CITY OF SYLVANIA, GEORGIA

AUDIT OF
FINANCIAL STATEMENTS

FOR THE YEAR ENDED
DECEMBER 31, 2010

City of Sylvania, Georgia
Annual Financial Report
For the Year Ended December 31, 2010

TABLE OF CONTENTS

	Page
Financial Section	
Independent Auditors' Report	4
Management's Discussion and Analysis (Unaudited)	6
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets	15
Statement of Activities	16
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	17
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	18
Statement of Revenues, Expenditures and Changes in Fund Balances	19
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	20
Proprietary Funds:	
Statement of Net Assets	21
Statement of Revenues, Expenses, and Changes in Fund Net Assets	22
Statement of Cash Flows	23
Notes to the Basic Financial Statements	25
Required Supplementary Information	
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual –*General Fund*	48
Notes to the Required Supplementary Information	49
Supplementary Information	
Combining and Individual Fund Statements and Schedules:	
Governmental Funds	
***General Fund*:**	
Comparative Balance Sheet	50
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances	51

Page

Nonmajor Governmental Funds
Combining Balance Sheet - By Fund Type 52
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - By Fund Type 53

Nonmajor Special Revenue Funds:
Combining Balance Sheet 54
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances 55
UDAG Fund
Comparative Balance Sheet 56
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual 57
Hotel/Motel Tax Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual 58
Confiscated Assets Fund
Comparative Balance Sheet 59
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual 60

Proprietary Funds
Enterprise Funds
Major Enterprise Funds
Water and Sewer Fund
Comparative Schedule of Net Assets 61
Comparative Schedule of Revenues, Expenses and Changes in Fund Net Assets 62
Electricity Utility Fund
Comparative Schedule of Net Assets 63
Comparative Schedule of Revenues, Expenses and Changes in Fund Net Assets 64
Gas Utility Fund
Comparative Schedule of Net Assets 65
Comparative Schedule of Revenues, Expenses and Changes in Fund Net Assets 66
Sanitation Fund
Comparative Schedule of Net Assets 67
Comparative Schedule of Revenues, Expenses and Changes in Fund Net Assets 68

Page

Special Reports Section

Schedule of Hotel/Motel Tax 69

Schedule of Projects Constructed with Special
Purpose Local Option Sales Tax Proceeds 70

Yellow Book Reporting Section

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 71

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INDEPENDENT AUDITORS' REPORT

To the Mayor and Council
City of Sylvania, Georgia

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Sylvania, 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 our report dated June 20, 2011, on our consideration of the City of Sylvania, Georgia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information on pages 6 through 14 and 48 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sylvania, Georgia's basic financial statements. The combining and individual fund statements and other schedules, including the Schedule of Projects Constructed with 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 combining and individual 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 certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Caines, Hodges, Pace & Company, P.C.

Rincon, Georgia
June 20, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the City of Sylvania, Georgia's (the City) annual financial report, the City's management is pleased to provide this narrative discussion and analysis of the financial activities of the City for the calendar year ended December 31, 2010. We discuss and analyze the City's financial performance within the context of the accompanying financial statements and disclosures following this section.

Financial Highlights

- The City's assets exceeded its liabilities by $12,941,086 (net assets) for the calendar year reported.
- Total net assets are comprised of the following:
  (1) Capital assets, net of related debt, of $8,545,439 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
  (2) Net assets of $2,110,939 are restricted by constraints imposed from outside the City such as debt covenants, grantors, laws, or regulations.
  (3) Unrestricted net assets of $2,284,708 represent the portion available to maintain the City's continuing obligations to citizens and creditors.
- The City's governmental funds reported total ending fund balance of $2,570,061 this year. This compares to the prior year ending fund balance of $2,986,667 showing a decrease of $416,606 during the current year. Unreserved general fund balance of $1,336,392 for calendar year 2010 shows a $593,301 decrease from the prior year.
- At the end of the current calendar year, unreserved fund balance for the General Fund was $1,336,392, or 40% of total General Fund expenditures
- Overall, the City's financial position has remained relatively stable.

The above financial highlights are explained in more detail in the "financial analysis" section of this document.

Overview of the Financial Statements

This Management Discussion and Analysis document introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. The City also includes in this report additional information to supplement the basic financial statements. Comparative data is presented when available.

Government-wide Financial Statements

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall financial status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in accrual accounting and elimination or reclassification of activities between funds.

The first of these government-wide statements is the *Statement of Net Assets.* This is the government-wide statement of position presenting information that includes all of the City's assets and liabilities, with the difference reported as *net assets.* Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall health of the City would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of City infrastructure, in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities, which* reports how the City's net assets changed during the current calendar year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by property taxes and sales taxes from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, and streets. Business-type activities include the water and sewer system, the electric system, the gas system and sanitation services.

The government-wide financial statements are presented on pages 15 & 16 of this report.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the form of combining statements in a later section of this report.

The City has two kinds of funds:

Governmental funds are reported in the fund financial statements and encompass the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the City's governmental funds. These statements report short-term calendar accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund operating statement provide a reconciliation to assist in understanding the differences between these two perspectives.

The basic governmental fund financial statements are presented on pages 17-20 of this report.

Individual fund information for non-major governmental funds is found in combining and individual fund statements in a later section of this report.

Proprietary funds are reported in the fund financial statements and generally report services for which the City charges customers a fee. The four City proprietary funds are classified as enterprise funds. The enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the City organization for water and sewer, gas and electric utilities and sanitation services.

The basic enterprise fund financial statements are presented on pages 21-24 of this report.

Notes to the Basic Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin on page 25 of this report.

Other Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning some of the City's budget presentations as well as some comparative information. Budgetary comparison schedules for all other governmental funds can be found in a later section of this report. As discussed, the City reports major funds in the basic financial statements. Combining and individual statements and schedules for non-major funds are presented in a subsequent section of this report beginning on page 50.

Financial Analysis of the City as a Whole

The City's net assets at December 31, 2010 are $12,941,086. The following table provides a summary of the City's net assets:

	2010			2009 (as restated)		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Assets:						
Current assets	$ 1,901,850	$ 4,681,229	$ 6,583,079	$ 2,608,382	$ 5,982,359	$ 8,590,741
Restricted assets	881,635	938,153	1,819,788	710,491	394,541	1,105,032
Capital assets	3,413,878	5,725,466	9,139,344	3,374,525	5,806,663	9,181,188
Total assets	6,197,363	11,344,848	17,542,211	6,693,398	12,183,563	18,876,961
Liabilities:						
Current liabilities	213,960	3,768,701	3,982,661	352,201	5,332,354	5,684,555
Liabilities payable from restricted assets			-		217,102	217,102
Long-term liabilities	76,302	542,162	618,464	112,611	683,174	795,785
Total liabilities	290,262	4,310,863	4,601,125	464,812	6,232,630	6,697,442
Net assets:						
Invested in capital assets, net of debt	3,387,695	5,157,744	8,545,439	3,312,664	5,112,466	8,425,130
Restricted	1,172,786	938,153	2,110,939	1,005,552	394,541	1,400,093
Unrestricted	1,346,620	938,088	2,284,708	1,910,370	443,926	2,354,296
Total net assets	$ 5,907,101	$ 7,033,985	$ 12,941,086	$ 6,228,586	$ 5,950,933	$ 12,179,519

The amounts for the City's prior year business-type activities have been adjusted and restated due to a correction in the recording of the MEAG Competitive Trust and New Generation Trust activity. See Note 4 to the financial statements for further explanation.

The City continues to maintain an adequate current ratio. The current ratio compares current assets to current liabilities and is an indication of the ability to pay current obligations. The current ratio for governmental activities is 8.89 to 1 which is an increase from 2009 due to a reduction in unearned revenue at year-end. For business type activities the current ratio is 1.24 to 1 which is a slight decrease from 2009 due to decreases in accounts receivable at 2010 year end. For the City overall, the current ratio is 1.65 to 1.

The City reported positive balances in net assets for both governmental and business-type activities. Net assets decreased $321,485 for governmental activities and increased $1,083,052 for business-type activities. The City's overall financial position remained stable but continues to be a threat due to the volatility in the energy market, which could result in a decrease in the operating profits of the electric and gas utilities.

Note that approximately 57% of the governmental activities' net assets are tied up in capital. The City uses these capital assets to provide services to its citizens. However, with business type activities, the City has spent approximately 73% of its net assets on capital. Capital assets in the business-type activities also provide utility services, but they also generate revenues for this fund. Sixty-six percent of the City's total net assets are included in capital assets.

The following table provides a comparative summary of the City's changes in net assets:

Summary of Changes in Net Assets

	2010				2009 (as restated)			
	Governmental Activities	Business-type Activities	Total	Percentage of Total	Governmental Activities	Business-type Activities	Total	Percentage of Total
Revenues:								
Program:								
Charges for services	$ 343,797	$ 36,030,276	$ 36,374,073	94.4%	$ 266,034	$ 31,282,146	$ 31,548,180	95.0%
Operating grants	71,592		71,592	0.2%	168,963		168,963	0.5%
Capital grants and other	416,191	732,423	1,148,614	3.0%	41,866	394,541	436,407	1.3%
General:								
Taxes	813,150		813,150	2.1%	789,317		789,317	2.4%
Other	91,338	44,227	135,565	0.4%	230,830	40,409	271,239	0.8%
Total revenues	1,736,068	36,806,926	38,542,994	100%	1,497,010	31,717,096	33,214,106	100%
Program expenses:								
General government	847,001		847,001	2.2%	771,675		771,675	2.2%
Judicial	45,949		45,949	0.1%	56,107		56,107	0.2%
Public safety - fire	584,825		584,825	1.5%	474,070		474,070	1.4%
Public safety - police	853,857		853,857	2.3%	1,056,414		1,056,414	3.1%
Public safety - animal control	16,348		16,348	0.0%	16,627		16,627	0.0%
Public works - streets	413,330		413,330	1.1%	550,185		550,185	1.6%
Public works - garage	188,986		188,986	0.5%	159,146		159,146	0.5%
Health and welfare	159,601		159,601	0.4%	179,396		179,396	0.5%
Culture and recreation	24,390		24,390	0.1%	14,552		14,552	0.0%
Housing and development	113,421		113,421	0.3%	172,214		172,214	0.5%
Interest	1,570		1,570	0.0%	1,784		1,784	0.0%
Water and sewer		949,485	949,485	2.5%		1,090,008	1,090,008	3.2%
Electric		27,686,624	27,686,624	73.3%		24,407,399	24,407,399	70.8%
Gas		5,388,280	5,388,280	14.3%		5,082,168	5,082,168	14.7%
Sanitation		507,760	507,760	1.3%		427,767	427,767	1.2%
Total expenses	3,249,278	34,532,149	37,781,427	100%	3,452,170	31,007,342	34,459,512	100%
Excess (deficiency)	(1,513,210)	2,274,777	761,567		(1,955,160)	709,754	(1,245,406)	
Transfers	1,191,725	(1,191,725)	-		44,647	(44,647)	-	
Change in net assets	(321,485)	1,083,052	761,567		(1,910,513)	665,107	(1,245,406)	
Beginning net assets (as restated)	6,228,586	5,950,933	12,179,519		8,139,099	5,285,826	13,424,925	
Ending net assets	$ 5,907,101	$ 7,033,985	$ 12,941,086		$ 6,228,586	$ 5,950,933	$ 12,179,519	

GOVERNMENTAL REVENUES

The City has a diversified revenue stream. The City is heavily reliant on property taxes to support governmental operations and capital. Property taxes provided only 15% of the City's total governmental revenues. Local option sales taxes are the second largest revenue source with approximately $247 thousand of revenues or 14% of the total. The insurance premium taxes generate $144,000 and $110,369 from alcohol taxes. Also, note that program revenues cover approximately 26% of governmental operating expenses. This means that the government's taxpayers, the City's other general governmental revenues, and transfers from business-type activities fund 74% of the governmental activities. As a result, the general economy and the City businesses have a major impact on the City's revenue streams.

GOVERNMENTAL FUNCTIONAL EXPENSES

The police function spends about 26% of the governmental funds budget; the fire function spends about 18% of the governmental funds budget; and the street's function spends about 13% of the total governmental funds budget.

This table presents the cost of each of the City's programs, including the net costs (i.e., total cost less revenues generated by the activities). The net costs illustrate the financial burden that has been placed on the City's taxpayers by each of these functions.

