,428)	54,579	(21,849)
	1,051,958	545,457	1,597,415
	-	10,086	10,086
	$ 975,530	$ 610,122	$ 1,585,652

See accompanying notes to financial statements.

CITY OF POULAN, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2010

Exhibit A-3

	General Fund	Special Purpose Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash on Hand and in Banks	$ 272,806	$ 2,656	$ 1,430	$ 276,892
Taxes Receivable	25,938	6,132	-	32,070
Accounts Receivable	5,386	-	-	5,386
Due from Other Governments	6,815	-	-	6,815
Total Assets	$ 310,945	$ 8,788	$ 1,430	$ 321,163
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	$ 14,791	$ -	$ -	$ 14,791
Employee Withholdings Payable	189	-	-	189
Total Liabilities	14,980	-	-	14,980
Fund Balances:				
Restricted: Special Revenue Projects	-	-	1,430	1,430
Restricted: Capital Projects	-	8,788	-	8,788
Restricted: Drug Seizure Funds	608	-	-	608
Restricted: USDA Grant Funds	1,004	-	-	1,004
Restricted: CHIP Grant Funds	90	-	-	90
Unassigned	294,263	-	-	294,263
Total Fund Balances	295,965	8,788	1,430	306,183
Total Liabilities and Fund Balances	$ 310,945	$ 8,788	$ 1,430	$ 321,163

See accompanying notes to financial statements.

CITY OF POULAN, GEORGIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2010

Exhibit A-4

Total Fund Balances for Governmental Funds			$ 306,183
Total net assets reported for governmental activities in the statement of net assets is different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:			
Land	$ 45,000		
Other capital assets, net of $674,999 of accumulated depreciation	704,985		
Total capital assets			749,985
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities - both current and long-term are reported in the statement of net assets. Balances at December 31, 2010 are:			
Notes Payable	(80,638)		
Total long-term liabilites			(80,638)
Total Net Assets of Governmental Activities			$ 975,530

See accompanying notes to financial statements.

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

Exhibit A-5

	General Fund	Special Purpose Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	$ 221,299	$ -	$ -	$ 221,299
Licenses & Permits	1,500	-	-	1,500
Fines & Forfeitures	474,535	-	-	474,535
Charges for Services	68,099	-	-	68,099
Intergovernmental	78,505	71,418	-	149,923
Interest	967	91	-	1,058
Miscellaneous	11,071	-	-	11,071
Total Revenues	855,976	71,509	-	927,485
Expenditures:				
Current:				
General Government	130,768	-	-	130,768
Public Safety	391,505	20	-	391,525
Public Works	269,687	-	-	269,687
Culture and Recreation	5,093	-	-	5,093
Housing and Development	46,118	-	-	46,118
Capital Outlay:				
Capital Expenditures	-	6,696	-	6,696
Debt Service:				
Principal	-	70,412	-	70,412
Interest	-	1,164	-	1,164
Total Expenditures	843,171	78,292	-	921,463
Excess (Deficiency) of Revenues Over (Under) Expenditures	12,805	(6,783)	-	6,022
Other Financing Sources (Uses):				
Debt Proceeds	-	-	-	-
Transfers In	6,924	-	-	6,924
Transfers (Out)	(86,172)	(6,924)	-	(93,096)
Total Other Financing and Uses	(79,248)	(6,924)	-	(86,172)
Net Changes in Fund Balances	(66,443)	(13,707)	-	(80,150)
Fund Balances - Beginning	$ 362,408	$ 22,495	$ 1,430	$ 386,333
Fund Balances - Ending	$ 295,965	$ 8,788	$ 1,430	$ 306,183

See accompanying notes to financial statements.

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

Exhibit A-6

Net Changes in Fund Balances - Total Govermental Funds	$	(80,150)
The changes in net assets reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of that depreciation expense ($98,933) was greater than capital outlays ($6,696).		(92,237)
Some capital additions were financed through long-term debt. In governmental funds, a long-term debt payment is considered a principal payment, but in the statement of net assets, the payment is considered a reduction of debt. This is the amount of long-term debt payments in 2010.		95,959
Change in Net Assets of Governmental Activities	$	(76,428)

See accompanying notes to financial statements.

CITY OF POULAN, GEORGIA
STATEMENT OF NET ASSETS
PROPRIETARY FUND
DECEMBER 31, 2010

Exhibit A-7

	Water Fund
Assets	
Current Assets:	
Cash on Hand and in Banks	$ 25,686
Accounts Receivable	7,551
Total Current Assets	33,237
Long-Term Assets:	
Restricted Cash for Debt Service	13,897
Land and Buildings	-
Capital Assets, Net of Accumulated Depreciation	612,203
Total Long-Term Assets	626,100
Total Assets	$ 659,337
Liabilities	
Current Liabilities:	
Accounts Payable	$ 5,822
Payable from Restricted Assets:	
Current Portion of Long-Term Debt	7,522
Total Current Liabilities	13,344
Long-Term Liabilities:	
Long-Term Debt	35,871
Total Long-Term Liabilities	35,871
Total Liabilities	49,215
Net Assets	
Invested in Capital Assets: Net of Related Debt	568,810
Restricted	13,897
Unrestricted	27,415
Total Net Assets	$ 610,122

See accompanying notes to financial statements.

CITY OF POULAN, GEORGIA
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

Exhibit A-8

	Water Fund
Operating Revenues:	
Water Sales	$ 103,851
New Connect Fees	1,140
Reconnect Fees	900
Other Income	7,297
Total Operating Revenues	113,188
Operating Expenses:	
Personal Services and Employee Benefits	17,859
Purchased/Contracted Services	74,086
Supplies	29,230
Depreciation and Amortization	23,606
Total Operating Expenses	144,781
Operating Income (Loss)	(31,593)
Income (Loss) Before Transfers	(31,593)
Transfers from General Fund	86,172
Change in Net Assets	54,579
Total Net Assets - Beginning	$ 545,457
Prior Period Adjustment	10,086
Total Net Assets - Ending	$ 610,122

See accompanying notes to financial statements.

