AUDIT REPORT

CITY OF SYLVESTER, GEORGIA

FOR THE FISCAL YEAR ENDED

JUNE 30, 2011

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Sylvester, Georgia June 30, 2011

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SYLVESTER, GEORGIA

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the City Council
City of Sylvester, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Sylvester, Georgia, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Sylvester, 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 the 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 aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Sylvester, Georgia as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2012, on our consideration of the City of Sylvester, Georgia's internal control over financial reporting and on 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

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reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Schedule of Funding Progress on page 50 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The City of Sylvester, Georgia has not presented the management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sylvester, Georgia's basic financial statements. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United State of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Herring CPA Group, P.C.

HERRING CPA GROUP, P.C.
Tifton, Georgia
February 13, 2012

STATEMENT OF NET ASSETS

Government-Wide
Sylvester, Georgia — June 30, 2011

	PRIMARY GOVERNMENT			COMPONENT UNIT
	Governmental Activities	Business-Type Activities	Total	Downtown Development Authority
ASSETS				
Current Assets				
Cash	$ 1,292,621	$ 2,467,413	$ 3,760,034	$ 3,357
Investments	1,245,041	4,372,408	5,617,449	0
Receivables-Net	404,013	1,613,489	2,017,502	0
Internal Balances	52,664	(52,664)	0	0
Intergovernmenal Receivable	112,979	27,012	139,991	0
Inventory	35,531	303,144	338,675	
Prepaid Items	51,410	0	51,410	0
Total Current Assets	3,194,259	8,730,802	11,925,061	3,357
Non-Current Assets				
Capital Assets	0		0	0
Nondepreciable	489,569	394,778	884,347	0
Depreciable-Net	6,741,247	8,180,012	14,921,259	0
Total NonCurrent Assets	7,230,816	8,574,790	15,805,606	0
TOTAL ASSETS	10,425,075	17,305,592	27,730,667	3,357

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

STATEMENT OF NET ASSETS

Government-Wide
Sylvester, Georgia — June 30, 2011

	PRIMARY GOVERNMENT			COMPONENT UNIT
	Governmental Activities	Business-Type Activities	Total	Downtown Development Authority
LIABILITIES				
Current Liabilities				
Accounts Payable	$ 163,598	$ 853,363	$ 1,016,961	$ 0
Accrued Expenses	50,506	56,367	106,873	0
Deposits	14,410	166,010	180,420	0
Capital Leases Payable	247,355	0	247,355	0
Notes Payable	0	101,343	101,343	0
Total Current Liabilities	475,869	1,177,083	1,652,952	0
Noncurrent Liabilities				
Capital Leases Payable, Less Current Portion	1,635,400	0	1,635,400	0
Notes Payable, Less Current Portion	0	1,954,592	1,954,592	0
Compensated Absences	164,349	66,766	231,115	0
Total Noncurrent Liabilities	1,799,749	2,021,358	3,821,107	0
TOTAL LIABILITIES	2,275,618	3,198,441	5,474,059	0
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	5,348,061	6,518,856	11,866,917	0
Restricted for:				
Capital Projects	744,161	0	744,161	0
Debt Service	0	164,198	164,198	0
Public Welfare	87,459	0	87,459	0
Economic Development	423,363	0	423,363	0
Other	8,167	0	8,167	0
Downtown Development	0	0	0	3,357
Unrestricted	1,538,246	7,424,097	8,962,343	0
TOTAL NET ASSETS	$ 8,149,457	$ 14,107,151	$ 22,256,608	$ 3,357

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

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Government-Wide
Sylvester, Georgia

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Governmental Activities				
General Government	$ 1,255,763	$ 78,594	$ 0	$ 0
Public Safety	2,615,144	204,561	43,727	183,993
Public Works	721,925	0	0	626,614
Culture and Recreation	141,845	56,186	0	0
Community and Economic Development	151,918	0	124,138	0
Interest on Long-Term Debt	84,683	0	0	0
Total Governmental Activities	4,971,278	339,341	167,865	810,607
Business-Type Activities				
Electric	7,033,155	9,119,237	0	54,210
Water	580,726	849,988	0	0
Sewer	674,415	776,621	0	0
Natural Gas	948,670	1,408,752	0	0
Solid Waste	553,667	749,200	0	0
Telecommunications	104,797	522,540	0	0
Airport	28,530	4,800	0	279,031
Total Business-Type Activities	9,923,960	13,431,138	0	333,241
Total Primary Government	$ 14,895,238	$ 13,770,479	$ 167,865	$ 1,143,848
Component Unit				
Downtown Development Authority	$ 1,438	$ 0	$ 0	$ 0

General Revenues

Property Taxes and Franchise Taxes
Intangible and Transfer Taxes
Insurance Premium Taxes
Sales Taxes
Alcoholic Beverage Taxes
Business Taxes
Investment Earnings
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Total General Revenues and Transfers

Change in Net Assets

Net Assets - July 1, 2010

NET ASSETS - JUNE 30, 2011

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

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended
June 30, 2011

Net (Expenses) Revenues and Changes in Net Assets			
PRIMARY GOVERNMENT			COMPONENT UNIT
Governmental Activities	Business-Type Activities	Total	Downtown Development Authority
$ (1,177,169)	$ 0	$ (1,177,169)	$ 0
(2,182,863)	0	(2,182,863)	0
(95,311)	0	(95,311)	0
(85,659)	0	(85,659)	0
(27,780)	0	(27,780)	0
(84,683)	0	(84,683)	0
(3,653,465)	0	(3,653,465)	0
0	2,140,292	2,140,292	
0	269,262	269,262	0
0	102,206	102,206	0
0	460,082	460,082	0
0	195,533	195,533	
0	417,743	417,743	
0	255,301	255,301	0
0	3,840,419	3,840,419	0
(3,653,465)	3,840,419	3,840,419	0
0	0	0	(1,438)
669,947	0	669,947	0
12,284	0	12,284	0
322,452	0	322,452	0
465,846	0	465,846	0
105,077	0	105,077	0
64,953	0	64,953	0
13,461	18,293	31,754	0
75,693	0	75,693	0
0	41,700	41,700	0
2,410,249	(2,410,249)	0	0
4,139,962	(2,350,256)	1,789,706	0
486,497	1,490,163	1,976,660	(1,430)
7,662,960	12,616,988	20,279,948	4,787
$ 8,149,457	$ 14,107,151	$ 22,256,608	$ 3,357

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

COMBINING BALANCE SHEET

Governmental Funds
Sylvester, Georgia — June 30, 2011

	General Fund	SPLOST Capital Projects Fund	Other Governmental Funds	Total
ASSETS				
Cash	$ 18,718	$ 744,161	$ 426,490	$ 1,189,369
Restricted Cash	103,252	0	0	103,252
Investments-Certificates of Deposit	1,245,041	0	0	1,245,041
Receivables-Net of Allowances for for Uncollectible Accounts	255,580	0	148,433	404,013
Due from Other Funds	52,664	0	0	52,664
Due from Governments	112,979	0	0	112,979
Inventory	35,531	0	0	35,531
Prepaid Items	51,410	0	0	51,410
TOTAL ASSETS	$ 1,875,175	$ 744,161	$ 574,923	$ 3,194,259
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	$ 161,713	$ 0	$ 1,885	$ 163,598
Accrued Liabilities	50,506	0	0	50,506
Deferred Revenue	21,467	0	0	21,467
Deposits	14,410	0	0	14,410
Total Liabilities	248,096	0	1,885	249,981
Fund Balances				
Nonspendable	124,631	0	146,835	271,466
Restricted	93,086	744,161	425,903	1,263,150
Assigned	683,594	0	300	683,894
Unassigned	725,768	0	0	725,768
Total Fund Balances	1,627,079	744,161	573,038	2,944,278
TOTAL LIABILITIES AND FUND BALANCES	$ 1,875,175	$ 744,161	$ 574,923	$ 3,194,259

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

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET

TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS

City of Sylvester
Sylvester, Georgia — June 30, 2011

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		$ 2,944,278
Amounts reported for Governmental Activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet. Those assets consist of:		
Land, Building and Improvements	$ 6,509,000	
Machinery and Equipment	1,628,590	
Vehicles	1,427,856	
Infrastructure	1,159,923	
Accumulated Depreciation	(3,494,553)	7,230,816
Deferred revenues for delinquent property taxes deferred in the governmental funds because they will not be received within sixty days of the year end.		21,467
Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet.		
Capital Leases	(1,882,755)	
Compensated Absenses	(164,349)	(2,047,104)
NET ASSETS OF GOVERNMENTAL ACTIVITIES		$ 8,149,457

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

COMBINING STATEMENT OF REVENUES, EXPENDITURES,

AND CHANGES IN FUND BALANCES

Governmental Funds
Sylvester, Georgia

Year Ended
June 30, 2011

	General Fund	SPLOST Capital Projects Fund	Other Governmental Funds	Total
REVENUES				
Taxes - Net	$ 1,641,968	$ 0	$ 17,845	$ 1,659,813
Charges for Services	20,942	0	0	20,942
Fines and Forfeitures	204,561	0	0	204,561
Licenses and Permits	57,652	0	0	57,652
Intergovernmental	43,727	452,657	480,573	976,957
Interest Income	12,761	1,515	700	14,976
Miscellaneous	131,879	0	0	131,879
TOTAL REVENUES	2,113,490	454,172	499,118	3,066,780
EXPENDITURES				
Current				
General Government	1,238,175	14	0	1,238,189
Public Safety	2,478,920	0	0	2,478,920
Public Works	615,502	9,000	0	624,502
Culture and Recreation	117,689	0	10,742	128,431
Community and Economic Development	28,819	0	124,138	152,957
Debt Service				
Principal	124,511	113,621	0	238,132
Interest	14,311	70,372	0	84,683
TOTAL EXPENDITURES	4,617,927	193,007	134,880	4,945,814
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,504,437)	261,165	364,238	(1,879,034)
OTHER FINANCING SOURCES (USES)				
Transfers In	2,774,182	0	0	2,774,182
Transfers Out	0	0	(363,935)	(363,935)
Total Other Financing Sources (Uses)	2,774,182	0	(363,935)	2,410,247
Net Change in Fund Balances	269,745	261,165	303	531,213
Fund Balances - July 1, 2010	1,357,334	482,996	572,735	2,413,065
FUND BALANCES - JUNE 30, 2011	$ 1,627,079	$ 744,161	$ 573,038	$ 2,944,278

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

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,

EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

City of Sylvester
Sylvester, Georgia

Year Ended
June 30, 2011

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		$ 531,213
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.		95,612
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.		(346,110)
Because some property taxes will not be collected for several months after the City's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds.		
Property Taxes		
Deferred at June 30, 2011	21,467	
Deferred at June 30, 2010	(40,719)	(19,252)
Long-term compensated absences are reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, long-term compensated absences are not reported as expenditures in Governmental Funds.		
Compensated Absences		
Liability at June 30, 2011	(164,349)	
Liability at June 30, 2010	151,251	(13,098)
Note proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Assets. Repayment of note principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Government-Wide Statement of Net Assets.		
This amount represents long-term debt repayments.		238,132
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES		$ 486,497