	Total Cost of Services	Net Cost of Services
General government	$ 847,001	$ 706,680
Judicial	45,949	45,949
Public safety - fire	584,825	402,379
Public safety - police	853,857	656,660
Public safety - animal control	16,348	16,348
Public works - streets	413,330	259,656
Public works - garage	188,986	188,986
Health and welfare	159,601	5,799
Cultural and recreation	24,390	20,171
Housing and development	113,421	113,371
Interest	1,570	1,570
Total	$ 3,249,278	$ 2,417,569

After reducing gross expenses by program revenues, the police function totals 27% of the net cost of services and the fire function totals 17% of these costs. Finally, the general government function is 29% of the total.

BUSINESS-TYPE ACTIVITIES
Revenues vs. Costs

The operating revenues for the utility funds were 15% above 2009 and operating expenses were 11% above 2009. Within the total business type activities of the City, these activities reported $1,498,127 in operating income compared to operating income of $274,804 in the prior year, or an increase of 445%.

However, after transfers in and out between other funds and non-operating revenues and expenses, these funds reported net income of $665,107 in 2009 compared to net income of $2,274,777 in 2010. Each specific fund reported the following net income or loss:

	2010 Amounts	2009 Amounts (as restated)
Water and sewer fund	$ 198,396	$ 25,606
Electric utility fund	1,038,463	866,733
Gas utility fund	(152,607)	(217,427)
Sanitation fund	(1,200)	(9,805)

Water and sewer has operating income for 2010 of $166,594, which is a significant increase from the operating loss of $98,391 for 2009. During 2010, the revenues were 13% higher than that in fiscal year 2009 due to rate increases.

The electric utility fund reported an increase in revenues of 17% or $4.2 million. This increase relates to increased revenues from industrial customers and particularly to one industrial customer who in has increased usage. Expenses reported an increase of 13% or approximately $3.3 million. The increase in expenses relates to the increase in electricity purchased. The electricity utility transferred approximately $510 thousand to other funds. Transfers between the utility funds and the general fund are common since all operating cash (i.e., receipts and disbursements) are recorded and included in the general fund. The interfund transfer is a function of activity and is forced to balance based on cash activity in individual funds.

The gas utility fund operating revenue increased in calendar year 2010 by approximately $426 thousand or 8% and operating expenses increased approximately $306 thousand or 6%. Operating revenues and expenses increased due to increased demand, especially from industrial customers. This fund transferred $601,280 to the other funds as explained above.

The sanitation fund operating revenue increased in calendar year 2010 by $26,961 or 6% and operating expenses increased $76,762 or 18%. The increase in the fund's revenue is due to an increase in sanitation fees implemented by City Council and the increase in operating expenses is due to the increase in health insurance.

Financial Analysis of the City's Funds

Governmental Funds

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of $2,570,061. Of this year-end total, $1,336,392 is unreserved indicating availability for continuing City service requirements and $1,233,669 is legally restricted for program purposes.

The total ending fund balances of governmental funds show a decrease of $416,606 compared to a decrease of $1,793,482 for the prior year. This decrease continues to be a result of a decrease in revenues and in transfers from the enterprise funds as discussed above.

Major Governmental Funds

The general fund is the City's primary operating fund and the largest source of day-to-day service delivery. The general fund's fund balance decreased by approximately $584 thousand. In calendar year 2009, the fund balance decreased by $1.8 million.

Overall, general fund revenues were 15% above the 2009 revenues. Total taxes increased $33,791 from calendar 2009. This increase was due to an increase in property values for 2010. General fund licenses and permits basically remained the same compared to calendar 2009. The general fund's fines and forfeitures increased approximately $87,838, which was due to more fines paid through community service and jail time in the prior year.

On the expenditure side, the 2010 expenditures increased $16,588 above the 2009 amount. The fire function had an increase in expenditures of 77% due to an increase in health insurance and the construction of a fire tower training center. The majority of the fire tower training center was funded through a local donation. The police function had a decrease of 19% in expenditures from the 2009 amount due to a decrease in health insurance cost. The street function's expenditures decreased 22% when compared to 2009 due to health insurance cost reductions.

The General Fund's ending fund balance decreased 29%, and represents the equivalent of 42% of annual expenditures.

The Proprietary Funds

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status. The analysis is presented above.

Budgetary Highlights

The General Fund – The City amended the general fund budget once for calendar 2010. The City realized over 117% of the final revenue budget. The licenses and permits were below budget due to the downturn in the economy. Investment earnings were below the budget due to a substantial decrease in the interest rates in 2010.

The City spent 93% of the appropriated budget.

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of December 31, 2010, was $3,413,878 and $5,725,466 respectively. The increase in this net investment was 1% for governmental and a 1% decrease for business-type activities. The overall decrease was approximately .5% for the City as a whole. See Note 8 for additional information about changes in capital assets during the calendar year and on hand at the end of the year. The following table provides a summary of capital asset activity.

Continued on next page.

Capital Assets

	Governmental Activities		Business Activities		Total	
	2010	2009	2010	2009	2010	2009
Non-depreciable assets:						
Land	$ 262,306	$ 262,306	$ 23,057	$ 23,057	$ 285,363	$ 285,363
Construciton in progress	216,779	-	257,982	35,550	474,761	35,550
	479,085	262,306	281,039	58,607	760,124	320,913
Depreciable assets:						
Buildings	2,097,558	2,080,248	-	-	2,097,558	2,080,248
Land and building improvements	181,311	181,311	-	-	181,311	181,311
Machinery and equipment	365,047	365,047	-	-	365,047	365,047
Vehicles	856,947	923,003	-	-	856,947	923,003
Furniture and fixtures	118,523	118,523	-	-	118,523	118,523
Infrastructure	3,483,445	3,483,445	-	-	3,483,445	3,483,445
Water system	-	-	7,386,918	7,366,218	7,386,918	7,366,218
Electric system	-	-	4,998,334	4,998,334	4,998,334	4,998,334
Gas system	-	-	1,050,170	1,058,937	1,050,170	1,058,937
Sanitation operations	-	-	392,741	423,922	392,741	423,922
Total depreciable assets	7,102,831	7,151,577	13,828,163	13,847,411	20,930,994	20,998,988
Less accumulated depreciation	4,168,038	4,039,358	8,383,736	8,099,355	12,551,774	12,138,713
Book value - depreciable assets	2,934,793	3,112,219	5,444,427	5,748,056	8,379,220	8,860,275
Percentage depreciated	59%	56%	61%	58%	60%	58%
Book value - all assets	$ 3,413,878	$ 3,374,525	$ 5,725,466	$ 5,806,663	$ 9,139,344	$ 9,181,188

At December 31, 2010, the depreciable capital assets for governmental activities were 59% depreciated compared to 56% at December 31, 2009.

With the City's business type activities, 61% of the asset values were depreciated at December 31, 2010 compared to 58% at December 31, 2009.

Long-term Debt

At the end of the calendar year, the City had capital lease obligations outstanding of $26,183 for governmental activities and $158,261 outstanding for business type activities. The business type activities also owed $409,461 in GEFA notes payable.

During the year, the City retired $35,679 of outstanding capital lease obligations and incurred no new capital lease obligations.

Outstanding Borrowings

	Governmental Activities		Business-type Activities		Totals		%
	2010	2009	2010	2009	2010	2009	Change
Capital leases	$ 26,183	$ 61,862	$ 158,261	$ 205,570	$ 184,444	$ 267,432	-31%
Notes	-	-	409,461	488,627	409,461	488,627	-16%
Total	$ 26,183	$ 61,862	$ 567,722	$ 694,197	$ 593,905	$ 756,059	-21%

See Note 11 for additional information about the City's long-term debt.

Economic Conditions Affecting the City

The City is physically located in the southeastern portion of the State of Georgia. The City reported a population increase of 1.16% from 2000 to 2005. The population in the City is projected by the Coastal Georgia Regional Development Center to grow by 43 percent in the next ten years. This anticipated growth will challenge City leaders to not only maintain the quality of life Sylvania citizens expect, but will bring confronting issues. The median household income in the City was $37,762 according to the 2000 Census, yet more than 50 percent of the City's households earned less than $30,000.

The City is the county seat for Screven County, Georgia. The County's average monthly wage was $1,586, which is only 63% of the State of Georgia monthly average of $2,506. In 2005, Screven County's annual unemployment rate was higher than the state's rate, averaging 5.1% compared with the state's average of 4.6%. Nationally, the unemployment rate for the same period averaged 5.5%.

Since the City relies primarily on property and sales taxes for its operating revenue, changes in the economy definitely affect these revenue streams. Since sales taxes are an "elastic revenue stream" in a sluggish economy, the sales tax revenues are reduced immediately. Property taxes are considered "inelastic" in the short-term; this revenue stream is more stable. Fortunately, the City, because of its revenue stream make-up, has been able to survive financially in a slow economy.

The City's electric utility fund sells an estimated 92% of its power to three industrial customers, which accounts for approximately 82% of the gross profits. Should two of these industrial customers or Kemira, the City's major source of sales, close energy needs would be materially decreased, the City's financial position would be materially affected in the future.

The County per capita personal income in 2005 was $19,034, which was an increase of 1.7% from 1999. Per capita income is total personal income (including wages, dividends, interest, rent, and government payments) divided by the total population. It is commonly used as an indicator of the quality of consumer markets and the economic well being of a community.

From an economic development perspective, the City has realized several successes including the purchase and remodel of the Downtown Development Authority's building and the Soda Shop Gallery. The City is constantly trying to secure funding to replace the City's aging infrastructure. In 2009, the City was awarded a Community Development Block Grant for water line installation and improvements. Construction on this project began in 2010. Manufacturing plays an important role in the fabric of the City, however, this industry is declining and in December, 2009 Sylvania Yarn Systems closed its operations. This closure was a substantial hit to the community, but the City is diligently working with the Screven County Industrial Development Authority and the Screven County Chamber of Commerce to attract new industry and sustain existing industry. Other industries are leading job growth in the City including professional, scientific, management and administration jobs. The completion of the Savannah River Parkway is expected to bring new opportunities.

Contacting the City's Financial Management

This financial report is designed to provide a general overview of the City's finances, comply with finance-related laws and regulations, and demonstrate the City's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the City's Director of Finance & Administration at:

City of Sylvania
104 South Main Street
Sylvania, GA 30467

City of Sylvania, Georgia
Statement of Net Assets
December 31, 2010

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Current assets				
Cash and cash equivalents	$ 1,042,974	$ 167,340	$ 1,210,314	$ 52,022
Investments		1,042,885	1,042,885	
Receivables				
Accounts	87,065	3,457,502	3,544,567	
Property taxes	87,294		87,294	
Intergovernmental	46,477		46,477	
Other	331,117		331,117	
Interest	1,621		1,621	
Notes	244,419		244,419	
Prepaid items	60,883	13,502	74,385	
Restricted assets				
Cash	881,635		881,635	
Investments		938,153	938,153	
Capital assets (Note 8)				
Nondepreciable capital assets	479,085	281,039	760,124	
Depreciable capital assets, net	2,934,793	5,444,427	8,379,220	
Total assets	6,197,363	11,344,848	17,542,211	52,022
Liabilities				
Current liabilities				
Accounts payable	83,640	3,290,048	3,373,688	
Sales tax payable		73,424	73,424	
Accrued interest payable	128	1,447	1,575	
Accrued payroll	45,020	27,781	72,801	
Unearned revenue	14,079		14,079	
Compensated absences payable	52,071	45,143	97,214	
Customer deposits payable		225,656	225,656	
Capital leases payable	19,022	49,165	68,187	
Notes payable		56,037	56,037	
Long-term liabilities (Note 11)				
Compensated absences payable (net of current portion)	34,714	30,097	64,811	
Post-employment benefits payable (net of current portion)	34,427	49,545	83,972	
Capital leases payable (net of current portion)	7,161	109,096	116,257	
Notes payable (net of current portion)		353,424	353,424	
Total liabilities	290,262	4,310,863	4,601,125	0
Net Assets				
Invested in capital assets, net of related debt (Note 14)	3,387,695	5,157,744	8,545,439	
Restricted for MEAG power generation		938,153	938,153	
Restricted for program purposes	1,172,786		1,172,786	52,022
Unrestricted	1,346,620	938,088	2,284,708	
Total net assets	$ 5,907,101	$ 7,033,985	$ 12,941,086	$ 52,022

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

City of Sylvania, Georgia
Statement of Activities
For the Year Ended December 31, 2010