CITY OF POULAN, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

Exhibit A-9

	Water Fund
Cash Flows from (Used for) Operating Activities	
Cash Received from Customers	$ 113,460
Cash Paid for Goods and Services	(99,662)
Cash Paid to Other Funds	(50,234)
Cash Paid to Employees	(17,859)
Net Cash Flows Provided from Operating Activities	(54,295)
Cash Flows From (Used for) Non-capital Financing Activities	
Transfer In	86,172
Net Cash Provided From Non-capital Financing Activities	86,172
Cash Flows from (Used for) Capital and Related Financing Activities	
Interest Expense	-
Principle Payment on Long-Term Debt	(6,942)
Acquisition of Capital Assets	-
Net Cash Flows (Used for) Capital and Related Financing Activities	(6,942)
Cash Flows from (Used for) Investing Activities	
Interest Income	-
Net Cash Flows from Investing Activities	-
Net Increase (Decrease) in Cash and Cash Equivalents	24,935
Cash and Cash Equivalents - Beginning of Year	14,648
Cash and Cash Equivalents - End of Year	$ 39,583
Classified as:	
Cash on Hand and in Banks	$ 25,686
Restricted Cash for Debt Service	13,897
	$ 39,583
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	(31,593)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation Expense	23,606
Changes in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	272
Increase (Decrease) in Accounts Payable	3,654
Increase (Decrease) Interfund Payable	(50,234)
Net Cash Provided (Used) by Operating Activities	$ (54,295)
Supplemental Disclosure of Cash Flow Information:	
Cash Paid for Interest	$ -

See accompanying notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Poulan is a political subdivision of the State of Georgia. The City operates under a mayor and council form of government and provides the following services as authorized by state law: general administration, public safety, streets and roads, culture and recreation, and water and garbage services. These financial statements have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to government units. There are no component units operating under other boards, which should be included in the Basic Financial Statements.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City's reporting entity applies all relevant GASB pronouncements. Proprietary funds and similar component units apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The remainder of the Notes is organized to provide explanations, including required disclosures, of the Government's financial activities for the fiscal year ended December 31, 2010.

A. REPORTING ENTITY

For financial reporting purposes, in accordance with the criteria in GASB Standards, the City includes all funds, agencies, boards, commissions, and authorities that are within its primary government. A component unit is a legally separate organization for which elected officials of a primary government are financially accountable. There are three sets of criteria that the City evaluates to determine whether a potential component unit will be included in the reporting entity of the City of Poulan. They are (1) financial accountability; (2) financial accountability as a result of fiscal dependency; and, (3) misleading to exclude the component unit.

The reporting entity of the City of Poulan includes only the funds and account groups of the City that comprises the primary government. There are no potential component units.

A. REPORTING ENTITY – Cont.

In conclusion, the City of Poulan did not combine any component units to form the reporting entity. The reporting entity is comprised of the following major funds, all under the direct control of the Mayor and City Council:

- General Fund – This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- Special Purpose Sales Tax Fund – This fund accounts for the City's proceeds from special purpose sales tax.

The City reports the following major enterprise funds:

- Water System – This fund accounts for the operation and maintenance of the water system and garbage collection services.

RELATED ORGANIZATIONS

A related organization is defined as an organization that is financially accountable to the City because, either the City imposes its will on the organization or has a financial benefit or burden relationship with the organization. As of December 31, 2010, the City had no related organizations.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. Government-wide financial statements do no provide information by fund or account group, but distinguish between the City's governmental activities and business-type activities. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The statement of net assets will include non-current assets which were previously reported in the General Fixed Assets Account Group and non-current liabilities previously reported in the General Long-Term Debt Account Group. In addition, the government-

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

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

The government-wide financial statements are reported using the economic resource measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues considered susceptible to accrual are property taxes, sales taxes, franchise taxes, charges for services, fines, forfeitures and interest income. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The proprietary fund financial statements are reported using the economic resource measurement focus and the accrual basis of accounting.

The format of the fund financial statements has been modified by GASB Statement No. 34. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 also requires, as required supplementary information, Management's Discussion and Analysis which includes an analytica

D. DEPOSITS AND INVESTMENTS

Georgia law authorizes local governments to invest in the following types of obligations:

1. Obligations of the State of Georgia or of any other states;
2. Obligations issued by the United States;
3. Obligations fully insured or guaranteed by the United States government or governmental agency;
4. Obligations of any corporation of the United States government;
5. Prime banker's acceptances;
6. Georgia Fund 1 state investment pool;
7. Repurchase agreements; and
8. Obligations of other political subdivisions of the State of Georgia.

Any bank deposit in excess of the total FDIC insured amount must be secured by an equivalent amount of State or U.S. obligations.

Investments are recorded at cost plus accrued interest, which approximates market value.

For the purposes of the statement of cash flows, cash and cash equivalents include all short-term highly liquid investments with original maturities of three months or less. Instruments considered to be cash equivalents include: Treasury bills, certificates of deposit, money market funds, and cash management pools.

E. CAPITAL ASSETS

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. Capitalization thresholds are based on the estimate length of useful life of the asset as well as the purchase cost of the asset. Currently management reviews capitalization of assets on a case-by-case basis. General infrastructure assets, such as roads and bridges, are reported. The cost of normal

are not capitalized. Construction period interest is capitalized with the cost of the asset.

E. CAPITAL ASSETS – Cont.

Capital assets utilized in Proprietary Fund activities are accounted for in the appropriate fund. Depreciation of all exhaustible capital assets used by Proprietary Funds is charged as an expense against their operations. Accumulated depreciation is reported on the Proprietary Fund balance sheet.

Depreciation has been provided over the estimated useful lives using the straight-line method. As a Phase 3 government, the City can elect to capitalize infrastructure from the date of inception forward. The City has elected to do so.