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

STATEMENT OF REVENUES, EXPENDITURES,

AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

General Fund
Sylvester, Georgia

Year Ended
June 30, 2011

	Budget			Variance Over (Under)
	Original	Final	Actual	
REVENUES				
Taxes - Net	$ 1,638,300	$ 1,638,300	$ 1,641,968	$ 3,668
Charges for Services	17,200	17,200	20,942	3,742
Fines and Forfeitures	313,200	313,200	204,561	(108,639)
Licenses and Permits	55,100	55,100	57,652	2,552
Intergovernmental	0	0	43,727	43,727
Interest Income	20,500	20,500	12,761	(7,739)
Miscellaneous	86,750	86,750	131,879	45,129
TOTAL REVENUES	2,131,050	2,131,050	2,113,490	(17,560)
EXPENDITURES				
General Government	1,390,388	1,390,388	1,238,175	152,213
Public Safety	2,621,284	2,621,284	2,594,849	26,435
Public Works	678,143	678,143	638,395	39,748
Culture and Recreation	85,667	85,667	117,689	(32,022)
Community Development	45,196	45,196	28,819	16,377
TOTAL EXPENDITURES	4,820,678	4,820,678	4,617,927	202,751
Deficiency of Revenues Under Expenditures	(2,689,628)	(2,689,628)	(2,504,437)	185,191
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	2,689,628	2,689,628	2,774,182	(84,554)
Net Change in Fund Balance	$ 0	$ 0	269,745	$ 100,637
Fund Balance - July 1, 2010			1,357,334	
FUND BALANCE - JUNE 30, 2011			$ 1,627,079	

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

COMBINING STATEMENT OF NET ASSETS

Proprietary Funds
Sylvester, Georgia — June 30, 2011

	Electric Fund	Water and Sewer Fund	Natural Gas Fund	Non-Major Funds	Total
ASSETS					
Current Assets					
Cash	$ 1,020,903	$ 862,195	$ 42,885	$ 375,265	$ 2,301,248
Investment-Certificate of Deposit	187,612	182,573	0	0	370,185
Investments	3,838,245	0	0	0	3,838,245
Restricted Assets					0
Cash	70,058	74,856	21,251	0	166,165
Investment-Certificate of Deposit		163,978			163,978
Accounts Receivable-Net of Allowance for					0
Uncollectible Accounts	1,147,110	219,615	50,053	196,711	1,613,489
Intergovernmental Receivable	27,012	0	0	0	27,012
Inventory	191,009	84,122	28,013	0	303,144
Due from Other Funds	0	125,302	0	0	125,302
Total Current Assets	6,481,949	1,712,641	142,202	571,976	8,908,768
Non-Current Assets					
Capital Assets Not Being Depreciated	0	21,800	2,500	370,478	394,778
Capital Assets Being Depreciated - Net	915,534	6,513,391	279,794	471,293	8,180,012
Total Non-Current Assets	915,534	6,535,191	282,294	841,771	8,574,790
TOTAL ASSETS	7,397,483	8,247,832	424,496	1,413,747	17,483,558

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

COMBINING STATEMENT OF NET ASSETS

Proprietary Funds
Sylvester, Georgia — June 30, 2011

	Electric Fund	Water and Sewer Fund	Natural Gas Fund	Non-Major Funds	Total
LIABILITIES					
Current Liabilities					
Notes Payable	$ 0	$ 101,343	$ 0	$ 0	$ 101,343
Acccounts Payable	666,987	77,165	44,151	65,060	853,363
Accrued Expenses	23,362	10,106	7,441	15,458	56,367
Due to Other Funds	92,820	0	32,482	52,664	177,966
Customer Deposits	72,375	71,430	22,205	0	166,010
Total Current Liabilities	855,544	260,044	106,279	133,182	1,355,049
Noncurrent Liabilities					
Notes Payable	0	1,954,592	0	0	1,954,592
Accrued Vacation	23,807	40,811	2,148	0	66,766
Total Noncurrent Liabilities	23,807	1,995,403	2,148	0	2,021,358
TOTAL LIABILITIES	879,351	2,255,447	108,427	133,182	3,376,407
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	915,534	4,479,257	282,294	841,771	6,518,856
Restricted for Debt Service	0	164,198	0	0	164,198
Unrestricted	5,602,598	1,348,930	33,775	438,794	7,424,097
TOTAL NET ASSETS	$ 6,518,132	$ 5,992,385	$ 316,069	$ 1,280,565	$ 14,107,151

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

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Proprietary Funds
Sylvester, Georgia

Year Ended
June 30, 2011

	Electric Fund	Water and Sewer Fund	Natural Gas Fund	Non-Major Funds	Total
OPERATING REVENUES					
Operations	$ 9,119,237	$ 1,626,609	$ 1,408,752	$ 1,276,540	$ 13,431,138
OPERATING EXPENSES					
Operating Expenses	6,962,819	882,515	921,037	643,416	9,409,787
Depreciation	70,336	326,945	27,633	43,578	468,492
TOTAL OPERATING EXPENSES	7,033,155	1,209,460	948,670	686,994	9,878,279
OPERATING INCOME	2,086,082	417,149	460,082	589,546	3,552,859
NON-OPERATING REVENUES (EXPENSES)					
Interest Income	11,281	7,052	179	0	18,512
Interest Expense	0	(45,681)	0	0	(45,681)
Capital Grants	54,210	0	0	279,031	333,241
Market Gain on Investments	(219)	0	0	0	(219)
Gain on Disposal of Assets	41,700	0	0	0	41,700
TOTAL NON-OPERATING REVENUES (EXPENSES)	106,972	(38,629)	179	279,031	347,553
Net Income Before Transfers	2,193,054	378,520	460,261	868,577	3,900,412
Transfers In	67,988	356,435	0	0	424,423
Transfers Out	(1,589,543)	(62,221)	(503,717)	(679,191)	(2,834,672)
CHANGE IN NET ASSETS	671,499	672,734	(43,456)	189,386	1,490,163
Net Assets - July 1, 2010	5,846,633	5,319,651	359,525	1,091,179	12,616,988
NET ASSETS - JUNE 30, 2011	$ 6,518,132	$ 5,992,385	$ 316,069	$ 1,280,565	$ 14,107,151

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

COMBINING STATEMENT OF CASH FLOWS

Proprietary Funds
Sylvester, Georgia

Year Ended
June 30, 2011

	Electric Fund	Water and Sewer Fund	Natural Gas Fund	Non-Major Funds	Total
Cash Flows from Operating Activities					
Cash Receipts from Customers	$ 9,176,248	$ 1,612,734	$ 1,430,570	$ 1,350,753	$ 13,570,305
Cash Payments to Suppliers	(6,481,986)	(376,946)	(803,113)	(629,907)	(8,291,952)
Cash Payments to Employees	(410,399)	(426,524)	(124,286)	0	(961,209)
Net Cash Provided by Operating Activities	2,283,863	809,264	503,171	720,846	4,317,144
Cash Flows from Noncapital Financing Activities					
Payments from Other Funds	0	11,262	0	0	11,262
Transfers In	67,988	0	0	0	81,489
Transfers Out	(1,589,543)	(62,221)	(503,717)	(679,191)	(2,848,173)
Net Cash Used by Noncapital Financing Activities	(1,521,555)	(50,959)	(503,717)	(679,191)	(2,755,422)
Cash Flows from Capital and Related Financing Activities					
Purchase of Capital Assets	(231,110)	(706,232)	0	(282,428)	(1,219,770)
Capital Grants Received	27,198	0	0	279,031	306,229
Disposal of Capital Assets	41,700	0	0	0	41,700
Principal Paid on Capital Debt	0	(62,443)	0	0	(62,443)
Interest Paid on Capital Debt	0	(40,951)	0	0	(40,951)
Transfers In	0	356,435	0	0	356,435
Net Cash Used by Capital and Related Financing Activities	(162,212)	(453,191)	0	(3,397)	(618,800)

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

COMBINING STATEMENT OF CASH FLOWS

Proprietary Funds
Sylvester, Georgia

Year Ended
June 30, 2011

	Electric Fund	Water and Sewer Fund	Natural Gas Fund	Non-Major Funds	Total
Cash Flows from Investing Activities					
Interest Received	$ 11,540	$ 7,072	$ 179	$ 0	$ 18,791
Purchase of Investments	(501,575)	(1,648)	0	0	(503,223)
Net Cash Provided (Used) by Investing Activities	(490,035)	5,424	179	0	(484,432)
Net Increase (Decrease) in Cash and Cash Equivalents	110,061	310,538	(367)	38,258	458,490
Cash and Cash Equivalents - July 1, 2010	980,900	626,513	64,503	337,007	2,008,923
CASH AND CASH EQUIVALENTS - JUNE 30, 2011	$ 1,090,961	$ 937,051	$ 64,136	$ 375,265	$ 2,467,413
Displayed As:					
Restricted Assets	$ 70,058	$ 74,856	$ 21,251	$ 0	$ 166,165
Reconciliation of Operating Income to Net Cash Provided by Operating Activities					
Operating Income	$ 2,086,082	$ 417,149	$ 460,082	$ 589,546	$ 3,552,859
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:					
Depreciation	70,336	326,945	27,633	43,578	468,492
(Increase) Decrease in Accounts Receivable	54,995	(16,725)	21,053	74,213	133,536
(Increase) Decrease in Inventory	22,010	18,661	(1,771)	0	38,900
(Increase) Decrease in Prepaid Items	54	108	54	0	216
Increase (Decrease) in Accounts Payable	47,601	53,092	(406)	1,485	101,772
Increase (Decrease)in Accrued Liabilities	2,785	10,034	(3,474)	(999)	8,346
Increase (Decrease) in Due to Other Funds	0	0	0	13,023	13,023
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 2,283,863	$ 809,264	$ 503,171	$ 720,846	$ 4,317,144
Decrease in Fair Value of Investments	$ (219)	$ 0	$ 0	$ 0	$ (219)

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

STATEMENT OF FIDUCIARY ASSETS AND LIABILILTIES

Fiduciary Fund
Sylvester, Georgia — June 30, 2011

ASSETS	
Cash	$ 760
TOTAL ASSETS	$ 760
LIABILITIES	
Due to Other Governments	$ 760
TOTAL LIABILITIES	$ 760

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

STATEMENT OF NET ASSETS

Component Unit Sylvester, Georgia	June 30, 2011
ASSETS	
Cash	$ 3,357
TOTAL ASSETS	$ 3,357
LIABILITIES	
Liabilities	$ 0
NET ASSETS	
Restricted:	
Downtown Development	3,357
TOTAL NET ASSETS	$ 3,357

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

STATEMENT OF ACTIVITIES

Component Unit Sylvester, Georgia	Year Ended June 30, 2011
EXPENSES	
Program Costs	$ 1,438
TOTAL EXPENSES	1,438
REVENUES	
Program Revenues	0
Net Program Expenses	(1,438)
GENERAL REVENUES	
Investment Earnings	8
CHANGE IN NET ASSETS	(1,430)
Net Assets - July 1, 2010	4,787
NET ASSETS - June 30, 2011	$ 3,357

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

The City of Sylvester, Georgia (the City) is a political subdivision of the State of Georgia. The City is governed by an elected body of five City Council members. The City's major services include general government, public safety, public works, and culture and recreation.