Function/Program	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants, Contributions and Interest	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Component Unit
Primary government								
Governmental activities								
General government	$ 847,001	$ 65,321		$ 75,000	$ (706,680)		$ (706,680)	
Judicial	45,949				(45,949)		(45,949)	
Public safety								
Fire	584,825			182,446	(402,379)		(402,379)	
Police	853,857	183,797		13,400	(656,660)		(656,660)	
Animal control	16,348				(16,348)		(16,348)	
Public works								
Streets	413,330	8,200		145,474	(259,656)		(259,656)	
Garage	188,986				(188,986)		(188,986)	
Health and welfare	159,601	86,429	$ 67,373		(5,799)		(5,799)	
Culture and recreation	24,390		4,219		(20,171)		(20,171)	
Housing and development	113,421	50			(113,371)		(113,371)	
Interest	1,570				(1,570)		(1,570)	
Total governmental activities	3,249,278	343,797	71,592	416,320	(2,417,569)	$ 0	(2,417,569)	
Business-type activities								
Water and sewer	949,485	1,067,628		188,811		306,954	306,954	
Electric utility	27,686,624	28,679,620		543,612		1,536,608	1,536,608	
Gas utility	5,388,280	5,834,169				445,889	445,889	
Sanitation	507,760	448,859				(58,901)	(58,901)	
Total business-type activities	34,532,149	36,030,276	0	732,423	0	2,230,550	2,230,550	
Total primary government	$ 37,781,427	$ 36,374,073	$ 71,592	$ 1,148,743	(2,417,569)	2,230,550	(187,019)	
Component Unit								
Downtown Development Authority of Sylvania	$ 49,294	$ 11,855	$ 37,092	$ 0				$ (346)
General Revenues								
Property taxes levied for general government purposes					264,731		264,731	
Local option sales and use taxes					247,232		247,232	
Insurance premium taxes					144,000		144,000	
Alcohol taxes					110,369		110,369	
Hotel-motel taxes					14,892		14,892	
Franchise taxes					31,926		31,926	
Investment earnings					48,734	2,233	50,967	
Gain on disposal of assets					11,346		11,346	
Miscellaneous					31,129	41,994	73,123	
Total general revenues					904,359	44,227	948,586	0
Transfers					1,191,725	(1,191,725)	0	
Total general revenues and transfers					2,096,084	(1,147,498)	948,586	0
Change in net assets					(321,485)	1,083,052	761,567	(346)
Net assets beginning of year								
As previously stated					6,228,586	8,916,902	15,145,488	52,368
Prior period adjustment (Note 4)						(2,965,969)	(2,965,969)	
As restated					6,228,586	5,950,933	12,179,519	52,368
Net assets end of year					$ 5,907,101	$ 7,033,985	$ 12,941,086	$ 52,022

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

City of Sylvania, Georgia
Balance Sheet
Governmental Funds
December 31, 2010

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	$ 1,042,974		$ 1,042,974
Restricted cash and cash equivalents		$ 881,635	881,635
Receivables:			
Accounts	87,065		87,065
Property taxes	87,294		87,294
Intergovernmental		46,477	46,477
Other	331,117		331,117
Notes		244,419	244,419
Interest	1,366	255	1,621
Prepaid items	60,883		60,883
Total assets	$ 1,610,699	$ 1,172,786	$ 2,783,485
Liabilities and Fund Balances			
Liabilities			
Accounts payable	$ 83,640		$ 83,640
Accrued expenditures	45,020		45,020
Deferred revenue	84,764		84,764
Total liabilities	213,424	$ 0	213,424
Fund balances			
Reserved for:			
Prepaid items	60,883		60,883
Program purposes		1,172,786	1,172,786
Unreserved:			
Undesignated, reported in:			
General fund	1,336,392		1,336,392
Total fund balances	1,397,275	1,172,786	2,570,061
Total liabilities and fund balances	$ 1,610,699	$ 1,172,786	$ 2,783,485

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

City of Sylvania, Georgia
Reconciliation of the Governmental Funds Balance
Sheet to the Statement of Net Assets
December 31, 2010

Total governmental fund balances		$ 2,570,061
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds. However, in the statement of net assets the cost of these assets are capitalized and expensed over their estimated lives through annual depreciation expense.		
Cost of capital assets	$ 7,581,916	
Less accumulated depreciation	(4,168,038)	3,413,878
Property taxes are deferred in the governmental funds because they are not available but they are reported as revenue on the statement of activities.		70,685
Liabilities, including notes payable, compensated absences and post-employment benefits are not due and payable in the current period and therefore are not reported in the fund financial reporting level, however are reported at the government-wide reporting level:		
Capital lease liability	$ (26,183)	
Accrued interest payable	(128)	
Compensated absences payable	(86,785)	
Post-employment benefits payable	(34,427)	(147,523)
Net assets of governmental activities		$ 5,907,101

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

City of Sylvania, Georgia
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2010

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	$ 796,408	$ 14,892	$ 811,300
Intergovernmental	101,438	220,345	321,783
Licenses and permits	64,471		64,471
Charges for services	103,266		103,266
Fines and forfeitures	171,002	5,058	176,060
Investment earnings	26,903	21,960	48,863
Contributions and donations	166,000		166,000
Miscellaneous	31,129		31,129
Total revenues	1,460,617	262,255	1,722,872
Expenditures			
Current:			
General government			
Legislative	30,206		30,206
Executive - Mayor	9,406		9,406
Executive - Manager	300,423		300,423
Financial administration	453,294		453,294
Purchase/contract services	32,709		32,709
Judicial	45,949		45,949
Public safety:			
Police	832,652	5,129	837,781
Fire	748,528		748,528
Animal control	16,348		16,348
Public works:			
Streets	346,801		346,801
Garage	186,945		186,945
Health and welfare	158,887		158,887
Culture and recreation	24,390		24,390
Housing and development			
Building and zoning	3,359		3,359
Development	95,170	14,892	110,062
Debt service:			
Principal retirement	35,678		35,678
Interest and fiscal charges	1,783		1,783
Total expenditures	3,322,528	20,021	3,342,549
Excess (deficiency) of revenues over expenditures	(1,861,911)	242,234	(1,619,677)
Other financing sources (uses)			
Proceeds from sale of asset	11,346		11,346
Transfers in (out)	1,266,725	(75,000)	1,191,725
Total other financing sources (uses)	1,278,071	(75,000)	1,203,071
Net change in fund balances	(583,840)	167,234	(416,606)
Fund balances beginning of year	1,981,115	1,005,552	2,986,667
Fund balances end of year	$ 1,397,275	$ 1,172,786	$ 2,570,061

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

City of Sylvania, Georgia
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended December 31, 2010

Net changes in fund balances - total governmental funds		$ (416,606)
Amounts reported for governmental activities in the statement of activities are 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 as depreciation expense. This is the amount by which capitalized capital outlay exceeded depreciation expense in the current period.		
Depreciation expense	$ (194,736)	
Capital outlay	234,089	39,353
Property taxes in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Deferred at 12/31/10	$ 70,685	
Deferred at 12/31/09	(68,835)	1,850
Interest expense reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Liability at 12/31/10	$ (128)	
Liability at 12/31/09	341	213
Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		35,678
Compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds		
Liability at 12/31/10	$ (86,785)	
Liability at 12/31/09	88,018	1,233
Post-employment benefits reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds		
Liability at 12/31/10	$ (34,427)	
Liability at 12/31/09	51,221	16,794
Change in net assets of governmental activities		$ (321,485)

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

City of Sylvania, Georgia
Statement of Net Assets
Proprietary Funds
December 31, 2010

	Business-type Activities - Enterprise Funds				
	Water and Sewer	Electricity Utility	Gas Utility	Sanitation	Total
Assets					
Current assets					
Cash and cash equivalents	$ 60,922	$ 106,418			$ 167,340
Investments		1,042,885			1,042,885
Accounts receivable	153,034	2,908,111	$ 346,408	$ 49,949	3,457,502
Prepaid insurance	5,021	4,021	1,308	3,152	13,502
Total current assets	218,977	4,061,435	347,716	53,101	4,681,229
Noncurrent assets					
Restricted assets					
Investments - MEAG Competitive Trust		938,153			938,153
Capital assets					
Nondepreciable capital assets	274,532			6,507	281,039
Depreciable capital assets, net	2,744,270	2,230,278	373,524	96,355	5,444,427
Total noncurrent assets	3,018,802	3,168,431	373,524	102,862	6,663,619
Total assets	3,237,779	7,229,866	721,240	155,963	11,344,848
Liabilities					
Current liabilities					
Accounts payable	46,037	2,803,503	436,793	3,715	3,290,048
Sales tax payable		73,424			73,424
Accrued interest payable	1,447				1,447
Other accrued liabilities	8,502	8,779	2,809	7,691	27,781
Compensated absences payable	7,043	21,813	6,091	10,196	45,143
Customer deposits payable		225,656			225,656
Capital lease payable		26,139		23,026	49,165
Notes payable	56,037				56,037
Total current liabilities	119,066	3,159,314	445,693	44,628	3,768,701
Long-term liabilities:					
Compensated absences payable (net of current portion)	4,696	14,542	4,061	6,798	30,097
Post-employment benefit payable		25,270	11,261	13,014	49,545
Capital lease payable (net of current portion)		41,223		67,873	109,096
Notes payable (net of current portion)	353,424				353,424
Total long-term liabilities	358,120	81,035	15,322	87,685	542,162
Total liabilities	477,186	3,240,349	461,015	132,313	4,310,863
Net Assets					
Invested in capital assets, net of related debt	2,609,341	2,162,916	373,524	11,963	5,157,744
Restricted - MEAG power generation		938,153			938,153
Unrestricted	151,252	888,448	(113,299)	11,687	938,088
Total net assets	$ 2,760,593	$ 3,989,517	$ 260,225	$ 23,650	$ 7,033,985

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

City of Sylvania, Georgia
Statement of Revenues,
Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2010

	Business-type Activities - Enterprise Funds				
	Water and Sewer	Electricity Utility	Gas Utility	Sanitation	Total
Operating revenues					
Charges for services	$ 1,067,628	$ 28,679,620	$ 5,834,169	$ 448,859	$ 36,030,276
Miscellaneous	29,362	9,848	2,784		41,994
Total operating revenues	1,096,990	28,689,468	5,836,953	448,859	36,072,270
Operating expenses					
Cost of sales		26,803,249	5,123,478		31,926,727
Salaries	308,060	330,533	110,061	246,538	995,192
Social security	23,952	23,811	8,129	18,018	73,910
Group insurance	81,446	54,515	18,221	90,111	244,293
Retirement and other post-employment benefits	33,503	25,048	12,158	27,534	98,243
Workers' compensation	14,818	11,722	4,972	17,217	48,729
Contract services	17,072	54,197	584		71,853
Chemicals	16,428		1,800		18,228
Materials and supplies	37,051	70,710	12,122		119,883
Gas, oil, and tires	13,718	15,548	4,014	25,281	58,561
Uniforms and safety equipment	5,703	2,921	1,447	2,584	12,655
Vehicle repairs	8,088	24,350	1,892	14,746	49,076
Engineering and consulting	1,063	40,531			41,594
Meter reading	35,738	35,738	35,738		107,214
Postage	2,545	2,280	2,273		7,098
Communications	2,806	1,511	1,959		6,276
Insurance	30,941	21,176	5,204	10,944	68,265
Public utilities	53,030	7,319	571		60,920
Maintenance and testing	63,510	17,313	16,975	12,829	110,627
Tipping fees	13,430			13,905	27,335
Other	8,362	3,517	1,839		13,718
Depreciation	159,132	116,180	24,843	24,174	324,329
Total operating expenses	930,396	27,662,169	5,388,280	503,881	34,484,726
Operating income (loss)	166,594	1,027,299	448,673	(55,022)	1,587,544
Non-operating revenues (expenses)					
Interest and fiscal charges	(19,089)	(24,455)		(3,879)	(47,423)
Grant proceeds	188,811				188,811
Investment earnings	61	2,172			2,233
MEAG Generation Trust additions		536,391			536,391
MEAG Generation Trust investment earnings		7,221			7,221
Total non-operating revenues (expenses)	169,783	521,329	0	(3,879)	687,233
Income (loss) before transfers	336,377	1,548,628	448,673	(58,901)	2,274,777
Transfers in (out)	(137,981)	(510,165)	(601,280)	57,701	(1,191,725)
Change in net assets	198,396	1,038,463	(152,607)	(1,200)	1,083,052
Net assets beginning of year					
As previously stated	2,562,197	5,917,023	412,832	24,850	8,916,902
Prior period adjustment (Note 4)		(2,965,969)			(2,965,969)
As restated	2,562,197	2,951,054	412,832	24,850	5,950,933
Net assets end of year	$ 2,760,593	$ 3,989,517	$ 260,225	$ 23,650	$ 7,033,985