The estimated useful lives are as follows:

Asset Class	Estimated Useful Lives
Infrastructure	40 years
Buildings	10-30 years
Building Improvements	10-30 years
Equipment and Vehicles	5-10 years

F. BUDGETS AND BUDGETARY ACCOUNTING

Budgets are adopted on a basis consistent with Generally Accepted Accounting Principles. Annual appropriated budgets are adopted for the general fund. A budget is prepared for the enterprise fund as a management control device only. Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. All budget revisions at this level are subject to final review by the City Council. Within these control levels, management may transfer appropriations without Council approval. All annual appropriations lapse at fiscal year end. Project-length financial plans are adopted for all capital projects funds.

Public hearings are conducted to obtain taxpayer comments. The budgets are legally adopted through passage of an ordinance. All appropriations lapse at year's end. Budgets were adopted for the Governmental Funds.
Supplementary Information (RSI) Section.

G. ENCUMBRANCES

Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting--under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation--is not utilized in the Governmental Fund types. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

There were no material purchase orders, contracts, or other commitments at year-end, which should have been encumbered.

H. CAPITALIZATION OF INTEREST COST

The City follows the policy of recognizing interest as an expenditure in Governmental Funds and an expense in Proprietary Funds.

I. COMPENSATED ABSENCE

Accumulated sick pay benefits have not been recorded as a liability because these benefits are paid only upon the illness of an employee, and the amount of such payments cannot be reasonably estimated. They are not paid upon termination of employment.

Cost of vacation pay is not recorded until such benefits are paid. GASB Standards require that vacation pay be accrued when:

- The employer's obligation to employees' right to receive compensation for future benefits is attributable to employees' service already rendered.
- The obligation related to rights that vest or accumulate.
- Payment of the compensation is probable
- The amount can be reasonably estimated.

J. RECEIVABLES AND PAYABLES

Outstanding balances resulting in transactions between funds are reported as "interfund balances

Receivables are stated net of an allowance for uncollectible accounts. Accounts receivable in excess of 60 days comprise the allowance for uncollectibles. Delinquent taxes receivable are offset by the deferral of the related revenues until payment is received except amounts received within 60 days of the balance sheet date.

J. RECEIVABLES AND PAYABLES (Cont.)

Property taxes are administered on a calendar year basis subject to the following dates:

Lien Date	January 1
Levy Date	July 1
Collection Period	July 1 – December 20
Due Date	December 20
Delinquent Date	December 21

K. INVENTORIES

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased. Inventory was not material to be reflected in the financial statements.

L. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

During the course of operations of the City of Poulan, numerous transactions have occurred between individual funds for goods provided or services rendered. These receivables and payables are classified as "interfund" on the balance sheet.

M. ADVANCES TO OTHER FUNDS

Although at December 31, 2010, there were no advances to other funds, it is the policy of the City of Poulan that noncurrent portions of long-term interfund loan receivables are reported as advances and are offset equally by a Fund Balance Reserve Account which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation.

N. PREPAID ITEMS

It is the policy of the City to recognize prepaid items as expenditures/expenses when paid or incurred. No prepaid items, therefore, are recorded as such.

O. LONG-TERM OBLIGATIONS

Long-term obligations are reported on the government-wide financial statements. All long-term obligations payable from the enterprise funds are reported on the enterprise fund financial statements. Loans and capital leases are recognized as a liability on the fund financial statements when due.

P. COMPARATIVE DATA

Comparative total data for the prior year has not been presented in the accompanying financial statements.

Q. STATEMENT OF CASH FLOWS

The City considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

R. FUND EQUITY

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net assets."

Fund Balance Generally, fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

- Nonspendable Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.

- Restricted – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

- Committed Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through the adoption of a resolution. The City Council also may modify or rescind the commitment.

- Assigned Fund balances are reported as assigned when amounts are constrained by the Cit
neither restricted nor committed.

R. FUND EQUITY (Cont.)

- Unassigned Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds.

Flow assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City's policy to use fund balance in the following order:

- Committed
- Assigned
- Unassigned

Net Assets – Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has spent) for the acquisition, construction or improvement of those assets. Net assets are reported as restricted as described in the fund balance section above. All other assets are reported as unrestricted.

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

S. INTERFUND TRANSACTIONS

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund increase expenditures/expenses in the reimbursing fund and are accounted for as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

T. MANAGEMENT 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 the reported amount of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - LEGAL COMPLIANCE - BUDGETS

Prior to January 1 of each year, the City Clerk asks department heads for requests for appropriations to the City's mayor so that a budget may be prepared. The budget is prepared by fund, function and activity and includes information on the past year, current year estimates and requested appropriations for the next fiscal year.

Before January 1, the proposed budget is presented to the City's council for review. The City's council holds public hearings and may add to, subtract from or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated as available by the Government's mayor or the revenue estimates must be changed by an affirmative vote of majority of the Government's council.

The legal level of control (the level at which expenditures may not legally exceed appropriations) for each legally adopted annual operating budget is at the department level within departments.

Formal budgetary integration is employed as a management control device during the year for the General and Proprietary Funds. Budgets for the General Fund are adopted on the modified accrual basis (GAAP). Budgets for the Proprietary Funds are adopted on the accrual basis (GAAP).

Budgeted amounts are as originally adopted, or as amended, by the Council. Appropriations lapse at year's end.

There were no material supplementary appropriations made during the year.

The actual results of operations are presented in the Required Supplementary Information section in order to provide a meaningful comparison of actual results with the budget.

NOTE 3 - DEPOSITS AND INVESTMENTS

Deposits. At year's end, the carrying amount of the Government's deposits was $316,175 and the bank balance was $327,815. The entire balance is on deposit with local banks and is covered by the Federal Depository Insurance Corporation (FDIC), or by collateral held in the pledging financial institution's trust department in the City's name.

Interest Rate Risk:
The investments of the primary government and agency funds are invested in highly liquid investments to limit the risk of interest rate fluctuations. All bank certificates of deposit have varying maturity dates of one year or less.

Custodial Credit Risk:
Custodial credit risk is the
excess of FDIC insurance) may not be returned to the City. As of June 30, 2010, the City was exposed to the custodial risk as follows:

Uninsured and collateral held by pledging bank's trust department or agent in the City's name	$ 25,157

The City does not have a deposit policy for custodial credit risk.