NOTE 1 – 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 (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The 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.

A. REPORTING ENTITY

The reporting entity is comprised of the primary government, a component unit 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 identifies the financial data of the City's discretely presented component unit. It is reported separately to emphasize that it is legally separate from the City.

A brief description of the discretely presented component unit follows:

Sylvester Downtown Development Authority (DDA) – Members of the governing board of the DDA are appointed by the City Council. Also, the DDA is fiscally dependent upon the City. Complete financial statements of the component unit can be obtained directly from the entity's administrative office at Sylvester Downtown Development Authority, P.O. Box 370, Sylvester, Georgia 31791.

Related Organizations – The City of Sylvester and Worth County Recreation Authority (the Authority) is a related organization for which the City appoints the governing board jointly with the Worth County governing body. It does not meet any other of the reporting entity criteria. The City provides funding of $85,000 per year to the Authority.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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 on all non-fiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The primary government and the component unit are presented separately within these financial statements.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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, proprietary, and fiduciary funds.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Funds – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Those revenues susceptible to accrual are property taxes, sales taxes, licenses, interest revenue, and charges for services. All other revenue items are considered to be measurable and available only when cash is received. The City considers taxes as available in the period for which they were levied if they are collected within 60 days of the year end. A 90 day availability period is used for revenue recognition for all other governmental fund revenues.

Intergovernmental revenues are susceptible to accrual based on the compliance, legal, and contractual requirements of the individual programs. There are essentially two types of these revenues. For one type of revenues, monies must be expended for a specific purpose or project and revenues are recognized to the extent of such expenditures. Revenues of this type are deferred for monies received in advance of expenditures and accrued for expenditures in advance of monies received. For the other type of revenues, monies are virtually unrestricted as to the purpose of the expenditure. These resources are recognized as revenues when received, or earlier if susceptible to the accrual criteria.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

The City reports the following major governmental funds:

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

SPLOST Capital Project Fund – The Special Purpose Local Option Sales Tax Fund is used to account for projects supported by the special purpose local option sales tax including construction of roads, sidewalks, water and sewer system improvements, and construction of municipal buildings. This fund is a capital projects type fund.

Proprietary Funds – Proprietary funds are reported using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized as incurred. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connections with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for services. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The City reports the following major proprietary funds:

Electric Fund – This fund accounts for charges for electric use by City residents and expenses for the maintenance and upgrading of the electric system.

Water and Sewer Fund – This fund accounts for charges for water and sewer use by City residents and expenses for the maintenance and upgrading of the water and sewer system.

Gas Fund – This fund accounts for charges for natural gas use by City residents and expenses for the maintenance and upgrading of the natural gas system.

Fiduciary Funds – The City's fiduciary funds are limited to agency funds which have no measurement focus, but use the accrual basis of accounting to recognize receivables and payables. Because, by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide

statements.

The City reports the following fiduciary fund:

Utility Energy Crisis Fund – This agency fund accounts for the intergovernmental payments of utility bills for certain qualified customers.

D. BUDGETS AND BUDGETARY ACCOUNTING

As set forth in the City Charter, the City Council adopts an annual budget for the General Fund, the Special Revenue Funds and the Enterprise Funds. The annual budget for the General Fund, the Special Revenue Funds and for the Enterprise Funds is adopted under a basis consistent with GAAP. Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. All budget revisions at this level are subject to final review by the City Council. Within these control levels, management may transfer appropriations without Council approval. Revisions to the budget were not made throughout the year. Project budgets are adopted for the Capital Project Funds.

E. ENCUMBRANCES

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is not utilized in the Governmental funds.

F. POST-EMPLOYMENT HEALTH CARE BENEFITS

Retiree Benefits:
The City provides post-retirement health care benefits to its employees who retire from the City. See Note 19 for additional details.

COBRA Benefits:
Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City provides health care benefits to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium plus a 2% administration fee is paid in full by the insured on or before the fifth (5th) day of the month for the actual month covered. This program is offered for a duration of 18 months after the termination date. There is no associated cost to the City under this program, and no participants were in the program as of June 30, 2011.

G. CASH AND INVESTMENTS

Cash and cash equivalents, as reported in the statement of cash flows, includes amounts in demand deposits, amounts with fiscal agents and investments with an original maturity of three months or less. Statutes authorize the City to invest in U.S. government obligations, U.S. government agency obligations, State of Georgia obligations, obligations of other counties, municipal corporations and political subdivisions of the State of Georgia which are rated "AA" or better by Moody's Investors Service, Inc., negotiable certificates of deposit issued by any bank or trust company organized under the

laws of any state of the United States of America or any national banking association, repurchase agreements when collateralized by U.S. government or agency obligations, and pooled investment programs sponsored by the State of Georgia for the investment of local government funds.

State statues require all deposits to be collateralized by depository insurance, obligations of the United States or certain obligations guaranteed by the U. S. government, obligations of the State of Georgia or bonds of public or development authorities, counties, or municipalities of the State of Georgia. The acceptable collateral pledged in the City's name are composed of bonds of U. S. Government agencies and bonds of the State of Georgia and its public authorities, counties and municipalities.

Any investment or deposit in excess of the Federal Deposit Insurance Corporation (FDIC) insured amount must be secured by 110% of an equivalent amount of state or U. S. obligations.

Investments are reported at fair value which is determined using selected bases. Cash deposits are reported at carrying amount which reasonably estimates fair value.

Interest on investments is recorded as revenue in the year the interest is earned and is available to pay liabilities in the current period.

H. RECEIVABLES

All trade and property tax receivables are reported net of an allowance for uncollectibles, where applicable. Unbilled utility charges are accrued as receivables and revenue at June 30, 2011. The delinquent taxes receivable account represents the past eight years of uncollected tax levies.

I. INVENTORIES

On the government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first out basis and are expensed when used (i.e., the consumption method).

On the fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased (i.e., the purchases method). For governmental funds, a corresponding amount of fund balance is designated as nonspendable for inventory. Inventories of the proprietary funds are expensed when consumed.

J. PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond June 30, 2011, are recorded as prepaid items at both reporting levels 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 for governmental funds, a corresponding amount of fund balance is designated as nonspendable for prepaid items.

K. PROPERTY TAX REVENUES

Property taxes are normally levied and due on September 15 each year. Collections of property taxes are made throughout the year. Liens may attach to property for unpaid taxes on December 20 after the due date. The City contracts with the Worth County tax office for the billing and collection of its property taxes.

L. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided, services rendered or loans. These receivables and payables are classified as internal balances.

M. 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.

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 three thousand dollars for capital assets and twenty thousand dollars for infrastructure assets. The City's infrastructure consists of roads, curbs and gutters, sidewalks, bridges, drainage, traffic signals, water and sewer lines, natural gas lines, telecommunication lines and the electric distribution systems. 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. Interest incurred during the construction of capital assets utilized by the enterprise funds is capitalized.

General infrastructure assets acquired prior to July 1, 2003 are not reported in the basic financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to July 1, 2003.

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. Depreciation is computed using the straight-line method over the following useful lives:

	Estimated Useful Lives	Capitalization Threshold
Plant, Building, and Improvements	5 - 40 Years	$ 3,000
Machinery and Equipment	5 - 15 Years	3,000
Furniture and Fixtures	5 - 20 Years	3,000
Vehicles	3 - 10 Years	3,000
Infrastructure	40 Years	20,000

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.

N. COMPENSATED ABSENCES

It is the policy of the City to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service.

The total compensated absence liability is reported on the government-wide financial statements. Proprietary funds report the total compensated liability in each individual fund at the fund reporting level. Governmental funds report the compensated absence liability at the fund reporting level only "when due."

O. 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, claims and unfunded pension benefits 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. Bonds and capital leases are recognized as a liability in the governmental fund financial statements "when due."

P. FUND EQUITY

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

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

Nonspendable – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

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

Committed – Fund balances are reported as committed when they are subject to limitations the government imposes upon itself by action of city council and that remain binding unless removed in the same manner.

Assigned – Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned – Fund balances are reported as unassigned as the residual amounts which cannot be properly classified in one of the other four categories.

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

- Committed
- Assigned
- Unassigned

Net Assets – Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, plus any outstanding balances of borrowings not yet expended, but restricted for the acquisition, construction or improvement of those assets. 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.

Q. STATEMENT OF CASH FLOWS

For the purposes of the Statement of Cash Flows, the City's enterprise funds consider all highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

R. PENSIONS

The provision for pension cost is recorded on an accrual basis, and the City's policy is to fund pension costs as they accrue.

S. LEASE REVENUE

The Airport Fund leases its property to an operator under a lease agreement at $400 per month. This lease is classified as an operating lease.

T. OPERATING REVENUES AND EXPENSES

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. For the City, these revenues are charges to customers for electricity, water and sewage services, natural gas, services for solid waste management, fees for telecommunications services and airport rental. The Water and Sewer Fund and

Natural Gas Fund also recognizes as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses, including operating grants, investment earnings and interest expense.

U. ESTIMATES

The preparation of the financial statement 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.

NOTE 2 – LEGAL COMPLIANCE - BUDGETS

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

- On or before the last Monday in May of each year, all departments of the City submit requests for appropriation to the City's mayor so that a budget may be prepared. The budget is prepared by fund, function and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year.

- Before June 15, the proposed budget is presented to the City's council for review. The City's council holds public hearings and may add to, subtract from or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated as available by the City's mayor or the revenue estimates must be changed by an affirmative vote of majority of the City's council.

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

Formal budgetary integration is employed as a management control device during the year for the General, Special Revenue and Proprietary Funds. Budgets for the General Fund and Special Revenue Funds are adopted on the modified accrual basis (GAAP). Budgets for the Proprietary Funds are adopted on the accrual basis (GAAP). Annual appropriated budgets are prepared for all governmental funds except the capital project fund. A project-length budget is adopted for the capital project funds.

Budgeted amounts are as originally adopted, or as amended, by the Council. The Council did not amend the original appropriations during the fiscal year. Appropriations lapse at year end.

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

General Fund and Special Revenue Funds budgetary comparison schedules are presented at the legal level of control.

Excesses of expenditures over appropriations at the department level (the legal level of control) are

presented below:

General Fund	Actual	Budget	Excess
Judicial Department	$ 27,650	$ 27,600	$ 50
Fire Department	911,888	890,399	21,489
Animal Control Department	23,672	14,000	9,672
Cemetery and Park Department	117,689	85,667	32,022

The City absorbed a portion of these excesses as a result of expenditures at other department levels not exceeding budgeted totals. Controls have subsequently been established to help prevent such oversight in future years.