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

City of Sylvania, Georgia
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2010

	Business-type Activities - Enterprise Funds				
	Water and Sewer	**Electricity Utility**	**Gas Utility**	**Sanitation**	**Total**
Cash flows from operating activities					
Cash received from customers	$ 1,046,905	$ 30,352,379	$ 6,029,365	$ 445,743	$ 37,874,392
Cash payments to employees for personal services	(484,277)	(449,431)	(149,879)	(395,845)	(1,479,432)
Cash payments for goods and services	(272,071)	(28,860,737)	(5,278,206)	(81,527)	(34,492,541)
Net cash provided by (used for) operating activities	290,557	1,042,211	601,280	(31,629)	1,902,419
Cash flows from noncapital financing activities					
Transfers in (out)	(137,981)	(510,165)	(601,280)	57,701	(1,191,725)
Cash flows from capital and related financing activities					
Proceeds from grants	188,811				188,811
Principal paid on debt	(79,166)	(25,116)		(22,193)	(126,475)
Interest paid on debt	(19,089)	(24,455)		(3,879)	(47,423)
Payments for capital acquisitions	(243,132)				(243,132)
Net cash used for capital and related financing activities	(152,576)	(49,571)	0	(26,072)	(228,219)
Cash flows from investing activities					
Investment earnings	61	2,172			2,233
Purchases of investments		(1,399,972)			(1,399,972)
Proceeds from sales of investments		911,306			911,306
Net cash provided by (used for) investing activities	61	(486,494)	0	0	(486,433)
Net increase (decrease) in cash and cash equivalents	61	(4,019)	0	0	(3,958)
Cash and cash equivalents beginning of year	60,861	110,437			171,298
Cash and cash equivalents end of year	$ 60,922	$ 106,418	$ 0	$ 0	$ 167,340

(continued)

City of Sylvania, Georgia
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2010

(continued)

	Business-type Activities - Enterprise Funds				
	Water and Sewer	**Electricity Utility**	**Gas Utility**	**Sanitation**	**Total**
Reconciliation of operating income to net cash provided by operating activities					
Operating income (loss)	$ 166,594	$ 1,027,299	$ 448,673	$ (55,022)	$ 1,587,544
Adjustments:					
Depreciation	159,132	116,180	24,843	24,174	324,329
(Increase) decrease in assets:					
Accounts receivable	(50,085)	1,654,357	192,412	(3,116)	1,793,568
Prepaid insurance	(3,024)	(2,173)	(672)	(1,861)	(7,730)
Increase (decrease) in liabilities:					
Accounts payable	23,366	(1,784,010)	(67,638)	623	(1,827,659)
Sales tax payable		25,806			25,806
Accrued liabilities	3,280	3,095	1,086	2,727	10,188
Compensated absences payable	(8,706)	1,209	2,278	503	(4,716)
Post-retirement benefit payable		(8,106)	298	343	(7,465)
Customer deposits		8,554			8,554
Net cash provided by (used for) operating activities	$ 290,557	$ 1,042,211	$ 601,280	$ (31,629)	$ 1,902,419

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

Note 1 - Reporting Entity

The City of Sylvania, Georgia (the City) was incorporated under the provisions of Georgia law March 1, 1963. The City operates under a Council-City Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), streets and lanes, water and sewer, sanitation, various administrative services, and electric and gas utilities.

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organizations; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units also may include organizations that are fiscally dependent on the City in that the City approves the budget, levies their taxes or issues their debt.

The component unit columns included on the government-wide financial statements identify the financial data of the City's discretely presented component units. They are reported separately to emphasize that they are legally separate from the City.

A brief description of the discretely presented component unit follows:

Downtown Development Authority of Sylvania (the Authority) - The Authority is a public corporation created in 1983. The primary purpose of the Authority is to promote revitalization and redevelopment of the central business district of the City and to develop trade, commerce, industry and employment opportunities. The City Council appoints all seven board members and assists with the Authority's funding. Separate financial statements are not issued at this time.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting. The City also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities at the government-wide financial reporting level and to its enterprise funds at the fund reporting level, provided they do not conflict with or contradict GASB pronouncements.

The most significant of the City's accounting policies are described below.

Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities and fund financial statements, which provide a more detailed level of financial information.

Note 2 - Summary of Significant Accounting Policies (continued)

Government-wide Financial Statements - The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the City as a whole. The primary government and the component unit are presented separately within these financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and grants and City's general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of net assets presents the financial position of the governmental and business-type activities of the City and it's discretely presented component unit at year-end.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities and for each identifiable activity of the business-type activities of the City. Direct expenses are those that are specifically associated with a function and therefore clearly identifiable to that particular function. The City does not allocate indirect expenses to functions in the statement of activities.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. For identifying to which function program revenue pertains, the determining factor for *charges for services* is which function generates the revenue. For *grants and contributions,* the determining factor is to which function the revenues are restricted.

Other revenue sources not properly included with program revenues are reported as general revenues of the City. The comparison of direct expenses with program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or draws from the general revenues of the City.

Fund Financial Statements - During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. Fund financial statements are provided for governmental and proprietary funds.

Major individual governmental and enterprise funds are reported in separate columns of the fund statements.

Fund Accounting - The City uses funds to maintain financial records during the year. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The city uses two categories of funds: governmental and proprietary.

Governmental Funds - Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The City reports the difference between governmental fund assets and liabilities as fund balance. The following is the City's major governmental fund:

Note 2 - Summary of Significant Accounting Policies (continued)

The General Fund - The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund's fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Georgia.

Proprietary Funds - Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. The proprietary funds are classified as enterprise funds. The City's enterprise funds, all of which are major funds, are as follows:

Water and Sewer Fund - This fund is used to account for the construction of facilities and operation of activities involved in providing water and sewer services.

Electricity Utility Fund - This fund is used to account for the construction of facilities and operation of activities involved in providing electric services.

Gas Utility Fund - This fund is used to account for the construction of facilities and operation of activities involved in providing natural gas services.

Solid Waste Collection Fund - This fund is used to account for the construction of facilities and operation of activities involved in providing sanitation (solid waste collection) services.

Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net assets. The statement of activities reports revenues and expenses.

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balance reports the sources (i.e., revenues and other financing resources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus on both financial reporting levels. All assets and all liabilities associated with the operation of these funds are included on the statements of net assets. The statements of changes in fund net assets present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. At the fund reporting level, the governmental funds use the modified accrual basis of accounting. Proprietary funds use the accrual basis of accounting at both reporting levels. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Note 2 - Summary of Significant Accounting Policies (continued)

Revenues – Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, the phrase "available for exchange transactions" means expected to be received within 60 days of year-end.

Revenues - Non-exchange Transactions - Non-exchange transactions in which the City receives value without directly giving equal value in return, include sales taxes, property taxes, grants and donations. On an accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (Note 5). Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions also must be available (i.e., collected within 60 days) before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be susceptible to accrual: property taxes, sales taxes, interest and federal and state grants.

Deferred/Unearned Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

On governmental fund financial statements (i.e., on the modified accrual basis), receivables that will not be collected within the available period have been reported as deferred revenue (i.e., they are measurable but not available) rather than as revenue.

Grants and entitlements received before the eligibility requirements are met (e.g., cash advances) also are recorded as deferred revenue.

Deferred revenue is reclassified as unearned revenue on the government-wide statement of net assets.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. On the modified accrual basis, expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

Assets, Liabilities and Fund Equity

Cash, Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City.

Investments are stated at fair value based on quoted market prices.

Note 2 - Summary of Significant Accounting Policies (continued)

Georgia law authorizes the City to invest in the following type of obligations:

Obligations of the State of Georgia or of any other states
Obligations of the United States Government
Obligations fully insured or guaranteed by the United States Government or Government agency
Obligations of any corporation of the United States Government
Prime bankers' acceptances
The State of Georgia local government investment pool (i.e., Georgia Fund I)
Repurchase agreements
Obligations of the other political subdivisions of the State of Georgia

Receivables
All trade and property tax receivables are reported net of an allowance for uncollectibles, where applicable. Unbilled water and sewer charges, gas and electric charges and charges for sanitation services are accrued as receivables and revenue at December 31, 2010. The City reports utility receivables at the gross amount (i.e., no allowance for uncollectible receivables is established) since the City holds customer deposits to protect them against default).

Interfund Balances
On the fund financial statements, receivables and payables resulting from short term interfund loans are classified as "interfund receivables/interfund payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are reclassified and presented as internal balances.

Prepaid Items
Payments made to vendors for services that will benefit periods beyond December 31, 2010, are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is reserved as this amount is not available for general appropriation.

Restricted Assets
Confiscated cash in the confiscated assets fund and customer deposits in the enterprise funds are reported as restricted assets.

Capital Assets
General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds. The City reports these assets in the governmental activities column of the government-wide statement of net assets but does not report these assets in the governmental fund financial statements. Capital assets utilized by enterprise funds are reported both in the business-type activities column of the government-wide statement of net assets and in the enterprise funds' statement of net assets.

Note 2 - Summary of Significant Accounting Policies (continued)

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of five thousand dollars. The City's infrastructure consists of roads, bridges, water lines and sewer lines. Improvements to capital assets are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. The City has capitalized all infrastructure, including infrastructure acquired prior to the implementation of GASB Statement No. 34. Interest incurred during the construction of capital assets utilized by the enterprise funds is capitalized.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

	Estimated Useful Lives	
Asset Class	Governmental Activities	Business-type Activities
Buildings	25-50 Years	40 Years
Land and building improvements	10-25 years	
Machinery and equipment	5-10 years	3-10 Years
Furniture and fixtures	5 years	
Vehicles	5-8 years	3-4 Years
Infrastructure	25-40 years	
Building and pump stations	---	40 Years
Sewer collection system	---	50 Years
Water tank and wells	---	10-50 Years
Water mains and hydrants	---	30-50 Years
Meters and regulators	---	20 Years
Lines, transformers and poles	---	10-50 Years
Gas mains	---	50 Years

At the inception of capital leases at the governmental fund reporting level, expenditures and an "other financing source" of an equal amount are reported at the net present value of future minimum lease payments.

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

All compensated absence liabilities include salary-related payments, where applicable.

The total compensated absence liability is reported on the government-wide financial statements. The proprietary fund reports total compensated absence liability at the fund level, if applicable. Governmental funds report compensated absence liability at the fund reporting level only "when due."

Note 2 - Summary of Significant Accounting Policies (continued)

Accrued Liabilities and Long-term Obligations
All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of these funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are "due for payment" during the current year. Capital leases are recognized as a liability in the governmental fund financial statements when due.

Bond Premiums, Discounts and Issuance Costs
On the government-wide statement of net assets and the proprietary fund type statement of net assets, bond premiums and discounts are netted against bonds payable and bond issuance costs are reported as deferred charges. On the government-wide and proprietary fund type statement of activities, bond premiums and discounts and bond issuance costs are deferred and amortized over the life of the bonds using the effective interest method.

At the governmental fund reporting level, bond premiums and discounts are reported as other financing sources and uses, separately from the face amount of the bonds issued. Bond issuance costs are reported as an expenditure.

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. The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available, spendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund balance that is available for appropriation in future periods. Designations are management's intent to set aside these resources for specific services.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. This net asset amount also is adjusted by any bond issuance deferral amounts. Net assets 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. All other net 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.

Operating Revenues and Expenses
Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water and sewer, electricity, gas and solid waste, programs. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of each fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Note 2 - Summary of Significant Accounting Policies (continued)

Contribution of Capital
Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction.

Interfund Activity
Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after the non-operating revenues/expenses section in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements (i.e., they are netted).

Transfers between governmental and business-type activities on the government-wide statement of activities are reported as general revenues. Transfers between funds reported in the governmental activities column are eliminated. Transfers between funds reported in the business type activities column are eliminated.

Estimates
The preparation of the financial statements in conformity with accounting principles generally accepted in the United States, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Comparative Data
Comparative total data for the prior year have been presented only for individual funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified to be consistent with the current year's presentation.