The carrying amount for the reporting entity totaling $316,175 includes $13,897 grouped with Restricted Assets and excludes $300 in petty cash on hand.

Investments. The City has no other investments. All certificates of deposit owned by the City of Poulan are classified as cash. All certificates of deposit have varying maturity dates of one year or less. These limit the risk of interest rate fluctuations.

NOTE 4 - INTERFUND TRANSFERS

Interfund: Fund	Transfer from	Transfer to
General Fund	$ 86,172	$ 6,924
Special Purpose Sales Tax Fund	6,924	-
Water Fund	-	86,172
	$ 93,096	$ 93,096

Transfers to and from the above funds were used for payment on long-term debt.

NOTE 5- RESTRICTED ASSETS

consists of cash used for payment of its long-term debt.

NOTE 6 – LONG-TERM OBLIGATIONS

Governmental Activities: Notes Payable	1/1/2010	Increases	Decreases	12/31/2010	Amounts Due Within One Year
1. Branch Banking and Trust Company Tractor Equipment for Street Department Due in quarterly installments of $774 through March 2011 at 4.71% Original Amount of $13,800	3,735	-	2,970	765	765
2. United States Department of Agriculture Police Vehicles for Police Department Due in annual installments of $6,129 through September 2014 at 4.375% Original Amount of $27,000	27,000	-	4,948	22,052	5,164
3. United States Department of Agriculture Chipper/Shredder for Street Department Due in annual installments of $4,556 through March 2014 at 4.50% Original Amount of $20,000	20,000	-	3,656	16,344	3,821
4. HeritageBank of the South Building for Street Department Due in monthly installments of $1,394 through August 2014 at 4.05% Original Amount of $75,000	70,450	-	28,973	41,477	15,219
5. HeritageBank of the South Building for Fire Department Due in monthly installments of $2,390 through March 2017 at 4.96% Original Amount of $225,000	55,412	-	55,412	-	-
Total Notes Payable Governmental Funds	$ 176,597	$ -	$ 95,959	$ 80,638	$ 24,969
Business-Type Activities: Notes Payable					
1. Georgia Environmental Facilities Authority for water improvements Due in monthly installments of $579 through March 2017 at 0.0% Original Amount of $220,854	$ 50,336	$ -	$ 6,943	$ 43,393	$ 7,522
Total Notes Payable Business-Type Activities	$ 50,336	$ -	$ 6,943	$ 43,393	$ 7,522

NOTE 6 – LONG-TERM OBLIGATIONS (cont.)

The annual requirements to amortize the note payable obligations, as of December 31, 2010, are as follows:

Governmental-Type Activities

Year Ended December 31,	Principle Amount	Interest Amount	Total Amount
2011	24,969	3,107	28,076
2012	25,229	2,074	27,303
2013	20,207	1,040	21,247
2014	10,233	453	10,686
2015	-	-	-
	$ 80,638	$ 6,674	$ 87,312

Business-Type Activities

Year Ended December 31,	Principle Amount	Interest Amount	Total Amount
2011	7,522	-	7,522
2012	6,943	-	6,943
2013	6,943	-	6,943
2014	6,943	-	6,943
2015	6,943	-	6,943
2016-2017	8,099	-	8,099
			-
	$ 43,393	$ -	$ 43,393

NOTE 7 – ACCOUNTS RECEIVABLES

Accounts receivable includes accounts receivable for refuse collection of $5,386.

NOTE 8 – SUBSEQUENT EVENTS

The City Attorney represented that to the best of his knowledge there was no pending or threatened litigation against the City of Poulan and there were no unasserted claims or assessments.

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through April 29, 2011, the date the financial statements were available to be issued.

NOTE 9 - PROPERTY TAX REVENUE

Property tax bills were issued on September 20, and became past due on December. Property taxes attach as an enforceable lien on property as of December 21th. The City of Poulan contracts with the County to bill and collect its property taxes. City property tax revenues are recognized when levied to the extent that they result in current receivables, i.e., are available. The property tax receivable on December 31, 2010 was $25,938.

NOTE 10 – CHANGES IN CAPITAL ASSETS

Summary of Capital Assets

The following is a summary of changes in Capital Assets follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets not being depreciated:				
Land	$ 45,000	$ -	$ -	$ 45,000
Construction in Progress	-	-	-	-
Total Capital Assets not being depreciated	$ 45,000	$ -	$ -	$ 45,000
Capital Assets being depreciated:				
Building and Improvements	350,823	6,696	-	357,519
Equipment, Furniture, and Vehicles	1,022,465	-	-	1,022,465
Infrastructure	-	-	-	-
Total Capital Assets being depreciated	$ 1,373,288	$ 6,696	$ -	$ 1,379,984
Less accumulated depreciation				
Building and Improvements	30,608	9,412	-	40,020
Equipment, Furniture, and Vehicles	545,458	89,521	-	634,979
Infrastructure	-	-	-	-
	576,066	98,933	-	674,999
Total Capital Assets being depreciated, Net	797,222	(92,237)	-	704,985
Capital Assets, Net	$ 842,222	$ (92,237)	$ -	$ 749,985

NOTE 10 – CHANGES IN CAPITAL ASSETS (Cont.)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital Assets not being depreciated:				
Land	$ -	$ -	$ -	-
Capital Assets being depreciated:				
Infrastructure	940,898	-	-	940,898
Building and Improvements	3,241	-	-	3,241
Equipment, Furniture, and Vehicles	29,974	-	-	29,974
Total Capital Assets being depreciated	$ 974,113	$ -	$ -	$ 974,113
Less accumulated depreciation				
Infrastructure	307,043	23,522	-	330,565
Building and Improvements	1,289	83	-	1,372
Equipment, Furniture, and Vehicles	29,973	1		29,974
	338,305	23,606	-	361,911
Total Capital Assets being depreciated, Net	635,808	(23,606)	-	612,202
Capital Assets, Net	$ 635,808	$ (23,606)	$ -	$ 612,202

Depreciation expense was charged to functions as follows:

General Government	$ 1,376
Public Safety	77,917
Culture & Recreation	2,192
Streets & Roads	17,448
	98,933

NOTE 11 - CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the state and federal governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Government expects such amounts, if any, to be immaterial.