NOTE 3 – DEPOSITS AND INVESTMENTS

Following is a reconciliation of the City's cash and cash equivalents balances as of June 30, 2011:

Primary Government Fund Reporting Level	Cash and Cash Equivalents
Governmental Funds-Balance sheet	$ 1,189,369
Governmental Funds-Balance sheet-Restricted	103,252
Proprietary Fund Type Statement of Net Assets	2,301,248
Proprietary Fund Type Statement of Net Assets-Restricted	166,165
Statement of Fiduciary Assets and Liabilities	760
Total	$ 3,760,794

Cash Deposits

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the City's deposits may not be recovered. As of June 30, 2011, the carrying amount of the City's bank deposits was $5,539,998 and the respective bank balances totaled $5,069,327. Of the total bank balance, $1,158,092 was insured through the Federal Depository Insurance Corporation (FDIC). The remaining $3,911,245 was collateralized with pooled securities held by the financial institutions' trust departments. These securities are held by an agent in the name of the City or securities pledged by the financial institution in the name of the City.

Investments

The City is allowed to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Georgia or its agencies; (3) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Georgia or the United States; (4) certificates of deposits issued by state and national banks domiciled in Georgia that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor; or secured by obligations that are described by subdivisions (1) through (3) of this subsection and that have a market value of not less than the principal amount of the certificates; and (5) fully collateralized direct repurchase agreements having a defined termination date, secured by obligations described by subdivision (1) of this subsection, pledged with third parties selected or approved by the City, and placed through a primary government securities

dealer, as defined by the Federal Reserve, or a bank domiciled in the State of Georgia.

For fiscal year 2011, the City invested in certificates of deposits and obligations of the United States or its agencies and instrumentalities. The City records all interest revenue related to investment activities in the applicable fund holding the investment.

As of June 30, 2011, the City had the following investments. All investments in obligations of the U.S. Government are held in an internal investment pool – MEAG Flexible Operating Account.

Investment	Maturities	Fair Value
U.S. Government Agencies		
Federal Home Loan Mortgage Corporation Discount	7/5/2011	34,939
Federal National Mortagage Association Discount	7/5/2011	10,717
Federal National Mortagage Association Discount	7/6/2011	7,630
Federal National Mortagage Association Discount	7/6/2011	53,587
Federal National Mortagage Association Discount	7/8/2011	3,924
Federal National Mortagage Association Discount	7/11/2011	7,434
Federal Home Loan Bank Discount	7/13/2011	9,134
Federal National Mortagage Association Discount	7/13/2011	20,363
Federal National Mortagage Association Discount	7/20/2011	4,482
Federal National Mortagage Association Discount	7/20/2011	85,739
Federal Home Loan Mortgage Corporation Discount	7/25/2011	10,900
Federal Home Loan Mortgage Corporation Discount	7/25/2011	300,086
Federal Home Loan Mortgage Corporation Discount	7/29/2011	7,052
Federal Home Loan Bank Discount	8/5/2011	7,412
Federal Home Loan Mortgage Corporation Discount	8/8/2011	150,042
Federal Home Loan Mortgage Corporation Discount	8/8/2011	21,433
Federal National Mortagage Association Discount	8/8/2011	85,738
Federal Home Loan Mortgage Corporation Discount	8/9/2011	5,450
Federal Home Loan Mortgage Corporation Discount	8/9/2011	42,869
Federal Home Loan Bank Discount	8/9/2011	44,584
Federal Home Loan Mortgage Corporation Discount	8/16/2011	7,332
Federal Home Loan Mortgage Corporation Discount	8/16/2011	53,586
Federal Home Loan Bank Discount	8/17/2011	137,180
Federal National Mortagage Association Discount	8/17/2011	42,869
Federal National Mortagage Association Discount	8/22/2011	2,183
Federal National Mortagage Association Discount	8/22/2011	42,869
Federal Home Loan Bank Discount	8/24/2011	2,643
Federal Home Loan Mortgage Corporation Discount	8/29/2011	5,450
Federal Home Loan Mortgage Corporation Discount	8/30/2011	4,360
Federal Home Loan Mortgage Corporation Discount	8/30/2011	64,303
Federal National Mortagage Association Discount	9/6/2011	3,270
Federal Home Loan Mortgage Corporation Discount	9/6/2011	66,981
Federal National Mortagage Association Discount	9/6/2011	62,158
Federal Home Loan Mortgage Corporation Discount	9/14/2011	48,226
Federal Home Loan Mortgage Corporation Discount	9/21/2011	107,168
Federal National Mortagage Association Discount	9/28/2011	7,629

Federal National Mortagage Association Discount	9/28/2011	47,154
Federal Home Loan Mortgage Corporation Discount	10/3/2011	102,234
Federal Home Loan Mortgage Corporation Discount	10/5/2011	107,164
Federal Home Loan Mortgage Corporation Discount	10/18/2011	32,149
Federal Home Loan Bank	10/28/2011	9,436
U.S. Treasury Note	10/31/2011	16,400
Federal Home Loan Bank Discount	11/1/2011	105,264
Federal National Mortagage Association Discount	11/2/2011	10,897
Federal National Mortagage Association Discount	11/2/2011	107,149
Federal Farm Credit Bank Discount	11/4/2011	64,289
Federal Home Loan Bank Discount	11/4/2011	150,008
Federal Home Loan Mortgage Corporation Discount	11/7/2011	7,628
Federal Home Loan Mortgage Corporation Discount	11/7/2011	80,361
Federal National Mortagage Association Discount	11/9/2011	107,148
Federal Farm Credit Bank Discount	11/16/2011	85,717
Federal National Mortagage Association Discount	11/16/2011	18,215
Federal Farm Credit Bank Discount	11/21/2011	50,358
Federal National Mortagage Association	11/23/2011	8,605
Federal Home Loan Mortgage Corporation Discount	11/28/2011	107,144
U.S. Treasury Note	11/30/2011	5,465
Federal Home Loan Bank Discount	11/30/2011	86,572
Federal Farm Credit Bank Discount	12/6/2011	107,133
Federal Farm Credit Bank	12/8/2011	833
Federal Home Loan Mortgage Corporation Discount	12/8/2011	19,284
Federal Home Loan Mortgage Corporation Discount	12/13/2011	147,841
Federal Home Loan Bank	12/13/2011	8,582
Federal National Mortagage Association Discount	12/14/2011	149,839
Federal Home Loan Bank Discount	12/16/2011	7,627
Federal Home Loan Bank Discount	12/21/2011	128,554
Federal Farm Credit Bank Discount	12/29/2011	8,171
Federal Farm Credit Bank Discount	12/29/2011	10,434
Federal Farm Credit Bank Discount	1/18/2012	107,109
U.S. Treasury Note	1/31/2012	16,422
U.S. Treasury Note	2/29/2012	5,476
U.S. Treasury Note	5/15/2012	11,010
Federal Home Loan Mortgage Corporation	6/28/2012	5,688
Federal Home Loan Bank	7/27/2012	25,687
Federal Farm Credit Bank	8/16/2012	58,510
Federal Farm Credit Bank	10/2/2012	40,145
Federal National Mortagage Association	11/9/2012	7,639
Federal Home Loan Mortgage Corporation	12/27/2012	3,959
Federal Farm Credit Bank	1/15/2013	3,054
U.S. Treasury Note	10/15/2013	19,589
Federal Home Loan Bank	11/25/2013	4,379
Federal Home Loan Bank	11/27/2013	6,444
Federal Home Loan Bank	12/13/2013	11,992
Federal Home Loan Bank	1/27/2014	331
Federal Home Loan Bank	2/19/2014	5,457

Federal Home Loan Bank	6/13/2014	6,064
Federal Home Loan Bank	6/27/2014	5,442
Federal Farm Credit Bank	7/8/2014	5,451
Federal Home Loan Mortgage Corporation	12/15/2014	609
Federal Farm Credit Bank	6/22/2016	3,475
Federal Home Loan Bank	6/27/2016	1,894
Federal Home Loan Bank	11/23/2016	3,051
Federal Home Loan Bank	2/23/2018	2,751
MEAG Note	10/1/2040	7,242
Total U.S. Government Agencies		3,838,245
Bank Certificates of Deposit	Various	1,779,204
TOTAL INVESTMENTS		$ 5,617,449

Credit Risk

The City limits its credit risk by investing the majority of its investments in U.S. government agencies which are rated AAA.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from fluctuating interest rates, the City's investment policy has been established to structure the investment portfolio so that securities mature to meet the City's cash requirements for ongoing operations, thereby avoiding the need to sell securities prior to maturity as well as investing operating funds primarily in short-term securities, money market funds, certificates of deposit or similar investment pools.

The City's U.S. government agency securities have varying maturities as listed above which range from July 5, 2011 through October 1, 2040. The weighted average maturity of the investments is less than 365 days.

Concentration of Credit Risk

GASB Statement 40 requires disclosure when the percent of investment is 5% or more in any one issuer. The City's investments consist of the following as of June 30, 2011:

Bank Certificates of Deposit	31.7%
Federal Home Loan Mortgage Corporation	27.5%
Federal National Mortgage Association	16.0%
Federal Home Loan Bank	13.7%
Federal Farm Credit Bank	9.7%

Given the restriction to the highest rating, the concentration is not considered to be an additional risk to the City.

NOTE 4 – RECEIVABLES

Receivables at June 30, 2011, for the City's individual major funds and non-major funds in the aggregate, including the related allowance for uncollectible accounts, are as follows:

	General Fund	Electric Fund	Water and Sewer Fund	Natural Gas Fund	Special Revenue Funds	Non-Major Enterprise Funds	Total
Receivables							
Taxes	$ 49,837	0	0	0	1,598	0	51,435
Accounts	193,469	1,175,610	224,615	51,553	0	198,711	1,843,958
Notes	0	0	0	0	146,835	0	146,835
Other Governments	112,979	27,012	0	0	0	0	139,991
Other	12,851	0	0	0	0	0	12,851
Gross Receivables	369,136	1,202,622	224,615	51,553	148,433	198,711	2,195,070
Less: Allowance for uncollectibles	(577)	(28,500)	(5,000)	(1,500)	0	(2,000)	(37,577)
Net Receivables	$368,559	$1,174,122	$ 219,615	$50,053	$148,433	$ 196,711	$2,157,493

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and payable on December 20. The City contracts with the Worth County tax office for the billing and collection of its property taxes. Collections of property taxes are made throughout the year. Liens may attach to property for unpaid taxes on December 20 after the due date.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Estimated unbilled revenues from the enterprise funds are recognized at the end of each fiscal year on a pro rata basis. The estimated amount is based on billings during the month following the close of the fiscal year.

NOTE 5 – RESTRICTED ASSETS

Restricted assets represent resources segregated as required by grant agreements, lease agreements, and policies of the City.

Certain enterprise fund resources are restricted for service of long-term debt and customer deposits. Restricted net assets include the excess of assets over certain liabilities restricted for the debt service on capital assets.