Note 3 - Stewardship, Compliance and Accountability

Budgetary Information
The City adopts an annual operating budget for the general fund and each special revenue fund. The budget resolution reflects the total of each department's appropriation in each fund.

The general and special revenue fund's budgets are adopted on a basis consistent with GAAP.

The legal level of control (the level at which expenditures may not legally exceed appropriations) for each adopted annual operating budget generally is the department level within each individual fund. Any change in total to a fund or departmental appropriation within a fund requires approval of the City Council.

The City Manager may approve budget transfers within departments. All unexpended annual appropriations lapse at year-end.

Note 4 - Prior Period Adjustments

The beginning net assets of the Electric Utility fund (a major fund) and the government-wide statements of activities has been restated to reflect a correction in the accounting for the MEAG Credit Support Operating Account and the New Generation Trust Account. Prior to 2010, the Credit Support Operating Account was recorded as an asset in the Statement of Net Assets of the Electric Utility fund. It has been determined that this is an incorrect account for this account since the City does not have access or control of this account. Also see Note 16. The effect of this correction is to reduce net assets at January 1, 2010 by $3,360,510. Additionally, the increase in the New Generation Trust Account for 2009 (the first year or activity in account) was recorded as a deferred revenue. During 2010, this was determined to be an improper accounting for this account. The effect of this correction was to increase net assets of the Electric Utility fund at January 1, 2010 by $394,541.

Note 5 - Deposits and Investments

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of December 31, 2010, $1,507,237 of the government's bank balance of $2,091,949 was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank	$ 1,507,237

Investments - Municipal Competitive Trust - At year end, proprietary fund investments were $1,981,038 which are held by Wachovia Bank, NA in the Municipal Competitive Trust. The Municipal Competitive Trust consists of pooled funds from the members of MEAG and is invested in United States Government securities held in the name of the Municipal Competitive Trust and allocated to members based on shares of ownership in the trust. Investments are stated at fair values based on quoted market prices. The investments would be classified as uninsured and uncollateralized because the securities are held by the Wachovia Bank, NA in the name of the Municipal Competitive Trust.

Note 6 - Receivables

Receivables at December 31, 2010 consisted of taxes, interest, accounts (billings for user charges, including unbilled utility receivables), and intergovernmental receivables arising from grants.

Receivables and payables are recorded on the City's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and in the case of receivables, collectibility.

Note 7 - Property Taxes

Property taxes are assessed based upon property values determined by the Screven County Assessor's Office at January 1, 2010. The levy date was October 5, 2010; the tax bills were mailed October 18, 2010; and were due December 20, 2010. The lien date is December 20, 2010.

Note 8 - Capital Assets

Capital asset activity for governmental activities for the year ended December 31, 2010, was as follows:

	Balance 1/1/2010	Additions	Deductions	Balance 12/31/2010
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 262,306			$ 262,306
Construction in progress		$ 216,779		216,779
Total capital assets not being depreciated	262,306	216,779	$ 0	479,085
Depreciable capital assets				
Buildings	2,080,248	17,310		2,097,558
Land and building improvements	181,311			181,311
Machinery and equipment	365,047			365,047
Vehicles	923,003		66,056	856,947
Furniture and fixtures	118,523			118,523
Infrastructure	3,483,445			3,483,445
Total depreciable capital assets	7,151,577	17,310	66,056	7,102,831
Total capital assets	7,413,883	234,089	66,056	7,581,916
Accumulated depreciation:				
Buildings	819,345	48,527		867,872
Land and building improvements	168,168	2,044		170,212
Machinery and equipment	314,747	26,054		340,801
Vehicles	761,181	53,271	66,056	748,396
Furniture and fixtures	114,154	1,140		115,294
Infrastructure	1,861,763	63,700		1,925,463
Total accumulated depreciation	4,039,358	194,736	66,056	4,168,038
Governmental activities capital assets, net	$ 3,374,525	$ 39,353	$ 0	$ 3,413,878

Governmental activities depreciation expense

General government	$ 46,281
Streets	67,389
Public safety - fire	48,740
Public safety - police	24,068
Public works - garage	8,258
Total governmental activities depreciation expense	$ 194,736

Note 8 - Capital Assets (continued)

Capital asset activity for business-type activities for the year ended December 31, 2010, was as follows:

	Balance 01/1/2010	Additions	Deductions	Balance 12/31/2010
Business-type activities:				
Water and sewer fund:				
Capital assets not being depreciated:				
Land and rights	$ 16,550			$ 16,550
Construction in progress	35,550	$ 222,432		257,982
Total capital assets not being depreciated	52,100	222,432	$ 0	274,532
Depreciable capital assets:				
Building and pump stations	1,958,630			1,958,630
Sewer collection system	1,984,732			1,984,732
Water tank and wells	950,191			950,191
Water mains and hydrants	1,402,241	8,200		1,410,441
Meters	142,904			142,904
Vehicles	325,708	12,500		338,208
Other	601,812			601,812
Total depreciable capital assets	7,366,218	20,700	0	7,386,918
Total capital assets	7,418,318	243,132	0	7,661,450
Accumulated depreciation:				
Building and pump stations	1,390,449	42,366		1,432,815
Sewer collection system	874,527	37,538		912,065
Water tank and wells	565,825	14,969		580,794
Water mains and hydrants	718,110	27,806		745,916
Meters	129,678	2,014		131,692
Vehicles	291,162	24,824		315,986
Other	513,765	9,615		523,380
Total accumulated depreciation	4,483,516	159,132	0	4,642,648
Water and sewer capital assets, net	$ 2,934,802	$ 84,000	$ 0	$ 3,018,802

Note 8 - Capital Assets (continued)

	Balance 01/1/2010	Additions	Deductions	Balance 12/31/2010
Business-type activities:				
Electric utility fund:				
Depreciable capital assets:				
Buildings	$ 457,608			$ 457,608
Meters	79,059			79,059
Lines, transformers and poles	3,525,147			3,525,147
Vehicles	624,942			624,942
Machinery and equipment	311,578			311,578
Total capital assets	4,998,334	$ 0	$ 0	4,998,334
Accumulated depreciation:				
Buildings	79,684	14,437		94,121
Meters	71,388	1,895		73,283
Lines, transformers and poles	1,804,410	57,418		1,861,828
Vehicles	473,782	30,646		504,428
Machinery and equipment	222,612	11,784		234,396
Total accumulated depreciation	2,651,876	116,180	0	2,768,056
Electric utility capital assets, net	$ 2,407,483	$ (116,180)	$ 0	$ 2,230,278
Gas utility fund:				
Depreciable capital assets:				
Buildings	$ 2,509			$ 2,509
Gas mains	721,480			721,480
Meters and regulators	159,575			159,575
Vehicles	126,834		$ 8,767	118,067
Machinery and equipment	48,539			48,539
Total capital assets	1,058,937	$ 0	8,767	1,050,170
Accumulated depreciation:				
Buildings	1,405	63		1,468
Gas mains	411,896	10,112		422,008
Meters and regulators	72,988	13,576		86,564
Vehicles	125,742	1,092	8,767	118,067
Machinery and equipment	48,539			48,539
Total accumulated depreciation	660,570	24,843	8,767	676,646
Gas utility fund capital assets, net	$ 394,007	$ (24,843)	$ 0	$ 373,524

Note 8 - Capital Assets (continued)

	Balance 01/1/2010	Additions	Deductions	Balance 12/31/10
Business-type activities:				
Sanitation fund				
Capital assets not being depreciated:				
Land and rights	$ 6,507			$ 6,507
Depreciable capital assets:				
Buildings	11,449			11,449
Vehicles	345,535		$ 31,181	314,354
Machinery and equipment	66,938			66,938
Total depreciable capital assets	423,922	$ 0	$ 31,181	392,741
Total capital assets	311,467	0	31,181	399,248
Accumulated depreciation:				
Buildings	5,917	382		6,299
Vehicles	230,538	23,792	31,181	223,149
Machinery and equipment	66,938			66,938
Total accumulated depreciation	303,393	24,174	31,181	296,386
Sanitation fund capital assets, net	$ 8,074	$ (24,174)	$ 0	$ 102,862

Note 9 - Interfund Balances and Transfers

Interfund balances represent charges for services or reimbursable expenses. These remaining balances resulted from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting period, and (3) payments between funds are made. The City had no interfund balances at December 31, 2010.

Interfund transfers for the year ended December 31, 2010, consisted of the following:

The natural gas fund transferred $601,280 to the general fund to supplement its finances.
The water/sewer fund transferred $212,980 to the general fund to supplement its finances.
The electric fund transferred $510,165 to the general fund to supplement its finances.
The non-major capital projects fund transferred $75,000 to the water/sewer fund for payment of debt.

Note 10 - Short-Term Debt

During the current year, the City has issued tax anticipation notes. The purpose of these notes was to provide temporary financing needed to cover shortfalls in anticipated tax revenues of the City for current expenses of the general fund. All balances were repaid at December 31, 2010.

Changes in Short-term Debt - Changes in the City's short-term obligations consisted of the following for the year ended December 31, 2010.

Governmental Activities	Outstanding 01/01/10	Additions	Reductions	Outstanding 12/31/10
Notes payable				
Farmers and Merchants Bank	$ 0	3,000,000	$ 3,000,000	$ 0

Note 11 - Long-Term Liabilities

Governmental Capital Lease

The City has entered into capital leases for vehicles. These leases meet the criteria of a capital lease since they transfer benefits and risks of ownership to the lessee at the end of the lease term. Capital lease payments are reflected as debt service expenditures at the governmental fund reporting level.

Capital lease payable to Georgia Municipal Association in quarterly payments of $1,495. The vehicle acquired by the lease is included in governmental activities general capital assets in the amount of $7,092 (cost of $21,821 less accumulated depreciation of $13,829). The outstanding balance of the corresponding liability is included in governmental activities general long-term debt. Annual debt service requirements to amortize this capital lease as of December 31, 2010 follow:

Year	Principal	Interest	Total
2011	$ 4,380	$ 106	$ 4,486

Capital lease payable to Georgia Municipal Association in quarterly payments of $2,696. The vehicle acquired by the lease is included in governmental activities general capital assets in the amount of $14,023 (cost of $31,163 less accumulated depreciation of $17,140). The outstanding balance of the corresponding liability is included in governmental activities general long-term debt. Annual debt service requirements to amortize this capital lease as of December 31, 2010 follow:

Year	Principal	Interest	Total
2011	$ 2,676	$ 20	$ 2,696

Note 11 - Long-Term Liabilities (continued)

Capital lease payable to Georgia Municipal Association in quarterly payments of $2,743. The vehicle acquired by the lease is included in governmental activities general capital assets in the amount of $11,160 (cost of $27,900 less accumulated depreciation of $16,740). The outstanding balance of the corresponding liability is included in governmental activities general long-term debt. Annual debt service requirements to amortize this capital lease as of December 31, 2010 follow:

Year	Principal	Interest	Total
2011	$ 2,720	$ 23	$ 2,743

Capital lease payable to Georgia Municipal Association in quarterly payments of $2,431. The vehicle acquired by the lease is included in governmental activities general capital assets in the amount of $19,636 (cost of $25,612 less accumulated depreciation of $5,976).The outstanding balance of the corresponding liability is included in governmental activities general current debt. Annual debt service requirements to amortize this capital lease as of December 31, 2010 follow:

Year	Principal	Interest	Total
2011	$ 9,246	$ 480	$ 9,726
2012	7,161	133	7,294
Total	$ 16,407	$ 613	$ 17,020

Business-Type Activities

Capital lease payable to Georgia Municipal Association in quarterly payments of $7,114. The vehicle acquired by the lease is included in the utility fund capital assets in the amount of $84,673 (cost of $129,329 less accumulated depreciation of $44,656). The outstanding balance of the corresponding liability is included in business activities long-term debt. Annual debt service requirements to amortize this capital lease as of December 31, 2010 follow:

Year	Principal	Interest	Total
2011	$ 26,140	$ 2,317	$ 28,457
2012	27,207	1,250	28,457
2013	14,015	226	14,241
Total	$ 67,362	$ 3,793	$ 71,155

Capital lease payable to Georgia Municipal Association in quarterly payments of $6,518 The vehicle acquired by the lease is included in the utility fund capital assets in the amount of $91,205 (cost of $118,962 less accumulated depreciation of $27,757). The outstanding balance of the corresponding liability is included in business activities long-term debt. Annual debt service requirements to amortize this capital lease as of December 31, 2010 follow:

Note 11 - Long-Term Liabilities (continued)