The City Council advised us that no legal actions were in progress by or against the Government at December 31, 2010 that would have any material effect on the Government's financial condition.

NOTE 12 - RISK MANAGEMENT

The City is exposed to various risks of loss for claims associated with torts, thefts of, damage to, and destruction of assets, errors and omissions, and natural disasters.

There were no significant reductions in insurance coverage from coverage in the prior year. Management believes that the coverage is adequate to preclude any significant uninsured risk exposure to the City. Settled claims have not exceeded the commercial excess coverage in any of the past three fiscal years.

Risk Pool – The City has elected to be a member of the Georgia Municipal Association Worker's Compensation Self-Insurance Fund (GMAWCSIF) and Georgia Interlocal Risk Management Agency (GIRMA), a risk management agency created under Georgia law. As a participant in the GMAWCSIF and GIRMA, the City has no legal obligation to pay its own workers' compensation claims or general liability claims. The City is required to make an annual contribution to the funds in an amount that is determined on the basis of actuarial projections of losses. With payment of the

of its workers' compensation claims and general liability claims. However, the enabling statute creating the GMAWCSIF and GIRMA permits the funds to levy an assessment upon its members to make up any deficiency the fund may have in surplus or reserves.

NOTE 12 - RISK MANAGEMENT (cont.)

The City must participate at all times in at least one fund which is established by the agency. Other responsibilities of the City are as follows:

To pay all contributions, assessments or other sums due the agency at such times and in such amounts as shall be established by the agency.

- To select a person to serve as a member representative.

To allow the agency and its agents reasonable access to all facilities of the City and all records, including but not limited to financial records, which relate to the purposes of the agency.

- To allow attorneys appointed by the agency to represent the City in investigation, settlement discussions, and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the fund established by the agency.

To assist and cooperate in the defense and settlement of claims against the City.

- To furnish full cooperation to the agency's attorneys, claims adjusters, service company, and any agent, employee, officer or independent contractor of the agency relating to the purposes of the agency.

To follow all loss reduction and prevention procedures established by the agency.

- To furnish to the agency such budget, operating, and underwriting information as may be requested.

To report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the agency or any fund established by the agency being required to pay claim for loss or injuries to City property or injuries to persons or property when such loss or injury is within the scope of the protection of a fund or funds in which the City participates.

The City retains the first $1,000 of each risk of loss in the form of a deductible. The City files all claims with the agency and agency bills the City for any loss up to the $1,000 deductible.

Since excess insurance is purchased by the GMAWCSIF and GIRMA to protect the Funds from catastrophic losses, no amount has been recorded in the financial statements for this contingency as management believes the likelihood for assessment is remote.

NOTE 13 - JOINT VENTURE

The Government, in conjunction with cities and counties in the Southwest Georgia area is a member of the Southwest Georgia Regional Development Center (RDC). Membership in an RDC is automatic for each municipality and county in the state. The official Code of Georgia Section 50-8-34 (Georgia Planning Act of 1989) provides for the organizational structure of the RDCs. Each county and municipality in the state is required by law to pay minimum annual dues to the RDC. The Government paid annual dues in the amount of $0 to the RDC for the year ended December 31, 2010. The RDC Board membership includes the chief elected official of each county. 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.

The Georgia Planning Act of 1989 (O.C.G.A. 50-8-34) defines RDCs as "public agencies and instrumentalities of their members." Georgia laws also provide that the member governments are liable for any debts or obligations of an RDC beyond its resources.

The Southwest Georgia Regional Development Center (RDC) is not considered to be a component unit of the City of Poulan. There are no financial reporting obligations between the City of Poulan and the RDC. Separate financial statements may be obtained from:

Southwest Georgia Regional Development Center
30 West Broad Street
P.O. Box 346
Camilla, Georgia 31730

NOTE 14 – PENSION COSTS

The City is not a trustee of any pension fund or retirement plan for the benefit of its employees. However, the following pension and retirement plans are in effect but are not under the direct control of the City:

- Peace Officer's Annuity and Benefit Fund
  Policemen are covered under separate pension plans which require that certain sums from fines or bond forfeitures be remitted by the City to the pension plan before the payment of any costs or other claims.

NOTE 15 – RESTRICTED FUND EQUITY

The following fund balances are restricted for:

General Fund:		
Drug Seizure Funds - used to account for assets seized during drug criminal cases that are used to fund public safety expeditures	$	608
USDA Grant Funds - used to account for previously issued grant funds that are to be used for specific projects as outlined in the grant agreement	$	1,004
CHIP Grant Funds - used to account for previously issued grant funds that are to be used for specific projects as outlined in the grant agreement	$	90
Capital Projects Fund:		
Special Purpose Local Option Sales Tax Fund (SPLOST)		
Used to account for City-owned projects financed with SPLOST	$	8,788
Special Revenue Funds:		
Fire Department Grant Fund - used to account for previously issued grant funds that are to be used for specific public safety projects as outlined in the grant agreement	$	1,312
CDBG Grant Fund - used to account for CDBG grant revenues of the City and their allowable expenditures	$	118

NOTE 16 – PRIOR PERIOD ADJUSTMENT

The City no longer requires a utility deposit for its water service. As such, prior year deposits payable were eliminated due to the change in water fund deposit policy. The elimination caused a restatement of beginning net assets in the water fund by $10,086, the amount of old utility deposits payable.