NOTE 6 – CAPITAL ASSETS

The following is a summary of capital asset activity for the year ended June 30, 2011:

Governmental Activities	Balance June 30, 2010	Increases	Decreases	Balance June 30, 2011
Capital assets not being depreciated:				
Land	$ 463,550	$ 26,019	$ 0	$ 489,569
Construction in progress	0	0	0	0
Total capital assets not being depreciated	463,550	26,019	0	489,569
Capital assets being depreciated:				
Plant, buildings, improvements	6,019,431	0	0	6,019,431
Machinery and equipment	1,558,997	69,593	0	1,628,590
Vehicles	1,427,856	0	0	1,427,856
Infrastructure	1,159,923	0	0	1,159,923
Total captial assets being depreciated	10,166,207	69,593	0	10,235,800
Less accumulated depreciation:				
Plant, buildings, improvements	(1,374,571)	(157,528)	0	(1,532,099)
Machinery and equipment	(991,700)	(107,277)	0	(1,098,977)
Vehicles	(710,587)	(52,307)	0	(762,894)
Infrastructure	(71,585)	(28,998)	0	(100,583)
Total accumulated depreciation	(3,148,443)	(346,110)	0	(3,494,553)
Net capital assets being depreciated	7,017,764	(276,517)	0	6,741,247
Total Capital Assets, Net	$ 7,481,314	$(250,498)	$ 0	$ 7,230,816

Depreciation expense of the General Fund was charged to governmental functions as follows:

General Government	$ 39,730
Public Safety	187,823
Public Works	102,803
Culture and Recreation	15,639
Community and Economic Development	115
Total	$ 346,110

Business-Type Activities	Balance June 30, 2010	Increases	Decreases	Balance June 30, 2011
Capital assets not being depreciated:				
Land	$ 34,300	$ 237,300	$ 0	$ 271,600
Construction in progress	147,257	123,178	(147,257)	123,178
Total capital assets not being depreciated	181,557	360,478	(147,257)	394,778
Capital assets being depreciated:				
Plant, buildings, improvements	16,034,367	831,339	(20,835)	16,844,871
Machinery and equipment	1,009,242	9,458	0	1,018,700
Vehicles	630,303	165,751	(86,919)	709,135
Total captial assets being depreciated	17,673,912	1,006,548	(107,754)	18,572,706
Less accumulated depreciation:				
Plant, buildings, improvements	(8,695,731)	(389,235)	20,835	(9,064,131)
Machinery and equipment	(811,951)	(41,941)	0	(853,892)
Vehicles	(524,276)	(37,314)	86,919	(474,671)
Total accumulated depreciation	(10,031,958)	(468,490)	107,754	(10,392,694)
Net capital assets being depreciated	7,641,954	538,058	0	8,180,012
Total Capital Assets, Net	$ 7,823,511	$ 898,536	$(147,257)	$ 8,574,790

NOTE 7 – OPERATING LEASES

The City leases copiers and a postage machine under operating leases expiring in various years through 2015. Total costs for such leases were approximately $ 5,796 for the year ended June 30, 2011.

The future minimum lease payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2011 are as follows:

Year ending June 30	Amounts
2012	$ 4,976
2013	3,536
2014	2,048
2015	1,686
2016	0
Total minimum future rental payments	$ 12,246

NOTE 8 – LONG-TERM LIABILITIES

CHANGES IN LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2011:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Capital leases	$2,120,857	$ 0	$ 238,102	$1,882,755	$ 247,355
Compensated absences	166,210	29,352	14,959	180,603	16,254
Total Governmental Activities	$2,287,067	$ 29,352	$ 253,061	$2,063,358	$ 263,609

Compensated absences are liquidated by the General Fund.

Business-Type Activities					
Notes Payable	$2,118,378	$ 19,467	$ 81,910	$2,055,935	$ 101,343
Compensated absences	69,489	15,245	8,720	76,014	9,248
Total Business-Type Activities	$2,187,867	$ 34,712	$ 90,630	$2,131,949	$ 110,591

Compensated absences are liquidated by the Electric Fund, the Water and Sewer Fund, and the Natural Gas Fund.

NOTES PAYABLE

The City had the following notes payable as of June 30, 2011:

Business-Type Activities

Georgia Environmental Facilities Authority dated July 2, 2001 for $172,352 to be used for water and sewer system improvements. Loan is to be repaid in 40 quarterly installments of $5,139 including interest at 3.44%, beginning October 1, 2002. The City has pledged its full faith and credit and revenue-raising power, including its taxing power. Principal balance - $25,045

Georgia Environmental Facilities Authority dated June 27, 2007 for $1,532,885 to be used for improvements to the Isabella water system. Loan is to be repaid in 240 monthly installments of $9,224 including interest at 3.92%, beginning November 1, 2010. The City has pledged its full faith and credit and revenue-raising power, including its taxing power. Principal balance - $1,498,760

Georgia Environmental Facilities Authority dated June 27, 2007 for $570,139 to be used for the Isabella water system extension. Loan is to be repaid in 240 monthly installments of $2,376 with no interest, beginning March 1, 2010. The City has pledged its full faith and credit and revenue-raising power, including its taxing power. Principal balance - $532,130

The schedule below represents the annual requirements to amortize all notes payable outstanding as of June 30, 2011.

Year Ending June 30	Principal	Interest	Total
2012	$ 101,343	$ 58,414	$ 159,757
2013	88,599	55,741	144,340
2014	85,699	53,502	139,201
2015	87,981	51,219	139,200
2016	90,355	48,846	139,201
2017-2021	490,834	205,171	696,005
2022-2026	566,114	145,461	711,575
2027-2030	545,010	11,845	556,855
Total	$ 2,055,935	$ 630,199	$ 2,686,134

NOTE 9 – CAPITAL LEASES

The City has entered into capital lease agreements as lessee for financing the acquisition of a police building, police equipment, street equipment, and a fire truck. These leases qualify as capital leases for accounting purposes (i.e., title transfers at the end of the lease term) and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of the inception of the lease. These capital leases are financed from General Fund resources.

The net book value of assets acquired through capital leases is as follows:

Buildings	$ 2,125,779
Equipment and vehicles	780,115
	2,905,894
Less: Accumulated depreciation	(346,914)
Carrying value	$ 2,558,980

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2011 were as follows:

Governmental Activities

Year Ending June 30	Total
2012	$ 322,816
2013	290,690
2014	270,598
2015	258,135
2016	183,993
2017-2021	919,968
2022-2023	30,699
Total minimum lease payments	2,276,899
Less amounts representing interest	(394,144)
Present value of minimum capital lease payments	$ 1,882,755

NOTE 10 – INTERNAL BALANCES

Internal balances consist of transactions to alleviate cash deficits at year-end. The composition of internal balances as of June 30, 2011 is as follows:

Receivable Fund	Payable Fund	Amount	Due Within One Year
Water and Sewer	Electric	$ 92,820	$ 92,820
Water and Sewer	Natural Gas	32,482	32,482
General	Airport	18,872	18,872
General	Telecommunications	33,792	33,7923
Total		$ 177,966	$ 177,966

NOTE 11 – INTERNAL TRANSFERS

Individual fund transfers for operating cash purposes for the current year were as follows:

Receiving Fund	Paying Fund	Amount
General	Natural Gas	$ 457,523
General	Electric	1,589,542
General	Water & Sewer	41,982
General	Solid Waste	197,636
General	Hotel/Motel	7,500
General	Telecommunications	480,000
Water & Sewer	Special Revenue-09 CDBG	356,435
Electric	Solid Waste	1,555
Electric	Water and Sewer	20,239
Electric	Natural Gas	46,194

NOTE 12 – COMMITMENTS

At June 30, 2011, the City is under obligation for construction contracts in the amount of $909,950. At that date, $563,539 had been spent, leaving an uncompleted contractual obligation in the amount of $346,411. These contracts are connected with the Georgia Community Development Block Grant Program and the CHIP Grant Program.

NOTE 13 – CONTINGENT LIABILITIES

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

It is the opinion of the City's management that the legal actions in progress by or against the City at June 30, 2011 are at a stage in the proceedings in which an opinion as to the probable outcomes cannot be determined. The City is vigorously defending its positions.

MEAG – The City, together with 47 other cities and one county in the State, has entered into Power Sales Contracts dated March 1, 1976 with the Municipal Electric Authority of Georgia (MEAG) under which the City purchases certain power and energy for resale to its electric system customers. Under the contract entitlement, if the City were unable to purchase budgeted power, MEAG would be obligated to make a good faith effort to sell the power elsewhere. If MEAG were unable to sell the power at a price above its cost, the difference would be an obligation of the City. The contracts are agreements to pay the cost of generating power budgeted for the City. The obligation to pay MEAG certain amounts, whether or not power and energy are received, is a general obligation of the City to which its full faith and credit are pledged. If payments under the Power Sales Contracts are not made from revenues of the electric distribution system, the City is required under the contracts to include in its general revenue or appropriation measures sums sufficient together with other available revenues to make such payments. During the fiscal year, the City purchased electric power under these contracts for a total cost of $6,326,400. Rebates of $576,828 are reflected in the net power purchases of $5,749,572.

On February 22, 1999, the City approved a resolution adopting the provisions of a Municipal Competitive Trust agreement between the City and MEAG. MEAG established the Trust for the mutual benefit of MEAG and its wholesale customers (governments) who elect to become participants. The Trust was created to provide a means to mitigate the expected differential between "after deregulation" market rates for power and the associated costs of generating that power.

The Trust created three types of accounts that are held by MEAG in the name of the City. The flexible operating trust account includes funds that are available to the City for operating costs and rate stabilization. As of June 30, 2011, the balance in this account was $3,996,327. This amount is included in cash and investments in the Electric Fund.

The two additional accounts created were the credit support operating account and the reserve funded debt account. The funds in the credit support operating account are restricted for use to offset rate increases exceeding certain criteria and for loans for capital improvements that will reduce future operating costs. The funds in the reserve funded debt account can be only applied to charges related of MEAG's bond

obligations. The balance of these accounts at June 30, 2011 was $2,538,910 and $2,953,178, respectively. Due to the restrictive nature of these funds, neither is shown in the cash balance for the electric fund.

NOTE 14 – RISK MANAGEMENT

The City is exposed to various risks of losses related to torts, thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other municipalities in the state as part of the Georgia Municipal Association Group Self-Insurance Workers Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for member local governments.

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

The fund is to defend and protect the members of the fund against liability or loss as prescribed in the member government contract and in accordance with the worker's compensation law of Georgia. The fund is to pay all cost taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

The City purchases commercial insurance for all other risks of loss other than the workers compensation covered under the risk pool. Settled claims in the past three years have not exceeded the coverage.

NOTE 15 – JOINT VENTURES

The City is a participant in the Municipal Electric Authority of Georgia and the Municipal Gas Authority of Georgia. Under such arrangements, the City has a contractual obligation to purchase the majority of its electricity and natural gas from said entities. Because the City does not have any significant control over the budgeting, financing and election of officers and management, said authorities' results of operation and financial position have not been included in the City's financial statements.

Also, the City has not reflected participation under the equity method of accounting. Separate financial data and financial statements of the Municipal Electric Authority of Georgia are available at the office of the Municipal Electric Authority of Georgia located at 1470 Riveredge Parkway, NW, Atlanta, Georgia 30328. Separate financial data and financial statements of the Municipal Gas Authority of Georgia are available at the office of the Municipal Gas Authority of Georgia located at 104 Town Park Drive, Kennesaw, Georgia 30144.