Year	Principal	Interest	Total
2011	$ 23,026	$ 3,046	$ 26,072
2012	23,890	2,182	26,072
2013	24,786	1,286	26,072
2014	19,197	357	19,554
Total	$ 90,899	$ 6,871	$ 97,770

GEFA 2007 Loan – Contract 2006-L57WQ - Payments are due in equal monthly installments of $4,046 including interest at 4.12%, beginning October 1, 2008 and ending September 1, 2018. The purpose of the loan was to expand the sewer system. The original amount of this loan was $397,348. Annual debt service requirements to amortize the loan outstanding, as of December 31, 2010 follow:

Year	Principal	Interest	Total
2011	$ 38,781	$ 9,767	$ 48,548
2012	40,385	8,163	48,548
2013	42,105	6,443	48,548
2014	43,873	4,675	48,548
2015	45,715	2,833	48,548
2016-2018	44,444	918	45,362
Total	$ 255,303	$ 32,799	$ 288,102

GEFA 2008 Loan – Contract 2007-L45WJ - Payments are due in equal monthly installments of $1,938 including interest at 4.10%, beginning October 1, 2008 and ending September 1, 2018. The purpose of the loan was to expand the sewer system. The original amount of this loan was $190,509. Annual debt service requirements to amortize the loan outstanding, as of December 31, 2010 follow:

Year	Principal	Interest	Total
2011	$ 17,256	$ 5,998	$ 23,254
2012	17,975	5,279	23,254
2013	18,730	4,525	23,255
2014	19,511	3,744	23,255
2015	20,326	2,928	23,254
2016-2018	60,360	3,568	63,928
Total	$ 154,158	$ 26,042	$ 180,200

Note 11 - Long-Term Liabilities (continued)

Changes in Long-term Debt - Changes in the City's long-term obligations consisted of the following for the year ended December 31, 2010:

Governmental Activities	Outstanding 1/1/2010	Additions	Reductions	Outstanding 12/31/2010	Amounts Due in One Year
Capital lease	$ 9,982		$ 5,602	$ 4,380	$ 4,380
Capital lease	13,185		10,509	2,676	2,676
Capital lease	13,375		10,655	2,720	2,720
Capital lease	25,320		8,913	16,407	9,246
Compensated absences	88,015		1,230	86,785	52,071
Post employment benefits	51,221		16,794	34,427	
Total Government-Type Activities	$ 201,098	$ 0	$ 53,703	$ 147,395	$ 71,093
Business-Type Activities					
Capital lease	$ 92,478		$ 25,116	$ 67,362	$ 26,140
Capital lease	113,092		22,193	90,899	23,026
GEFA loan - 2007	317,905		62,602	255,303	38,781
GEFA loan - 2008	170,722		16,564	154,158	17,256
Compensated absences	79,956		4,716	75,240	45,252
Post employment benefits	57,010		7,463	49,547	4,092
Total Business-Type Activities	$ 831,163	$ 0	$ 138,654	$ 692,509	$ 154,547

The governmental activities capital lease payable is being financed through future general fund expendable available financial sources as they become due. Principal and interest payments related to the City's GEFA loans and the GMA capital lease for the water and sewer fund are financed from income derived from the operation of the water and sewer system.

The total interest expense for the year ended December 31, 2010 was $26,309.

The compensated absences liability will be paid from the fund from which the employee's salaries are paid. In 2010, compensated absences were liquidated through the general fund, water and sewer fund, electric utility fund, gas utility fund and the sanitation fund.

The post-employment benefits liability will be paid from the fund from which the employee's salaries are paid. In 2010, post employment-benefit liabilities were liquidated through the general fund.

Note 12 - Pension

The City participates in the Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer defined benefit pension plan. The City became a member of the plan effective November 1, 2001.

Plan Description - The Plan provides retirement, disability and death benefits to plan members and beneficiaries. These retirement provisions were established by an adoption agreement executed by the City Council. The Plan is affiliated with the Georgia Municipal Employees Benefit System (GMEBS), administered by the Georgia Municipal Association. The Georgia Municipal Association issues a publicly available financial report on GMEBS that includes financial statements and required supplementary information. That report may be obtained by writing to Georgia Municipal Association, 201 Pryor Street, Atlanta, Georgia, 30303.

Funding Policy - The Plan members are not required to contribute to the Plan. The City is required to contribute at an actuarially determined rate; the current rate is 10.75% of annual covered payroll. The contribution requirements of the City are established and may be amended by the GMEBS Board of Trustees.

Annual Pension Cost - The required contribution was determined as part of the July 1, 2002 actuarial valuation for the Plan using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 8.0% per year investment rate of return (net of investment expenses) and (b) projected salary increases for inflation of 5.0% per year and increases for merit or seniority of 0.5% per year. The actuarial value of net assets is determined by a roll forward of prior year actuarial values combined with contributions, disbursements and expected return on investments, plus 10% of investment gains (losses) during the prior ten years. The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 2002 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. These periods, if applicable, are closed for this plan year.

Schedule of Funding Progress

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Funded Ratio (1)/(2)	(4) Unfunded AAL/(UAAL) (2)-(1)	(5) Annual Covered Payroll	(6) UAAL as a Percentage of Covered Payroll
7/1/2007	$ 1,654,342	$ 2,426,353	68.2%	$ 772,011	1,789,514	43.1%
7/1/2008	1,902,784	2,727,929	69.8%	825,145	1,951,356	42.3%
7/1/2009	1,794,589	3,044,723	58.9%	1,250,134	2,129,107	58.7%

Schedule of Employer Contributions

Year Beginning July 1,	Annual Required Contribution	Percentage Contributed	Annual Pension Cost	Percentage Contributed
2006	$ 183,516	100%	$ 183,516	100%
2007	189,128	100%	189,128	100%
2008	209,844	100%	209,844	100%

Note 13 - Postemployment Benefits Other Than Pensions

Plan Description - The City allows for all full-time city employees that are 62 years old and older, with 20 years of service, to retire with the City providing health insurance until age 65 through the town's group health insurance plan, which covers both active and retired members. Benefit provisions were established by approval of City Council. The plan is a single-employer defined benefit administered by Core Administrative Services, which does not issue a publicly available report.

Funding Policy - The City contributes the full amount of the current-year premiums for eligible retired plan members. The City is financing the postemployment benefits on a pay-as-you-go basis. The City has 1 active employee eligible to receive benefits and 1 retired employee who began receiving benefits in 2009. For the year 2010, the City recognized $6,374 of net benefit expenditures.

Annual OPEB Cost and Net OPEB Obligation - The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The City has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the City's net OPEB obligation to the Plan:

Annual required contribution	$	(39,288)
Interest on net OPEB obligation		8,658
Annual OPEB cost		(30,630)
Contributions made		6,374
Increase in net OPEB obligation		(24,256)
Net OPEB obligation, beginning of year		108,231
Net OPEB obligation, end of year	$	83,975

Funded Status and Funding Progress - As of December 31, 2010, the actuarial accrued liability for benefits was $83,975, all of which was unfunded.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about retirement age, future employment, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:
Retirement age for active employees - Based on the historical average retirement age from the covered group, active plan members were assumed to retire at age 62, or at the first subsequent year in which the member would qualify for benefits.

Note 13 - Postemployment Benefits Other Than Pensions (continued)

Turnover - Based on historical turnover data for the City, all employees reaching 20 years of employment are assumed to remain employed with the City until age 62.

Healthcare cost trend rate - The expected rate of increase in healthcare insurance premiums was based on actual historical increase for the City. A rate of 4 percent annual increase was used.

Health insurance premiums - 2009 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Based on the rate of return in the City's actuarial report, a discount rate of 8 percent was used.

Note 14 - Net Assets

Net assets on the City-wide statement of net assets as of December 31, 2010 includes an investment in capital assets, net of related debt calculated as follows:

Investment in capital assets, net of related debt:	Governmental Activities	Business-Type Activities
Cost of capital assets	$ 7,581,916	$ 14,109,202
Less accumulated depreciation	4,168,038	8,383,736
Book value	3,413,878	5,725,466
Less capital related debt	26,183	567,722
Investment in capital assets, net of related debt	$ 3,387,695	$ 5,157,744

Note 15 - Risk Management

The City joined the Georgia Interlocal Risk Management Agency (GIRMA). Insurance coverage and deductible options for property, casualty and crime under the policy are selected by the City's management based on the anticipated needs. The City is required to pay all premiums, applicable deductibles and assessments billed by GIRMA, as well as following loss reduction and prevention procedures established by GIRMA. GIRMA's responsibility includes paying claims, and representing the City in defense and settlement of claims. GIRMA's basis for estimating the liabilities for unpaid claims is "IBNR" established by an actuary. The City has not compiled a record of claims paid up to the applicable deductible for the prior year or the current fiscal year. The City is unaware of any claims which the City is liable (up to the applicable deductible) which were outstanding and unpaid at December 31, 2010. No provisions have been made in the financial statements for the year ended December 31, 2010 for any estimate of potential unpaid claims

Note 15 - Risk Management (continued)

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

Note 16 - MEAG Power Contract

In 1976, the City along with 45 other cites and one county (the Participants) all political subdivisions of the State of Georgia, entered into a Power Sales Contract with the Municipal Electric Authority of Georgia (MEAG), a public corporation and instrumentality of the State of Georgia. Under the terms of the agreement, MEAG agrees to provide, and the Participants are obligated to purchase, all of their bulk power supply requirements for a period not to exceed 50 years. In 2004, the Participants unanimously voted to extend the contract with MEAG an additional 50 years. The Participants have agreed to purchase all their future power and energy requirements in excess of that received by the Participants through the Southeastern Power Administration at prices intended to cover the operating costs of the systems and to retire any debt incurred by MEAG. In the event that revenues are insufficient to cover all costs and retire the outstanding debt, each Participant has guaranteed a portion of the unpaid debt based on their individual entitlement shares of the output and services of generating units acquired or constructed by MEAG. In addition, in the event of discontinued service to a participant in default, the City would be obligated to purchase additional power subject to contractual limitations.

At December 31, 2010 the outstanding debt of MEAG was approximately $5 billion. The City's guarantee varies by individual projects undertaken by MEAG and totals approximately $106 million at December 31, 2010.

In 1999, the City approved a resolution adopting the provisions of the Municipal Competitive Trust (the Trust), which was created by MEAG for the mutual benefit of MEAG and its wholesale customers which have elected to become beneficiaries. The Trust was established to provide MEAG and the trust's beneficiaries a means to mitigate the expected differential between market rates for power and the costs of power generated by MEAG facilities, after deregulation of the electric industry.

The Trust created four funds in which the City participates. The following is a brief description of each fund:

Flexible Operating Trust Account - This account is available to the City for withdrawal without restriction. This account has a balance of $1,042,885 at December 31, 2010, and is included as a current investment in the Electric Utility fund.

New Generation Trust Account - This account is available to the City for certain restricted purposes including funding of future generation projects created by MEAG or for the purchase of additional power sales contracts. This account has a balance of $938,153 at December 31, 2010, and is included as a non-current restricted investment in the Electric Utility fund.

Note 16 - MEAG Power Contract (continued)

Credit Support Operating Account and Reserve Funded Debt Account - These accounts are restricted to loan or offset to billings from MEAG for power usage, at the discretion of MEAG, and are not currently available to the City. These accounts are not recorded as assets by the Electric fund. Also, see Note 4 - Prior Period Adjustments for further explanation of the Credit Support Operating Account. The balances in these accounts at December 31, 2010, were as follows:

Credit Support Operating Account	$ 3,402,989
Reserve Funded Debt Account	7,502,269
	$ 10,905,258

Note 17 - Contingent Liabilities

Federal and State Grant Audits - The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could result in a request for reimbursement to the grantor agency for costs disallowed under terms of the grant. Based on prior experience, the City believes such disallowances, if any, will be immaterial.

Litigation - The City was a defendant in several lawsuits at December 31, 2010. In the opinion of City management, the outcome of these contingencies will not have a material effect on the financial position of the City.

Contractual Obligation - The City, through its cooperative participation in the Municipal Electric Authority of Georgia (MEAG), is contractually obligated to purchase additional energy that will be available from MEAG's additional future ownership in Plant Vogtle. This contractual obligation, based on management's estimates, will not materially affect the City's financial position. Management's estimates are based in part on increased industrial energy sales projected and the City's ability to increase consumer rates to cover energy cost increases.

Because the General Fund of the City relies heavily on the operating profits of the Utility Funds, the general fund financial position would be materially effected, should management's projections not be realized.