REQUIRED SUPPLEMENTARY INFORMATION

SECTION B

CITY OF POULAN, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010

Exhibit B-1

	Original Budget	Final Budget	Actual	Variance Over (Under)
Revenues:				
Taxes	$ 216,827	$ 216,827	$ 221,299	$ 4,472
Licenses & Permits	-	1,500	1,500	-
Fines & Forfeitures		528,450	474,535	(53,915)
Charges for Services		64,000	68,099	4,099
Intergovernmental	-	52,000	78,505	26,505
Interest		1,000	967	(33)
Miscellaneous		10,000	11,071	1,071
Total Revenues	817,777	873,777	855,976	(17,801)
Expenditures:				
Current:				
General Government	121,231	137,300	130,768	(6,532)
Public Safety		396,557	391,505	(5,052)
Public Works		282,220	269,687	(12,533)
Culture and Recreation	9,653	5,700	5,093	(607)
Housing and Development	-		46,118	(5,882)
Total Expenditures	819,777	873,777	843,171	(30,606)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,000)	-	12,805	12,805
Other Financing Sources (Uses):				
Transfers In	2,000	-		6,924
Transfers (Out)	-	-	(86,172)	(86,172)
Total Other Financing and Uses	2,000	-	(79,248)	(79,248)
Net Changes in Fund Balances	-	-	(66,443)	(66,443)
Fund Balances - Beginning	$ -	$ -	$ 362,408	$ 362,408
Fund Balances - Ending	$ -	$ -	$ 295,965	$ 295,965

NOTES TO

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF POULAN, GEORGIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2010

NOTE 1 - BUDGETS AND BUDGETARY ACCOUNTING

Budgets are adopted on a basis consistent with Generally Accepted Accounting Principles. Annual appropriated budgets are adopted for the general fund and special revenue fund. A budget is prepared for the enterprise fund as a management control device only. Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. All budget revisions at this level are subject to final review by the City Council. Within these control levels, management may transfer appropriations without Council approval. All annual appropriations lapse at fiscal year end. Project-length financial plans are adopted for all capital projects funds.

Public hearings are conducted to obtain taxpayer comments. The budgets are legally adopted through passage of an ordinance. All appropriations lapse at year's end. Budgets were adopted for the Governmental Funds.

NOTE 2 - LEGAL COMPLIANCE - BUDGETS

Prior to January 1 of each year, the City Clerk asks department heads for requests for appropriations to the Government's mayor so that a budget may be prepared. The budget is prepared by fund, function and activity and includes information on the past year, current year estimates and requested appropriations for the next fiscal year.

Before January 1, the proposed budget is presented to the Government's council for review. The Government's council holds public hearings and may add to, subtract from or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated as available by the Government's mayor or the revenue estimates must be changed by an affirmative vote of majority of the Government's council.

The legal level of control (the level at which expenditures may not legally exceed appropriations) for each legally adopted annual operating budget is at the department level within departments.

Formal budgetary integration is employed as a management control device during the year for the General and Proprietary Funds. Budgets for the General Fund and Special Revenue Fund are adopted on the modified accrual basis (GAAP). Budgets for the Proprietary Funds are adopted on the accrual basis (GAAP).

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

There were no material supplementary appropriations made during the year.

The actual results of operations on the budgetary basis are presented in the Schedules of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual (GAAP) General Fund in order to provide a meaningful comparison of actual results with the budget.

General Fund budgetary comparison schedules are presented at the legal level of control.

SUPPLEMENTARY INFORMATION

FINANCIAL STATEMENTS
OF
INDIVIDUAL FUNDS

CITY OF POULAN, GEORGIA
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

SECTION C

NONMAJOR GOVERNMENTAL FUNDS – COMBINING STATEMENTS

CITY OF POULAN, GEORGIA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
FOR THE YEAR ENDED DECEMBER 31, 2010

Exhibit C-1

	Special Revenue Fund Combined Special Revenue Funds	Total Nonmajor Governmental Funds
Assets		
Cash	$ 1,430	$ 1,430
Due from Other Funds	-	-
Total Assets	$ 1,430	$ 1,430
Liabilities & Fund Balance		
Liabilities:		
Due to Other Funds	-	-
Total Liabilities	-	-
Fund Balances:		
Fund Balance - Restricted	1,430	1,430
Total Liabilities & Fund Balance	$ 1,430	$ 1,430

CITY OF POULAN, GEORGIA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2010

Exhibit C-2

	Special Revenue Fund	
	Combined Special Revenue Funds	Total Nonmajor Governmental Funds
Revenues:		
Federal Government	$ -	$ -
State Government	-	-
Miscellaneous	-	-
Total Revenues	-	-
Expenditures:		
Current:		
General Government	-	-
Public Safety	-	-
Streets and Roads	-	-
Culture and Recreation	-	-
Total Expenditures	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-
Other Financing Sources (Uses):		
Transfers In	-	-
Transfers (Out)	-	-
Total Other Financing and Uses	-	-
Net Changes in Fund Balances	-	-
Fund Balances - Beginning	$ 1,430	$ 1,430
Fund Balances - Ending	$ 1,430	$ 1,430

CITY OF POULAN, GEORGIA
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

SECTION D

GENERAL FUND

General Fund to account for resources traditionally associated with governments which are not required to be accounted for in another fund.

CITY OF POULAN, GEORGIA
GENERAL FUND
BALANCE SHEET
FOR THE ENDED DECEMBER 31, 2010

Exhibit D-1

		General Fund
Assets		
Cash on Hand and in Banks	$	272,806
Taxes Receivable		25,938
Due from Other Governments		6,815
Accounts Receivable		5,386
Total Assets	$	310,945
Liabilities and Fund Balances		
Liabilities:		
Accounts Payable	$	14,791
Employee Withholdings Payable		189
Total Liabilities		14,980
Fund Balances:		
Restricted		1,702
Unassigned		294,263
Total Fund Balances		295,965
Total Liabilities and Fund Balances	$	310,945

CITY OF POULAN, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2010

Exhibit D-2

	General Fund
Revenues:	
Taxes	$ 221,299
Licenses & Permits	1,500
Fines & Forfeitures	474,535
Charges for Services	68,099
Intergovernmental	78,505
Interest	967
Miscellaneous	11,071
Total Revenues	855,976
Expenditures:	
Current:	
General Government	130,768
Public Safety	391,505
Public Works	269,687
Culture and Recreation	5,093
Housing and Development	46,118
Total Expenditures	843,171
Excess (Deficiency) of Revenues Over (Under) Expenditures	12,805
Other Financing Sources (Uses):	
Debt Proceeds	-
Transfers In	6,924
Transfers (Out)	(86,172)
Total Other Financing and Uses	(79,248)
Net Changes in Fund Balances	(66,443)
Fund Balances - Beginning	$ 362,408
Fund Balances - Ending	$ 295,965

CITY OF POULAN, GEORGIA
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

SECTION E

SPECIAL REVENUE FUNDS

Special Revenue Funds These funds are used to report governmental operations where statutory, regulatory, or grant requirement provisions require separate accountability.