During the fiscal year ended June 30, 2011, the City purchased $5,749,572 of its electricity from the Municipal Electric Authority of Georgia and had accounts payable totaling $618,550 at June 30, 2011 with said entity. Also, the City purchased $718,899 of its natural gas from the Municipal Gas Authority of Georgia and had accounts payable totaling $40,072 at June 30, 2011 with said entity.

The City, in conjunction with cities and counties in the fourteen (14) county Southwest Georgia area is a

member of the Southwest Georgia Regional Development Center (RDC). Membership in an RDC is automatic for each municipality and county in the state. The official Code of Georgia Section 50-8-34 (Georgia Planning Act of 1989) provides for the organizational structure of the RDCs. Each county and municipality in the state is required by law to pay minimum annual dues to the RDC. The City paid annual dues in the amount of $5,726 to the RDC for the year ended June 30, 2011. The RDC Board membership includes the chief elected official of each county and the chief elected official of each municipality. The County board members and municipal board members from the same county elect one member of the Board who is a resident (but not an elected or appointed official or employee of the County or municipality) to serve as the non-public Board member from a County.

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

Separate financial statements of the Southwest Georgia Regional Development Center (RDC) are available at the office of the Southwest Georgia Regional Development Center (RDC) located at 30 West Broad Street, Camilla, Georgia 31730.

NOTE 16 – RELATED ORGANIZATIONS

The City of Sylvester, Georgia Housing Authority (the Authority) has been established under federal laws to carry on activities within the city of Sylvester. The City does appoint board members at the recommendation of the existing board but provides no financing or participation in management or operating decisions of the Authority. The Authority issues separate audited financial statements with a fiscal year of June 30.

The City provides gasoline and security to the Authority. Although the Authority was created by the City and its governing board is approved by the Mayor, it is not part of the City's financial reporting entity. Materials provided by the City to the Authority are billed at an amount that will approximately recover the City's full cost of providing such materials. This basis of billings has been used by the City consistently over the years to determine the amount of revenues and expenditures arising from quasi-external transactions. Separate financial data and financial statements of the Authority are available at the office of the City of Sylvester Housing Authority located at 411 N. Jefferson Street, Sylvester, Georgia 31791.

Total billings for the year amounted to $50,658, and this amount was reported as reimbursements by the General Fund and as expenditures by the Authority. As of the end of the year, an intergovernmental receivable in the amount of $15,005 arising from the materials provided to the Authority was reported by the General Fund.

NOTE 17 – VIOLATIONS OF FINANCE-RELATED LEGAL/CONTRACTUAL PROVISIONS-ENTERPRISE FUNDS

The City exceeded the budget for operating revenue deductions in the amount of $23,730. The City absorbed these excesses in most cases as a result of operating revenues exceeding the budgeted totals and operating revenue deductions not exceeding budgeted totals in other enterprise funds. Controls have subsequently been established to help prevent such oversight in future years.

The following is a schedule of excesses as of June 30, 2011:

Enterprise Fund	Amount
Airport Fund	$ 23,730

NOTE 18 – PENSION PLAN

Plan Description

The City has a defined benefit pension plan, which provides retirement, disability, and death benefits to plan members and beneficiaries. The City of Sylvester Retirement Plan (the Plan) is a participating member of the Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for governments in the municipalities in Georgia. Regulations of the State of Georgia assign the authority to establish and amend the benefit provisions of the plans that participate in GMEBS to the respective employer entities; for the City of Sylvester Retirement Plan, that authority rests with the City of Sylvester, Georgia. All full-time employees participate in the Plan after completing one year of service and all elected officials who hold office on or after February 1, 2008 participate in the plan. Benefits vest after 10 years of credited service. City employees can retire at or after age 65 with five years of credited service or after age 60 with 30 years of credited service. There is no maximum employee entry age. The benefit formula is 1.5% of final average earnings up to the amount of covered compensation, plus 2.25% of final average earnings in excess of said covered compensation, multiplied by years of total credited service as an eligible regular employee. Elected officials can retire at the earlier of age 65 or 60 with 30 years of service. The monthly normal retirement benefit for elected officials is $20 per month for each year of total credited service as an elected official.

As of June 30, 2011, employee membership data related to the pension plan was as follows:

Retirees and beneficiaries currently receiving benefits	49
Terminated plan members entitled to, but not yet receiving benefits	15
Active plan participants	79
Total	143

GMEBS issues a publicly available financial report that includes financial statements and required supplementary information for the City of Sylvester Retirement Plan. That report may be obtained by writing to GMEBS, 201 Pryor Street, SW, Atlanta, Georgia 30303-3606.

Funding Policy

The City's policy is to contribute the actuarially determined amount as recommended by GMEBS. The City makes all contributions to the Plan. The City is required to contribute at an actuarially determined rate; the current rate is 12.65% of annual covered payroll. The contribution requirements of plan members and the City are established by and may be amended by the GMEBS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2011, the City's annual pension cost of $293,411 was equal to the City's required and actual contributions. The required contribution was determined as a part of the January 1, 2011 actuarial valuation method using the projected unit credit actuarial cost method and the asset method for developing the actuarial value of assets as described in the table of Actuarial Methods and Assumptions.

Funding Progress

The schedule of funding progress and employer contributions is as follows:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-09	$ 356,922	100%	$ -0-
6-30-10	266,298	100%	-0-
6-30-11	293,411	100%	-0-

Summary of Actuarial Valuation Results

The determination of the recommended contributions is as follows:

1.	Total benefit normal cost	$ 136,921
2.	Administrative expenses	14,215
3.	Expected employee contributions	-0-
4.	Employer normal cost: (1) + (2) + (3)	151,136
5.	Payment on unfunded/(surplus) actuarial accrued liability	131,526
6.	Full funding credit	-0-
7.	Recommended mid-year contribution at valuation date: (4)+(5)+(6)	282,662
8.	Adjustment to fiscal year	10,749
9.	Total recommended mid-year contribution, for fiscal year	293,411
10.	Total recommended contribution as a percentage of expected payroll	12.65%

Funding Status

Funded status of the plan as of the most recent valuation date of January 1, 2011 is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded/ (Surplus) Actuarial Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Liability as a Percentage of Covered Payroll
1/1/2011	$5,225,064	$6,151,598	$ 926,534	84.94%	$2,279,115	40.65%

The required schedule of funding progress on Page 49 presents multi-year trend information as to whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Valuation Date	January 1, 2011
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Closed level dollar for remaining unfunded liability
Remaining Amortization Period	Remaining amortization period varies for the bases, with a net effective amortization period of 10 years
Asset Valuation Method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 50% of market value for 2009, 44% of market value for 2010, 38% of market value for 2011, 32% of market value for 2012, 26% of market value for 2013, and 20% of market value for 2014 and later years.
Actuarial Assumptions:	
Net Investment Rate of Return	7.75%
Projected Salary Increases	3.50% plus age and service based merit increases
Cost of Living Adjustments	0.00%

Mortality Rates**:**	
Healthy	RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females
Disabled	RP-2000 Disabled Retiree Mortality Table with sex-distinct rates, set forward two years for males and one year for females
Plan termination basis (all lives):	1994 Group Annuity Reserving Unisex Table
Retirement Rates:	
Employees	Earlier of 65 with 5 years of service and 60 with 30 years of service
Officials	Earlier of 65 and 60 with 30 years of service
Retirement age for inactive vested participants	65
Form of Payment	Life annuity
Administrative Expenses	$5,000 plus $50 per active participant, plus 0.05% of the market value of assets.

Georgia Municipal Employees Benefit System

Summary of Plan Provisions for January 1, 2011 Valuation:

Employer	City of Sylvester
Social Security	Yes
Participant Contributions	Noncontributory
Original Effective date	Employees: 7-1-72 Officials: 6-1-79 (Officials who come into office after 2-1-88 are not eligible. Officials in office on 2-1-88 continue to receive credit for service until the end of their current term.)
Master Plan/ Adoption Agreement	9-1-03
Eligibility Requirements	Employees: 1 year (20 hours); participation is mandatory on and after 9-1-03 Officials: not eligible after 2-1-88 and before 2-1-08

Normal Retirement Age	Employees: 65+5 or 60+30 Officials: 65 or 60+30
Early Retirement	55+10
Date Indexed	9-1-80 [dynamic break point] (applies to all employees hired on or after 9-1-80 and to those employees hired before 9-1-80 if this break point and 1.5%-2.25% benefit formula would result in a higher benefit than the break point in table and 1.0 - 1.75% benefit formula)
Benefit Formula	1.0%-1.75% with table (prior to 9-1-80)1.5%-2.25% with dynamic index break point
Official's Benefits	$20
Vesting	10 years
Death Benefits	Actuarial Reserve No Death Benefit for Termed Vested
Disability Minimum	20%
Cost-of-Living	---
Other	Participants who terminate on or after 10-1-88 and designate their spouse as beneficiary under Plan B at retirement receive unreduced retirement benefits. Spouses' benefits may be reduced depending upon age difference. No changes in plan features since last valuation.

NOTE 19 – OTHER POST – EMPLOYMENT BENEFITS (OPEB)

In addition to the retirement plan described in Note 18, the City provides post-retirement term life insurance to all retirees retiring after June 1, 1999. The benefits are provided in accordance with City of Sylvester ordinances. The post-employment benefits are not part of a qualified plan and accordingly, are included in the expenditures/expenses of the City, on a pay-as-you-go basis. Currently seven retirees are eligible for this pos-employment benefit. Expenditures for post-retirement term life insurance benefits are recognized as the premiums are paid. During the year, expenditures of $294 were recognized for post-retirement term life insurance. The premiums are paid to GMEBS. In connection with this benefit, GMEBS issues a publicly available financial report that includes financial statements and required supplementary information for the City of Sylvester. That report may be obtained by writing to GMEBS, 201 Pryor Street, SW, Atlanta, Georgia 30303-3606. An actuarial valuation is not available for this benefit.

NOTE 20 – COMMUNITY DEVELOPMENT PROPERTY SALE PROCEEDS

On October 3, 1994, the City sold all of its rental houses accounted for in the Community Development Property Special Revenue Fund. Based on the guidelines of the Community Development Grant Program -

Grant Number B-77-DN-13-0149, the proceeds from the sale of this property is program income governed by the requirements at 24 CFR 570.04(b)(5) and said proceeds must be expended on activities which meet a national objective and meet the eligibility requirements of the CDBG program.

NOTE 21 – GRANTS FROM OTHER GOVERNMENTS

Federal and state governmental units represent an important source of supplementary funding used to finance housing, employment, construction programs, and other activities beneficial to the community. This funding, primarily in the form of grants, is recorded in both Governmental and Proprietary funds. All grant proceeds in the Proprietary Funds are for the purpose of construction activities, or land or easement acquisitions. Accordingly, as per GASB 33, they are recorded as nonoperating revenues. For all funds, a grant receivable is recorded when the City has a right to receive the related grant proceeds.