Economic Dependency - The City's electric utility fund sells an estimated 92% of its power to three industrial customers, which accounts for approximately 82% of the gross profits. In December, 2010 one of these industrial customers ceased operations. Should either of the two remaining major industrial customers' electricity needs materially decrease, the City's financial position would be materially affected in the future. Additionally, the City purchases all of the electricity it sells from Municipal Electric Authority of Georgia and purchases all of the gas it sells from Municipal Gas Authority of Georgia.

Note 18 - Joint Ventures

Under Georgia law, the City, in conjunction with other cities and counties in the coastal Georgia area, is a member of the Coastal Regional Commission of Georgia (CRC) and is required to pay annual dues thereto. Membership in an RDC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the RDC in Georgia. The RDC board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RDC. Separate financial statements may be obtained from CRC, 127 F Street, Brunswick, Georgia 31520.

Note 19 - Related Organizations

The Housing Authority of the City of Sylvania, Georgia (the Housing Authority) is considered a related organization. The Housing Authority is a legally separate entity having a board composed of members appointed primarily by the City of Waynesboro, Georgia. The City appoints one member to the board. The City is not able to impose its will upon the Housing Authority and a financial benefit/burden relationship does not exist between them. Therefore, based upon the criteria above, the Housing Authority is a related organization.

City of Sylvania, Georgia
General Fund
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2010

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Taxes	$ 766,630	$ 766,630	$ 796,408	$ 29,778
Intergovernmental	84,483	84,483	101,438	16,955
Licenses and permits	66,630	66,630	64,471	(2,159)
Charges for services	105,750	105,750	103,266	(2,484)
Fines and forfeitures	135,050	135,050	171,002	35,952
Investment earnings	50,000	50,000	26,903	(23,097)
Contributions and donations			166,000	166,000
Miscellaneous	36,101	36,101	31,129	(4,972)
Total revenues	1,244,644	1,244,644	1,460,617	215,973
Expenditures				
Current:				
General government:				
Legislative	33,649	33,649	30,206	3,443
Executive - Mayor	10,068	10,068	9,406	662
Executive - Manager	284,524	306,404	300,423	5,981
Elections	500	500		500
Financial administration	442,670	453,294	453,294	0
Purchase/contractual services	10,595	32,709	32,709	0
Judicial	74,975	74,975	45,949	29,026
Public safety:				
Fire	483,554	748,528	748,528	0
Police	1,048,989	1,048,989	870,113	178,876
Animal control	20,903	20,903	16,348	4,555
Public works:				
Streets	354,810	354,810	346,801	8,009
Garage	166,499	186,945	186,945	0
Health and welfare - Nutrition program	172,651	172,651	158,887	13,764
Culture and recreation	17,800	24,390	24,390	0
Housing and development				
Building and zoning	6,630	6,630	3,359	3,271
Downtown development	83,672	95,170	95,170	0
Total expenditures	3,212,489	3,570,615	3,322,528	248,087
Excess (deficiency) of revenues over expenditures	(1,967,845)	(2,325,971)	(1,861,911)	464,060
Other financing sources (uses)				
Sale of asset			11,346	11,346
Transfers in (out)	1,617,845	1,617,845	1,266,725	(351,120)
Total other financing sources	1,617,845	1,617,845	1,278,071	(339,774)
Net change in fund balances	$ (350,000)	$ (708,126)	(583,840)	$ 124,286
Fund balances beginning of year			1,981,115	
Fund balances end of year			$ 1,397,275	

See the accompanying notes to the required supplementary information.

Note 1 - Budgetary Information

The City adopts an annual operating budget for the general fund, each special revenue fund, each capital projects fund and the debt service fund.

All budgets are adopted on a basis consistent with GAAP.

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

The City Manager may approve budget transfers within departments. Any changes to a fund total or departmental appropriation within a fund requires approval of the City Council. During the year, the City Council approved one budget revision.

All unexpended annual appropriations lapse at year-end.

On the budgetary basis, debt service expenditures (i.e. $37,461) are budgeted within the functions but are reported as separate character classifications on the GAAP basis.

City of Sylvania, Georgia
General Fund
Comparative Balance Sheet
December 31, 2010 and 2009

	2010	2009
Assets		
Cash and cash equivalents	$ 1,042,974	$ 1,832,442
Receivables:		
Accounts	87,065	98,703
Property taxes	87,294	80,319
Other	331,117	249,069
Interest	1,366	1,366
Prepaid items	60,883	51,422
Total assets	$ 1,610,699	$ 2,313,321
Liabilities and Fund Balances		
Liabilities		
Accounts payable	$ 83,640	$ 69,841
Accrued expenditures	45,020	27,530
Deferred revenue	84,764	234,835
Total liabilities	213,424	332,206
Fund balances		
Reserved for prepaid items	60,883	51,422
Unreserved	1,336,392	1,929,693
Total fund balances	1,397,275	1,981,115
Total liabilities and fund balances	$ 1,610,699	$ 2,313,321

City of Sylvania, Georgia
General Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Years Ended December 31, 2010 and 2009

	2010	2009
Revenues		
Taxes	$ 796,408	$ 762,617
Intergovernmental	101,438	179,935
Licenses and permits	64,471	70,432
Charges for services	103,266	112,145
Fines and forfeitures	171,002	83,164
Investment earnings	26,903	28,874
Contributions and donations	166,000	
Miscellaneous	31,129	30,810
Total revenues	1,460,617	1,267,977
Expenditures		
Current:		
General government:		
Legislative	30,206	29,898
Executive - Mayor	9,406	8,954
Executive - Manager	300,423	302,609
Elections		8,723
Financial administration	453,294	439,951
Purchase/contract services	32,709	5,828
Judicial	45,949	56,107
Public safety:		
Police	832,652	1,033,921
Fire	748,528	421,899
Animal control	16,348	16,627
Public works:		
Streets	346,801	442,611
Garage	186,945	151,815
Health and welfare - Nutrition program	158,887	179,457
Culture and recreation	24,390	14,552
Housing and development		
Building and zoning	3,359	6,047
Downtown development	95,170	150,163
Debt service:		
Principal retirement	35,678	34,596
Interest and fiscal charges	1,783	2,182
Total expenditures	3,322,528	3,305,940
Deficiency of revenues to expenditures	(1,861,911)	(2,037,963)
Other financing sources		
Inception of capital lease		27,601
Proceeds from sale of asset	11,346	1,000
Transfers in	1,266,725	194,647
Total other financing sources	1,278,071	223,248
Net change in fund balances	(583,840)	(1,814,715)
Fund balances beginning of year	1,981,115	3,795,830
Fund balances end of year	$ 1,397,275	$ 1,981,115

City of Sylvania, Georgia
Combining Balance Sheet - By Fund Type
Nonmajor Governmental Funds
December 31, 2010

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Fund SPLOST	Total Nonmajor Governmental Funds
Assets			
Restricted cash and cash equivalents	$ 665,972	$ 215,663	$ 881,635
Receivables			
Intergovernmental		46,477	46,477
Interest	255		255
Notes	244,419		244,419
Total assets	$ 910,646	$ 262,140	$ 1,172,786
Liabilities and Fund Balances			
Fund Balances			
Reserved for program purposes	$ 910,646	$ 262,140	$ 1,172,786

City of Sylvania, Georgia

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - By Fund Type

Nonmajor Governmental Funds

For the Year Ended December 31, 2010

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Fund SPLOST	Total Nonmajor Governmental Funds
Revenues			
Taxes	$ 14,892		$ 14,892
Intergovernmental		$ 220,345	220,345
Fines and forfeitures	5,058		5,058
Investment earnings	21,831	129	21,960
Total revenues	41,781	220,474	262,255
Expenditures			
Current:			
Police	5,129		5,129
Housing and development	14,892		14,892
Total expenditures	20,021	0	20,021
Excess of revenues over expenditures	21,760	220,474	242,234
Other financing uses			
Transfer to water and sewer fund		(75,000)	(75,000)
Net change in fund balances	21,760	145,474	167,234
Fund balances beginning of year	888,886	116,666	1,005,552
Fund balances end of year	$ 910,646	$ 262,140	$ 1,172,786

City of Sylvania, Georgia
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2010

	UDAG	Confiscated Assets	Total Nonmajor Special Revenue Funds
Assets			
Restricted cash and cash equivalents	$ 665,472	$ 500	$ 665,972
Receivables			
Interest	255		255
Notes	244,419		244,419
Total assets	$ 910,146	$ 500	$ 910,646
Liabilities and Fund Balances			
Fund Balances			
Reserved for program purposes	$ 910,146	$ 500	$ 910,646

City of Sylvania, Georgia

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Special Revenue Funds

For the Year Ended December 31, 2010

	UDAG	Hotel/Motel Tax	Confiscated Assets	Total Nonmajor Special Revenue Funds
Revenues				
Taxes		$ 14,892		$ 14,892
Fines and forfeitures			$ 5,058	5,058
Investment earnings	$ 21,831			21,831
Total revenues	21,831	14,892	5,058	41,781
Expenditures				
Current:				
Police			5,129	5,129
Housing and development		14,892		14,892
Total expenditures	0	14,892	5,129	20,021
Excess (deficit) of revenues to expenditures	21,831	0	(71)	21,760
Fund balances beginning of year	888,315		571	888,886
Fund balances end of year	$ 910,146	$ 0	$ 500	$ 910,646

City of Sylvania, Georgia
UDAG Fund
Comparative Balance Sheet
December 31, 2010 and 2009

	2010	2009
Assets		
Restricted cash and cash equivalents	$ 665,472	$ 636,915
Receivables:		
Interest	255	
Notes	244,419	251,400
Total assets	$ 910,146	$ 888,315
Liabilities and Fund Balances		
Fund Balances		
Reserved for program purposes	$ 910,146	$ 888,315

City of Sylvania, Georgia
UDAG Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2010
(With Comparative Actual Amounts for the Year Ended December 31, 2009)

	2010				2009
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Actual
Revenues					
Investment earnings	$ 19,800	$ 19,800	$ 21,831	$ 2,031	$ 14,924
Expenditures					
Current:					
Housing and development				0	
Net change in fund balance	$ 19,800	$ 19,800	21,831	$ 2,031	14,924
Fund balances beginning of year			888,315		873,391
Fund balances end of year			$ 910,146		$ 888,315

City of Sylvania, Georgia
Hotel/Motel Tax Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2010
(With Comparative Actual Amounts for the Year Ended December 31, 2009)

	2010				2009
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Actual
Revenues					
Taxes	$ 0	$ 16,005	$ 14,892	$ (1,113)	$ 17,493
Expenditures					
Current:					
Housing and development	0	16,005	14,892	1,113	17,493
Net change in fund balance	$ 0	$ 0	0	$ 0	0
Fund balances beginning of year			0		0
Fund balances end of year			$ 0		$ 0

City of Sylvania
Confiscated Assets Fund
Comparative Balance Sheet
December 31, 2010 and 2009

	2010	2009
Assets		
Restricted cash and cash equivalents	$ 500	$ 571
Liabilities and Fund Balances		
Fund Balances		
Reserved for program purposes	$ 500	$ 571

City of Sylvania, Georgia
Confiscated Assets Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2010
(With Comparative Actual Amounts for the Year Ended December 31, 2009)

	2010				2009
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Actual
Revenues					
Fines and forfeitures	$ 0	$ 5,058	$ 5,058	$ 0	$ 293
Expenditures					
Current:					
Public safety - police	0	5,130	5,129	1	1,000
Deficiency of revenues to expenses	0	(72)	(71)	(1)	(707)
Other financing sources					
Transfers in				0	
Net change in fund balance	$ 0	$ (72)	(71)	$ (1)	(707)
Fund balances beginning of year			571		1,278
Fund balances end of year			$ 500		$ 571

City of Sylvania, Georgia
Water and Sewer Fund
Comparative Schedule of Net Assets
December 31, 2010 and 2009