CITY OF POULAN, GEORGIA
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
FOR THE YEAR ENDED DECEMBER 31, 2010

Exhibit E-1

	Fire Department Grant	CDBG Fund	Total Special Revenue Funds
Assets			
Cash	$ 1,312	118	$ 1,430
Due from Other Funds	-		-
Total Assets	$ 1,312	$ 118	$ 1,430
Liabilities & Fund Balance			
Liabilities:			
Due to Other Funds	-	-	-
Total Liabilities	-	-	-
Fund Balances:			
Fund Balance - Restricted	1,312	118	1,430
Total Liabilities & Fund Balance	$ 1,312	$ 118	$ 1,430

CITY OF POULAN, GEORGIA
SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2010

Exhibit E-2

	Fire Department Grant	CDBG Fund	Total Special Revenue Funds
Revenues:			
Federal Government	$ -	$ -	$ -
Miscellaneous	-		
Total Revenues	-		-
Expenditures:			
Current:			
General Government	-		
Public Safety	-		-
Total Expenditures	-		
Excess (Deficiency) of Revenues Over (Under) Expenditures	-		-
Other Financing Sources (Uses):			
Transfers In	-		
Transfers (Out)	-		
Total Other Financing and Uses	-		
Net Changes in Fund Balances	-		-
Fund Balances - Beginning	$ 1,312	$ 118	$ 1,430
Fund Balances - Ending	$ 1,312	$ 118	$ 1,430

CITY OF POULAN, GEORGIA
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

SECTION F

CAPITAL PROJECTS FUND

Capital Projects Fund These funds are used to report the receipt and disbursement of Special Purpose Sales Tax proceeds

CITY OF POULAN, GEORGIA
SPECIAL PURPOSE SALES TAX CAPITAL PROJECTS FUND
BALANCE SHEET
FOR THE ENDED DECEMBER 31, 2010

Exhibit F-1

	Special Purpose Sales Tax Fund
Assets	
Cash	$ 2,656
Special Purpose Sales Tax Receivable	6,132
Total Assets	$ 8,788
Liabilities and Fund Balances	
Liabilities:	
Interfund Balances	-
Total Liabilities	-
Fund Balances:	
Restricted: For Special Purpose Sales Tax Projects	8,788
Total Fund Balance	8,788
Total Liabilities and Fund Balance	$ 8,788

CITY OF POULAN, GEORGIA
SPECIAL PURPOSE SALES TAX CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2010

Exhibit F-2

	Special Purpose Sales Tax Fund
Revenues:	
Intergovernmental Revenue:	
Special Purpose Sales Tax	$ 71,418
Interest	91
Total Revenues	71,509
Expenditures:	
Current:	
Public Safety	
Fire	
Dues and Fees	20
Capital Outlay:	
Capital Expenditures	1,735
Debt Service:	
Principal	70,412
Interest	1,164
Total Public Safety	73,331
Public Works	
Highways and Streets	
Capital Outlay:	
Capital Expenditures	4,961
Total Public Works	4,961
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,783)
Transfers Out	(6,924)
Net Other Financing Sources and Uses	(6,924)
Net Changes in Fund Balances	(13,707)
Fund Balances - Beginning	$ 22,495
Fund Balances - Ending	$ 8,788

CITY OF POULAN, GEORGIA
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

SECTION G

ENTERPRISE FUND

Enterprise Fund This fund is used account for the provision of water and garbage collection services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collecting.

CITY OF POULAN, GEORGIA
PROPRIETARY FUND
SCHEDULE OF NET ASSETS
DECEMBER 31, 2010

Exhibit G-1

		Water Fund
Assets		
Current Assets:		
Cash on Hand and in Banks	$	25,686
Accounts Receivable, Net of Allowance for Uncollectible Accounts		7,551
Total Current Assets		33,237
Long-Term Assets:		
Restricted Cash		13,897
Land and Buildings		-
Capital Assets, Net of Accumulated Depreciation		612,203
Total Long-Term Assets		626,100
Total Assets	$	659,337
Liabilities		
Current Liabilities:		
Accounts Payable	$	5,822
Payable from Restricted Assets:		
Current Portion of Long-Term Debt		7,522
Total Current Liabilities		13,344
Long-Term Liabilities:		
Long-Term Debt		35,871
Total Long-Term Liabilities		35,871
Total Liabilities		49,215
Net Assets		
Invested in Capital Assets: Net of Related Debt		568,810
Restricted		13,897
Unrestricted		27,415
Total Net Assets	$	610,122

CITY OF POULAN, GEORGIA
PROPRIETARY FUND
SCHEDULE OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2010

Exhibit G-2

	Water Fund
Operating Revenues:	
Water Sales	$ 103,851
New Connect Fees	1,140
Reconnect Fees	900
Other Income	7,297
Total Operating Revenues	113,188
Operating Expenses:	
Personal Services and Employee Benefits	17,859
Purchased/Contracted Services	74,086
Supplies	29,230
Depreciation and Amortization	23,606
Total Operating Expenses	144,781
Operating Income (Loss)	(31,593)
Income (Loss) Before Transfers	(31,593)
Transfers from General Fund	86,172
Change in Net Assets	54,579
Total Net Assets - Beginning	$ 545,457
Prior Period Adjustment	10,086
Total Net Assets - Ending	$ 610,122