NOTE 22 – HOTEL-MOTEL TAX

The City has levied a 5% Hotel-Motel tax in accordance with OCGA 48-13-51. The tax was effective October 1, 2000. A summary of the transactions for the year ending June 30, 2011 is as follows:

Hotel-Motel Tax Receipts		$ 17,845
Disbursements to Worth County-Sylvester Chamber of Commerce	60%	10,707
Balance Retained by City	40%	$ 7,138

The City has received a report from the Worth County-Sylvester Chamber of Commerce. Disbursements of the Hotel-Motel tax funds to the Worth County-Sylvester Chamber of Commerce were used for the promotion of tourism as required by the Official Code of Georgia Annotated (OCGA) 48-13-51.

NOTE 23 – SPECIAL PURPOSE LOCAL OPTION SALES TAX

In 2005, the voters of Worth County approved a referendum imposing a special one percent retail sales and use tax to raise $2,168,414 for various capital outlay projects pertaining to the City of Sylvester, Georgia.

The following schedule of projects indicates the current status:

Special Purpose Local Option Sales Tax Projects

Category	Original Budget	Amended Budget	FY 05 through FY10 Expenditures	FY 11 Expenditures	Total Project Expenditures	% Complete as of 6/30/11
City of Sylvester:	$2,168,414	$2,168,414				
Roads, bridges and sidewalks			$ 700,766	$ 9,014	$ 709,780	
Municipal building renovations / construction			0		0	
Water and sewer system improvements			104,293		104,293	
Library			4,983		4,983	
Parks and recreation improvements			0		0	
Public safety building and related equipment			695,870	183,993	879,863	
TOTAL	$2,168,414	$2,168,414	$1,505,912	$ 193,007	$1,698,919	78.3%

NOTE 24 – E-911 SERVICES

The City entered into an agreement with Worth County, Georgia to contract with the County for the provision of E-911 Service to the City by the County in consideration of payment by the City to the County for the salaries of two dispatchers effective July 21, 2008. In exchange for the provision of the E-911 Service, the City shall pay to the County the annual salaries including benefits for two dispatchers; provided that such dispatchers shall at all times be employees of the County. Such annual salaries and benefits shall be in the amount of $35,248 per dispatcher for an annual total of $70,496 with the provision of an annual increase not to exceed the CPI prevailing Consumer Price Index.

NOTE 25 – FUND BALANCE CLASSIFICATIONS

The fund balances presented in the aggregate in the Combining Balance Sheet for Governmental Funds are allocated according to balance classification and fund as follows:

			Special Revenue Funds			
Fund Balances	General Fund	SPLOST Capital Projects Fund	CDBG Loan Fund	CHIP Grant Fund	2009 CDBG Grant Fund	Hotel / Motel Tax Fund
Nonspendable:						
Inventory	$ 33,531	$ 0	$ 0	$ 0	$ 0	$ 0
Prepaid Items	51,410	0	0	0	0	0
Loans Receivable	39,690	0	146,835	0	0	0
Total Nonspendable	124,631	0	146,835	0	0	0
Restricted:						
Public Safety	5,627	0	0	0	0	0
Public Welfare	87,459	0	0	0	0	0
Capital Projects	0	744,161	0	0	0	0
Economic Developmment	0	0	423,363	0	0	0
Tourism	0	0	0	0	0	2,540
Total Restricted	93,086	744,161	423,363	0	0	2,540
Assigned:						
Culture and Recreation	14,367	0	0	0	0	0
Debt Service	322,816	0	0	0	0	0
Capital Projects	346,411	0	0	0	100	0
Community Development	0	0	0	200	0	0
Total Assigned	683,594	0	0	200	100	0
Unassigned	725,768	0	0	0	0	0
Total Fund Balances	$1,627,079	$ 744,161	$ 570,198	$ 200	$ 100	$ 2,540

NOTE 26 – SUBSEQUENT EVENTS

On October 14, 2011, the City returned a portion of the restricted funds in the Economic Development Revolving Loan Fund to the Georgia Department of Community Affairs. The City was required to return $320,000 because the funds were not utilized in accordance with the policies of the Department of Community Affairs.

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through February 13, 2012, the date when the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

RETIREMENT PLAN

SCHEDULE OF FUNDING PROGRESS

City of Sylvester
Sylvester, Georgia June 30, 2011

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) b-a	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1-1-04	$ 3,794,230	$ 4,026,807	$ 232,577	94.22%	$ 1,768,402	13.15%
1-1-05	4,008,124	4,113,306	105,182	97.44%	1,707,872	6.16%
1-1-06	4,221,762	4,501,275	279,513	93.79%	1,686,058	16.58%
1-1-07	4,441,007	4,729,461	288,454	93.90%	1,790,971	16.11%
1-1-08	4,729,613	5,186,179	456,566	91.20%	1,892,507	24.12%
1-1-09	3,934,218	5,417,008	1,482,790	72.63%	1,956,830	75.78%
1-1-10	5,018,960	5,805,108	786,148	86.46%	2,159,831	36.40%
1-1-11	5,225,064	6,151,598	926,534	84.94%	2,279,115	40.65%

Ten-year historical trend information is disclosed in the City of Sylvester Retirement Plan separate financial report.

Historical trend information is presented to help readers assess the progress made in accumulating sufficient assets to pay pension benefits as they become payable.

Supplementary Information

Individual Fund Statements and Schedules

BALANCE SHEET

General Fund
Sylvester, Georgia — June 30, 2011

ASSETS	
Cash	$ 18,718
Restricted Cash	103,252
Investment-Certificates of Deposit	1,245,041
Taxes Receivable (Schedule 1)	49,837
Accounts Receivable	192,892
Accrued Beer Tax Receivable	9,600
Accrued Interest Receivable	3,251
Due from Other Governments:	
Local Option Sales Tax	77,724
Housing Authority	15,005
Grants	20,250
Due from Other Funds	52,664
Inventory, at Cost	35,531
Prepaid Items	51,410
TOTAL ASSETS	$ 1,875,175
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts Payable	$ 161,713
Accrued Salaries	24,172
Accrued Taxes and Withholdings	26,334
Deposits	14,410
Deferred Revenue	21,467
Total Liabilities	248,096
Fund Balance	
Nonspendable:	
Inventory	33,531
Prepaid Items	51,410
Loans Receivable	39,690
Restricted:	
Public Safety	5,627
Public Welfare	87,459
Assigned:	
Culture and Recreation	14,367
Debt Service	322,816
Capital Improvements	346,411
Unassigned	725,768
Total Fund Balance	1,627,079
TOTAL LIABILITIES AND FUND BALANCE	$ 1,875,175

SCHEDULE OF REVENUES, EXPENDITURES,

AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

General Fund
Sylvester, Georgia

Year Ended
June 30, 2011

	Budget			Variance Over (Under)
	Original	Final	Actual	
REVENUES (Schedule 2)				
Taxes-Net	$ 1,638,300	$ 1,638,300	$ 1,641,968	$ 3,668
Charges for Services	17,200	17,200	20,942	3,742
Fines and Forfeitures	313,200	313,200	204,561	(108,639)
Licenses and Permits	55,100	55,100	57,652	2,552
Intergovernmental	0	0	43,727	43,727
Interest Income	20,500	20,500	12,761	(7,739)
Miscellaneous	86,750	86,750	131,879	45,129
TOTAL REVENUES	2,131,050	2,131,050	2,113,490	(17,560)
EXPENDITURES (Schedule 3)				
Legislative	91,387	91,387	88,815	2,572
Judicial	27,600	27,600	27,650	(50)
Administrative	1,116,359	1,116,359	1,022,220	94,139
Police	1,716,885	1,716,885	1,659,289	57,596
Fire	890,399	890,399	911,888	(21,489)
Animal Control	14,000	14,000	23,672	(9,672)
Street	577,555	577,555	545,806	31,749
Shop	100,588	100,588	92,589	7,999
Cemetery and Parks	85,667	85,667	117,689	(32,022)
Code Enforcement	113,867	113,867	83,332	30,535
Building and Zoning	41,175	41,175	16,158	25,017
Downtown Development	45,196	45,196	28,819	16,377
TOAL EXPENDITURES	4,820,678	4,820,678	4,617,927	202,751
Deficiency of Revenues Under Expenditures	(2,689,628)	(2,689,628)	(2,504,437)	185,191
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	2,689,628	2,689,628	2,774,182	(84,554)
NET CHANGE IN FUND BALANCE	$ 0	$ 0	269,745	$ 100,637
Fund Balance - July 1, 2010			1,357,334	
FUND BALANCE - JUNE 30, 2011			$ 1,627,079	

TAXES RECEIVABLE-CURRENT AND PRIOR YEARS

General Fund
Sylvester, Georgia — June 30, 2011

CURRENT	
Charges:	
General Digest	$ 524,335
Public Utilities	7,122
Motor Vehicle/Mobile Home Ad Valorem Taxes	46,042
Not on Digest	15,191
Intangible Taxes	5,423
Total Charges	598,113
Credits:	
Cash Remittances	573,740
Errors and Reliefs	0
Total Credits	573,740
TAXES RECEIVABLE CURRENT	$ 24,373
PRIOR YEARS	
Uncollected Taxes for Year:	
2009	$ 13,291
2008	1,785
2007	1,054
2006	2,831
2005	782
2004	2,018
2003	2,256
2002	1,447
TAXES RECEIVABLE PRIOR YEARS	$ 25,464

REVENUES - BUDGET AND ACTUAL

General Fund
Sylvester, Georgia

Year Ended
June 30, 2011

	Budget			Variance Over (Under)
	Original	Final	Actual	
REVENUES				
Ad Valorem Taxes	$ 582,500	$ 582,500	$ 593,819	$ 11,319
Alcoholic Beverage Tax	105,000	105,000	105,077	77
Licenses and Permits	55,100	55,100	57,652	2,552
Franchise Tax	96,400	96,400	95,381	(1,019)
Cemetery Lot Sales	25,000	25,000	41,640	16,640
Fines and Forfeitures	313,200	313,200	204,561	(108,639)
Interest Income	20,500	20,500	12,761	(7,739)
Insurance Premium Tax	330,000	330,000	322,452	(7,548)
Intangible and Transfer Taxes	13,400	13,400	12,284	(1,116)
Business and Occupation Tax	46,000	46,000	47,108	1,108
Other Revcnues	54,750	54,750	75,693	20,943
Sales Tax-Local Option	465,000	465,000	465,846	846
Charges for Services	17,200	17,200	20,942	3,742
Intergovernmental	0	0	43,727	43,727
Rent	7,000	7,000	14,547	7,547
TOTAL REVENUES	2,131,050	2,131,050	2,113,490	(17,560)