	2010	2009
Assets		
Current Assets		
Cash and cash equivalents	$ 60,922	$ 60,861
Accounts receivable	153,034	102,949
Prepaid insurance	5,021	1,997
Total current assets	218,977	165,807
Noncurrent assets		
Capital assets		
Nondepreciable capital asset	274,532	52,100
Depreciable capital assets, net	2,744,270	2,882,702
Total noncurrent assets	3,018,802	2,934,802
Total assets	3,237,779	3,100,609
Liabilities		
Current liabilities		
Accounts payable	46,037	22,671
Accrued interest payable	1,447	1,447
Accrued payroll	8,502	5,222
Compensated absences payable	7,043	12,267
Notes payable	56,037	52,708
Total current liabilities	119,066	94,315
Long-term liabilities		
Compensated absences payable (net of current portion)	4,696	8,178
Notes payable (net of current portion)	353,424	435,919
Total long-term liabilities	358,120	444,097
Total liabilities	477,186	538,412
Net assets		
Invested in capital assets, net of related debt	2,609,341	2,446,175
Unrestricted	151,252	116,022
Total net assets	$ 2,760,593	$ 2,562,197

City of Sylvania, Georgia
Water and Sewer Fund
Comparative Schedule of Revenues,
Expenses and Changes in Fund Net Assets
For the Years Ended December 31, 2010 and 2009

	2010	2009
Operating Revenues		
Charges for services	$ 1,067,628	$ 940,611
Miscellaneous	29,362	25,917
Total operating revenues	1,096,990	966,528
Operating expenses		
Salaries	308,060	306,815
Social security	23,952	22,478
Group insurance	81,446	198,152
Retirement	33,503	29,008
Workers' compensation	14,818	9,020
Contract services	17,072	16,425
Chemicals	16,428	17,110
Materials and supplies	37,051	48,268
Gas, oil, and tires	13,718	9,336
Uniforms and safety equipment	5,703	7,340
Vehicle repairs	8,088	7,846
Engineering and consulting	1,063	3,000
Meter reading	35,738	31,300
Postage	2,545	2,479
Communications	2,806	2,831
Insurance	30,941	38,508
Public utilities	53,030	54,810
Maintenance and testing	63,510	68,860
Tipping fees	13,430	12,778
Other	8,362	9,155
Depreciation	159,132	169,400
Total operating expenses	930,396	1,064,919
Operating income (loss)	166,594	(98,391)
Non-operating revenues (expenses)		
Interest and fiscal charges	(19,089)	(25,089)
Grant proceeds	188,811	
Investment earnings	61	171
Total non-operating revenues (expenses)	169,783	(24,918)
Income (loss) before transfers	336,377	(123,309)
Transfers in (out)	(137,981)	148,915
Change in net assets	198,396	25,606
Net assets beginning of year	2,562,197	2,536,591
Net assets end of year	$ 2,760,593	$ 2,562,197

City of Sylvania, Georgia
Electricity Utility Fund
Comparative Schedule of Net Assets
December 31, 2010 and 2009

	2010	2009
Assets		
Current assets		
Cash and cash equivalents	$ 106,418	$ 110,437
Investments	1,042,885	554,219
Accounts receivable	2,908,111	4,562,468
Prepaid insurance	4,021	1,848
Total current assets	4,061,435	5,228,972
Noncurrent assets		
Restricted assets:		
Investments - MEAG Generation Trust	938,153	394,541
Capital assets:		
Depreciable capital assets, net	2,230,278	2,346,458
Total noncurrent assets	3,168,431	2,740,999
Total assets	7,229,866	7,969,971
Liabilities		
Current liabilities		
Accounts payable	2,803,503	4,587,513
Sales tax payable	73,424	47,618
Accrued liabilities	8,779	5,684
Compensated absences payable	21,813	21,088
Customer deposits payable	225,656	217,102
Capital lease	26,139	25,114
Total current liabilities	3,159,314	4,904,119
Long-term liabilities		
Compensated absences payable (net of current portion)	14,542	14,058
Post-employment benefit payable	25,270	33,376
Capital lease (net of current portion)	41,223	67,364
	81,035	114,798
Total liabilities	3,240,349	5,018,917
Net Assets		
Invested in capital assets	2,162,916	2,253,980
Restricted - MEAG power generation and credit support	938,153	394,541
Unrestricted	888,448	302,533
Total Net Assets	$ 3,989,517	$ 2,951,054

City of Sylvania, Georgia
Electricity Utility Fund
Comparative Schedule of Revenues,
Expenses and Changes in Fund Net Assets
For the Years Ended December 31, 2010 and 2009

	2010	2009
Operating revenues		
Charges for services	$ 28,679,620	$ 24,508,896
Miscellaneous	9,848	8,141
Total operating revenues	28,689,468	24,517,037
Operating expenses		
Cost of sales	26,803,249	23,594,236
Salaries	330,533	306,709
Social security	23,811	22,586
Group insurance	54,515	77,751
Retirement and other post-employment benefits	25,048	39,887
Workers' compensation	11,722	10,571
Contract services	54,197	
Materials and supplies	70,710	77,194
Gas, oil, and tires	15,548	12,842
Uniforms and safety equipment	2,921	3,035
Vehicle repairs	24,350	7,041
Engineering and consulting	40,531	33,877
Meter reading	35,738	31,300
Postage	2,280	2,279
Communications	1,511	1,774
Insurance	21,176	27,987
Public utilities	7,319	7,014
Maintenance and testing	17,313	16,082
Other	3,517	3,491
Depreciation	116,180	127,416
Total operating expenses	27,662,169	24,403,072
Operating income	1,027,299	113,965
Non-operating revenues (expenses)		
Interest and fiscal charges	(24,455)	(4,327)
Investment earnings	2,172	6,105
MEAG Generation Trust additions	536,391	390,928
MEAG Generation Trust investment earnings	7,221	3,613
Total non-operating revenues	521,329	396,319
Income before transfers	1,548,628	510,284
Transfers in (out)	(510,165)	356,449
Change in net assets	1,038,463	866,733
Net assets beginning of year		
As previously stated	2,951,054	5,385,540
Prior period adjustment		(3,301,219)
As restated	2,951,054	2,084,321
Net assets end of year	$ 3,989,517	$ 2,951,054

City of Sylvania, Georgia
Gas Utility Fund
Comparative Schedule of Net Assets
December 31, 2010 and 2009

	2010	2009
Assets		
Current assets		
Accounts receivable	$ 346,408	$ 538,820
Prepaid insurance	1,308	636
Total current assets	347,716	539,456
Noncurrent assets		
Capital assets		
Depreciable capital assets, net	373,524	398,367
Total assets	721,240	937,823
Liabilities		
Current liabilities		
Accounts payable	436,793	504,431
Accrued payroll	2,809	1,723
Compensated absences payable	6,091	4,724
Total current liabilities	445,693	510,878
Long-term liabilities		
Compensated absences payable (net of current portion)	4,061	3,150
Post-employment benefit payable	11,261	10,963
	15,322	14,113
Total liabilities	461,015	524,991
Net Assets		
Invested in capital assets, net of related debt	373,524	398,367
Unrestricted	(113,299)	14,465
Total net assets	$ 260,225	$ 412,832

City of Sylvania, Georgia
Gas Utility Fund
Comparative Schedule of Revenues,
Expenses and Changes in Fund Net Assets
For the Years Ended December 31, 2010 and 2009

	2010	2009
Operating revenues		
Charges for services	$ 5,834,169	$ 5,410,741
Miscellaneous	2,784	75
Total operating revenues	5,836,953	5,410,816
Operating expenses		
Cost of sales	5,123,478	4,851,885
Salaries	110,061	108,302
Social security	8,129	7,782
Group insurance	18,221	12,224
Retirement and other post-employment benefits	12,158	12,011
Workers' compensation	4,972	1,447
Contract labor	584	
Chemicals	1,800	1,135
Materials and supplies	12,122	4,340
Gas, oil, and tires	4,014	3,284
Uniforms and safety equipment	1,447	1,468
Vehicle repairs	1,892	2,094
Engineering and consulting		2,370
Meter reading	35,738	31,300
Postage	2,273	2,231
Communications	1,959	2,251
Insurance	5,204	7,642
Public utilities	571	579
Maintenance and testing	16,975	9,205
Other	1,839	760
Depreciation	24,843	19,858
Total operating expenses	5,388,280	5,082,168
Operating income	448,673	328,648
Transfers out	(601,280)	(546,075)
Change in net assets	(152,607)	(217,427)
Net assets beginning of year	412,832	630,259
Net assets end of year	$ 260,225	$ 412,832

City of Sylvania, Georgia
Sanitation Fund
Comparative Schedule of Net Assets
December 31, 2010 and 2009

	2010	2009
Assets		
Current assets		
Accounts receivable	$ 49,949	$ 46,833
Prepaid insurance	3,152	1,291
Total current assets	53,101	48,124
Noncurrent assets		
Capital assets		
Nondepreciable capital assets, net	6,507	6,507
Depreciable capital assets, net	96,355	120,529
Total noncurrent assets	102,862	127,036
Total assets	155,963	175,160
Liabilities		
Current liabilities		
Accounts payable	3,715	3,092
Accrued payroll	7,691	4,964
Compensated absences payable	10,196	9,895
Capital lease	23,026	22,193
Total current liabilities	44,628	40,144
Long-term liabilities		
Compensated absences payable (net of current portion)	6,798	6,596
Post-employment benefit payable	13,014	12,671
Capital lease (net of current portion)	67,873	90,899
	87,685	110,166
Total liabilities	132,313	150,310
Net assets		
Invested in capital assets, net of related debt	11,963	13,944
Unrestricted	11,687	10,906
Total net assets	$ 23,650	$ 24,850

City of Sylvania, Georgia
Sanitation Fund
Comparative Schedule of Revenues,
Expenses and Changes in Fund Net Assets
For the Years Ended December 31, 2010 and 2009

	2010	2009
Operating revenues		
Charges for services	$ 448,859	$ 421,898
Operating expenses		
Salaries	246,538	240,872
Social security	18,018	17,927
Group insurance	90,111	48,158
Retirement and other post-employment benefits	27,534	24,646
Workers' compensation	17,217	20,135
Gas, oil, and tires	25,281	16,725
Uniforms and safety equipment	2,584	2,867
Vehicle repairs	14,746	9,591
Insurance	10,944	18,969
Maintenance and testing	12,829	9,449
Tipping fees	13,905	10,713
Other		624
Depreciation	24,174	6,443
Total operating expenses	503,881	427,119
Operating loss	(55,022)	(5,221)
Non-operating expenses		
Interest and fiscal charges	(3,879)	(648)
Loss before transfers	(58,901)	(5,869)
Transfers	57,701	(3,936)
Change in net assets	(1,200)	(9,805)
Net assets beginning of year	24,850	34,655
Net assets end of year	$ 23,650	$ 24,850

CITY OF SYLVANIA, GEORGIA
SCHEDULE OF HOTEL/MOTEL TAX
FOR THE YEAR ENDED DECEMBER 31, 2010

In accordance with O.C.G.A. 48-13-51, the City of Sylvania levies a 5% tax on hotel/motel lodging and disburses collected funds to the Screven County Chamber of Commerce to use for the promotion of tourism.

This schedule provides information on the amount of Hotel/Motel tax cash receipts and the amount of such receipts which were disbursed or contractually committed to be disbursed to the Screven County Chamber of Commerce.

Revenues and expenditures for the year ended December 31, 2010 were as follows.

	Amount	Amount as a percentage of revenue
Hotel/Motel tax cash receipts	$ 14,892	
Expenditures to:		
Screven County Chamber of Commerce	$ 8,935	
Sylvania Downtown Development Authority	5,957	
	$ 14,892	100.00%

City of Sylvania, Georgia
Schedule of Projects Constructed with
Special Purpose Local Option Sales Tax Proceeds
For the Year Ended December 31, 2010

	Total Estimated Cost	Actual Cost			Estimated Percentage Complete
		Prior Years	Current Year	Total	
Community Outdoor Amphitheater	$ 50,000	$ 50,000		$ 50,000	100.00%
Retire GEFA Debt	262,471	262,471		262,471	100.00%
Waste Water Plant	425,000	125,537	$ 75,000	200,537	47.19%
Street Resurfacing	75,000	35,000		35,000	46.67%
Class A Fire Truck	215,000				0.00%
	$ 1,027,471	$ 473,008	$ 75,000	$ 548,008	

Total funds available for SPLOST projects at December 31, 2010	$ 262,140

CAINES, HODGES, PACE & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Mayor and Council
City of Sylvania, Georgia

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of City of Sylvania, Georgia as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 20, 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 Sylvania, Georgia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Sylvania, Georgia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Sylvania, 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 a 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 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 consider to be material weaknesses, as defined above.

Compliance

As a part of obtaining reasonable assurance about whether the City of Sylvania, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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.

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

Caines, Hodges, Pace & Company, P.C.

Rincon, Georgia
June 20, 2011