CITY OF POULAN, GEORGIA
PROPRIETARY FUND
SCHEDULE OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010

Exhibit G-3

	Water Fund
Cash Flows from (Used for) Operating Activities	
Cash Received from Customers	$ 113,460
Cash Paid for Goods and Services	(99,662)
Cash Paid to Other Funds	(50,234)
Cash Paid to Employees	(17,859)
Net Cash Flows Provided from Operating Activities	(54,295)
Cash Flows From (Used for) Non-capital Financing Activities	
Transfer In	86,172
Net Cash Provided From Non-capital Financing Activities	86,172
Cash Flows from (Used for) Capital and Related Financing Activities	
Interest Expense	-
Principle Payment on Long-Term Debt	(6,942)
Acquisition of Capital Assets	-
Net Cash Flows (Used for) Capital and Related Financing Activities	(6,942)
Cash Flows from (Used for) Investing Activities	
Interest Income	-
Net Cash Flows from Investing Activities	-
Net Increase (Decrease) in Cash and Cash Equivalents	24,935
Cash and Cash Equivalents - Beginning of Year	14,648
Cash and Cash Equivalents - End of Year	$ 39,583
Classified as:	
Cash on Hand and in Banks	$ 25,686
Restricted Cash for Debt Service	13,897
	$ 39,583
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	(31,593)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation Expense	23,606
Changes in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	272
Increase (Decrease) in Accounts Payable	3,654
Increase (Decrease) in Interfund Payable	(50,234)
Net Cash Provided (Used) by Operating Activities	$ (54,295)
Supplemental Disclosure of Cash Flow Information:	
Cash Paid for Interest	$ -

CITY OF POULAN, GEORGIA
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

SECTION H

Hudson & NeSmith, CPAs

Ronald D. Hudson, CPA, CFP®

John A. NeSmith, Jr., CPA

Member
American Institute of Certified Public Accountants
Georgia Society of Certified Public Accountants
Private Companies Practice Section

Independent Auditor's 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 Members of the City Council
City of Poulan, Georgia

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Poulan, Georgia, as of and for the year ended December 31, 2010, which collectively comprise the City of Poulan, Georgia's basic financial statements and have issued our report thereon dated April 29, 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 Poulan, Georgia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Poulan, Georgia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Poulan, Georgia's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Poulan, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of the City of Poulan, Georgia in a separate letter dated April 29, 2011.

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

Hudson & NeSmith, CPA's

Hudson & NeSmith, CPAs
Sylvester, Georgia
April 29, 2011

CITY OF POULAN, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2010

SUMMARY OF AUDIT RESULTS

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

2. No material weaknesses were disclosed during the audit of the basic financial statements as reported in the "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.

3. No instances of noncompliance, material to the basic financial statements of the City of Poulan, Georgia, were disclosed during the audit.

CITY OF POULAN, GEORGIA
STATUS OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2010

Audit Reference Number	Status
2007-01	Corrected in fiscal year 2010

CITY OF POULAN, GEORGIA
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

SECTION I

CITY OF POULAN, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED
WITH SPECIAL SALES TAX PROCEEDS
FOR THE YEAR ENDED DECEMBER 31, 2010

Project	Original Estimated Cost	Revised Estimated Cost	Expenditures: Prior Years	Expenditures: Current Years	Expenditures: Total	Estimated Percentage Completion
Road, Street, and Bridge Purposes	$ 80,000	$ 80,000	$ 1,079	$ 11,885	$ 12,964	16.2%
Fire Department Construction	225,000	374,086	266,930	2,899	269,829	100.0%
Water System Improvements	20,000	20,000	-	-	-	0.0%
Total	$ 325,000	$ 474,086	$ 268,009	$ 14,784	$ 282,793	

Note: The prior year cumulative expenditures total was restated due to the City including debt payments in the total for financing of the Fire Department. In the current year, these debt payments were removed from the prior year amounts. Interest expense was included in the cumulative amounts. Debt payments removed from the cumulative total were $156,225. Interest expense that was included in the cumulative amounts was $24,658 of which $8,339 had not been included in the prior years.

The variance of $63,508 between the Statement of Revenues, Expenditures, and Changes in Fund Balance for the Special Purpose Local Option Sales Tax Fund and the total of the above schedule was due to small bank fee (non-capital) expenditures of $20 associated with the Fu , $70,412 of principal payments on long-term capital leases, and transfers to the General Fund for $6,924 for payment of the Public Works Building that was financed through the General Fund but was a SPLOST Fund project.

CITY OF POULAN, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETED AND ACTUAL
CDBG PROGRAM NO. 03p-x-159-2-2869
FOR THE GRANT PERIOD OCTOBER, 2003 THROUGH DECEMBER 31, 2010
PROJECT COST SCHEDULE

	Project Budget	Actual to Date	Variance
Revenues:			
Federal Government:			
Georgia Department of Community Affairs - Community Development			
Block Grant	$ 499,081	$ 499,081	$ -
Miscellaneous	-		183
Total Revenues	499,081	499,264	183
Expenditures:			
Water Improvements	469,136	483,622	(14,486)
Administration	29,945	30,010	(65)
Contingencies		-	-
Total Expenditures	499,081	513,632	1,012,713
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(14,368)	(14,368)
Other Financing Sources (Uses):			
Transfers In	-		14,486
Transfers (Out)		-	-
Total Other Financing and Uses	-		14,486
Net Changes in Fund Balances	-		118
Fund Balances - Beginning	$ -	$ -	$ -
Fund Balances - Ending	$ -	$ 118	$ 118

CITY OF POULAN, GEORGIA
COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM
SOURCE AND APPLICATION OF FUNDS SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2010

City of Poulan, Georgia
Recipient Name

03p-x-159-2-2869
CDBG Grant Number

For the Period Ending: **December 31, 2010**
(Cumulative)

Total Program Year 2003 CDBG Funds Allocated to Recipient	$	499,081
Less: Deobligations		-
Net Program Year 2003 Funds Allocated to Recipient		499,081
Less: Total Program Year 2003 Funds Drawn Down by Recipient	$	(499,081)
Funds Still Available from Program Year 2003 Resources	$	-
Total Program Year 2003 CDBG Funds Drawn and Received by Recipient	$	499,081
Local Matches and Other Receipts		14,521
Total Receipts Available for Program Year 2003 Costs		513,602
Less: Funds Applied and Expended to Program Year 2003 Costs		513,602
Total Program Year 2003 Funds Held by Recipient	$	-