EXPENDITURES - BUDGET AND ACTUAL

General Fund
Sylvester, Georgia

Year Ended
June 30, 2011

	Budget			Variance Over (Under)
	Original	Final	Actual	
EXPENDITURES				
LEGISLATIVE				
Personnel Services	$ 32,295	$ 32,295	$ 31,997	$ 298
Employee Medical Insurance	16,098	16,098	15,656	442
Retirement Fund Contribution	12,844	12,844	12,844	0
Telephone and Utilities	3,000	3,000	3,369	(369)
Travel and Training	27,000	27,000	24,799	2,201
Dues and Membership	150	150	150	0
Total Legislative	91,387	91,387	88,815	2,572
JUDICIAL				
Municipal Court Judge	9,600	9,600	9,600	0
Indigent Defense Attorney	5,000	5,000	4,499	501
City Solicitor	13,000	13,000	13,551	(551)
Total Judicial	27,600	27,600	27,650	(50)
ADMINISTRATIVE				
Personnel Services	529,150	529,150	516,927	12,223
Employee Medical Insurance	53,660	53,660	52,215	1,445
Retirement Fund Contribution	47,843	47,843	47,746	97
Advertising	5,500	5,500	10,555	(5,055)
Appropriations:				
DeSoto Trail Regional Library	52,500	52,500	62,500	(10,000)
Recreation Program And Community	65,000	65,000	85,000	(20,000)
Chamber of Commerce	21,000	21,000	20,000	1,000
Other	11,000	11,000	8,475	2,525
Capital Outlay	3,800	3,800	28,336	(24,536)
Professional Services	113,000	113,000	70,723	42,277
Insurance	15,905	15,905	16,449	(544)
Miscellaneous	56,175	56,175	3,815	52,360
Clerical and Adminstrative	21,300	21,300	20,992	308
Repairs and Maintenance-Equipment	20,200	20,200	31,735	(11,535)
Motor Fuels	2,000	2,000	2,475	(475)
Supplies	2,100	2,100	2,596	(496)

EXPENDITURES - BUDGET AND ACTUAL

General Fund
Sylvester, Georgia

Year Ended
June 30, 2011

	Budget			Variance Over (Under)
	Original	Final	Actual	
ADMINISTRATIVE (continued)				
Dues and Memberships	$ 9,526	$ 9,526	$ 9,285	$ 241
Telephone and Utilities	72,400	72,400	18,659	53,741
Travel and Training	10,800	10,800	12,258	(1,458)
Uniforms	3,500	3,500	1,479	2,021
Total Administrative	1,116,359	1,116,359	1,022,220	94,139
POLICE				
Personnel Services	1,001,047	1,001,047	1,002,834	(1,787)
Employee Medical Insurance	139,516	139,516	115,502	24,014
Retirement Fund Contribution	73,775	73,775	73,256	519
Community Programs	11,200	11,200	10,523	677
Capital Outlay	27,339	27,339	24,124	3,215
Miscellaneous	9,200	9,200	4,550	4,650
Motor Fuels	50,100	50,100	67,304	(17,204)
Telephone and Utilities	35,102	35,102	35,268	(166)
Administrative and Clerical	10,150	10,150	9,101	1,049
Uniforms	16,000	16,000	10,341	5,659
Courtware Solutions	25,000	25,000	13,659	11,341
Dues and Membership	1,200	1,200	1,135	65
Professional Services	3,000	3,000	8,786	(5,786)
Inmate Medical and Board	52,500	52,500	41,976	10,524
Travel and Training	12,000	12,000	4,052	7,948
Trust Fund Contributions	57,900	57,900	35,125	22,775
Supplies	19,500	19,500	15,452	4,048
Insurance	14,823	14,823	14,823	0
Repairs and Maintenance-Equipment	51,990	51,990	65,935	(13,945)
Capital Lease-Principal	33,071	33,071	33,071	0
Capital Lease-Interest	1,976	1,976	1,976	0
911 Cost	70,496	70,496	70,496	0
Total Police	1,716,885	1,716,885	1,659,289	57,596

EXPENDITURES - BUDGET AND ACTUAL

General Fund
Sylvester, Georgia

Year Ended
June 30, 2011

	Budget			Variance Over (Under)
	Original	Final	Actual	
FIRE				
Personnel Services	$ 556,707	$ 556,707	$ 574,866	$ (18,159)
Employee Medical Insurance	80,490	80,490	74,446	6,044
Retirement Fund Contribution	39,769	39,769	40,920	(1,151)
Miscellaneous	4,500	4,500	4,753	(253)
Motor Fuels	15,500	15,500	10,929	4,571
Repairs and Maintenance-Equipment	31,750	31,750	32,573	(823)
Capital Outlay	19,000	19,000	39,773	(20,773)
Travel and Training	7,000	7,000	7,154	(154)
Administrative and Clerical	4,500	4,500	4,169	331
Telephone and Utilities	26,851	26,851	22,927	3,924
Supplies	12,250	12,250	7,143	5,107
Uniforms	8,500	8,500	9,020	(520)
Dues and Membership	1,700	1,700	1,333	367
Professional Services	1,000	1,000	1,000	0
Capital Lease-Principal	70,645	70,645	70,645	0
Capital Lease-Interest	10,237	10,237	10,237	0
Total Fire	890,399	890,399	911,888	(21,489)
ANIMAL CONTROL				
Humane Society	0	0	12,500	(12,500)
Motor Fuels	1,500	1,500	1,163	337
Repairs and Maintenance	1,900	1,900	1,095	805
Telephone and Utilities	400	400	171	229
Miscellaneous	100	100	100	0
Supplies	8,900	8,900	7,268	1,632
Professional Fees	1,200	1,200	1,375	(175)
Total Animal Control	14,000	14,000	23,672	(9,672)

EXPENDITURES - BUDGET AND ACTUAL

General Fund
Sylvester, Georgia

Year Ended
June 30, 2011

	Budget			Variance Over (Under)
	Original	Final	Actual	
STREET				
Personnel Services	$ 229,432	$ 229,432	$ 248,480	$ (19,048)
Employee Medical Insurance	37,562	37,562	36,530	1,032
Retirement Fund Contribution	17,821	17,821	17,631	190
Grounds Maintenance Contract	122,562	122,562	122,562	0
Miscellaneous	4,000	4,000	0	4,000
Motor Fuels	32,000	32,000	18,038	13,962
Repairs and Maintenance	55,200	55,200	37,597	17,603
Clerical and Administrative	700	700	286	414
System Supplies and Chemicals	35,000	35,000	18,411	16,589
General Supplies	9,800	9,800	9,046	754
Telephone and Utilities	6,484	6,484	11,320	(4,836)
Uniforms	3,500	3,500	2,512	988
Travel and Training	600	600	500	100
Capital Lease-Principal	20,855	20,855	20,795	60
Capital Lease-Interest	2,039	2,039	2,098	(59)
Total Street	577,555	577,555	545,806	31,749
SHOP				
Personnel Services	62,923	62,923	62,462	461
Employee Medical Insurance	10,732	10,732	10,437	295
Retirement Fund Contribution	5,215	5,215	5,199	16
Capital Outlay	840	840	0	840
Motor Fuels	3,100	3,100	1,899	1,201
Repairs and Maintenance	6,400	6,400	1,972	4,428
Travel and Training	200	200	100	100
Supplies	3,300	3,300	3,179	121
Clerical and Administrative	300	300	949	(649)
Telephone and Utilities	6,578	6,578	5,591	987
Uniforms	1,000	1,000	801	199
Total Shop	100,588	100,588	92,589	7,999

EXPENDITURES - BUDGET AND ACTUAL

General Fund
Sylvester, Georgia

Year Ended
June 30, 2011

	Budget			Variance Over (Under)
	Original	Final	Actual	
CEMETERY AND PARKS				
Repairs and Maintenance-Equipment	$ 10,050	$ 10,050	$ 7,936	$ 2,114
Repairs and Maintenance-Cemetery	5,900	5,900	34,006	(28,106)
Maintenance Contract	55,200	55,200	55,200	0
Supplies	1,200	1,200	1,649	(449)
Insurance	2,650	2,650	3,408	(758)
Clerical and Administrative	100	100	1,217	(1,117)
Capital Outlay	0	0	2,225	(2,225)
Motor Fuels	2,000	2,000	1,243	757
Telephone and Utilities	5,567	5,567	10,805	(5,238)
Professional Services	3,000	3,000	0	3,000
Total Cemetery and Parks	85,667	85,667	117,689	(32,022)
CODE ENFORCEMENT				
Personnel Services	61,202	61,202	55,418	5,784
Employee Medical Insurance	10,732	10,732	8,701	2,031
Retirement Fund Contribution	5,133	5,133	5,052	81
Repairs and Maintenance-Equipment	1,600	1,600	1,841	(241)
Clerical and Administrative	1,400	1,400	1,758	(358)
Telephone and Utilities	1,600	1,600	2,114	(514)
Dues and Membership	250	250	245	5
Supplies	650	650	497	153
Miscellaneous	600	600	50	550
Motor Fuels	2,000	2,000	1,131	869
Great Sylvester Cleanup	1,500	1,500	3,010	(1,510)
Professional Services	20,000	20,000	259	19,741
Community Relations	1,700	1,700	1,099	601
Uniforms	300	300	284	16
Travel and Training	5,200	5,200	1,873	3,327
Total Code Enforcement	113,867	113,867	83,332	30,535

EXPENDITURES - BUDGET AND ACTUAL

General Fund
Sylvester, Georgia

Year Ended
June 30, 2011

	Budget			Variance Over (Under)
	Original	Final	Actual	
BUILDING AND ZONING				
Personnel Services	$ 38,875	$ 38,875	$ 15,163	$ 23,712
Repairs and Maintenance	0	0	155	(155)
Telephone and Utilities	600	600	502	98
Clerical and Administrative	1,700	1,700	338	1,362
Total Building and Zoning	41,175	41,175	16,158	25,017
DOWNTOWN DEVELOPMENT				
Personnel Services	32,330	32,330	14,529	17,801
Miscellaneous	0	0	132	(132)
Clerical and Administrative	2,000	2,000	1,949	51
Capital Outlay	1,500	1,500	1,154	346
Dues and Membership	200	200	0	200
Advertising	1,000	1,000	980	20
Employee Medical Insurance	5,366	5,366	1,814	3,552
Repairs and Maintenance	0	0	4,437	(4,437)
Travel and Training	2,000	2,000	1,628	372
Supplies	300	300	248	52
Telephone and Utilities	500	500	1,948	(1,448)
Total Downtown Development	45,196	45,196	28,819	16,377
TOTAL EXPENDITURES	$ 4,820,678	$ 4,820,678	$ 4,617,927	$ 202,751

COMBINING BALANCE SHEET

Non-Major Governmental Funds
Sylvester, Georgia — June 30, 2011

	SPECIAL REVENUE FUNDS				
	CDBG Loan Fund	CHIP Grant Fund	2009 CDBG Grant Fund	Hotel/ Motel Tax Fund	Total
ASSETS					
Cash	$ 423,363	$ 200	$ 100	$ 2,827	$ 426,490
Taxes Receivable	0	0	0	1,598	1,598
Loan Receivable	146,835	0	0	0	146,835
TOTAL ASSETS	$ 570,198	$ 200	$ 100	$ 4,425	$ 574,923
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	$ 0	$ 0	$ 0	$ 1,885	$ 1,885
Fund Balances					
Nonspendable:					
Loan Receivable	146,835	0	0	0	146,835
Restricted:					
Economic Development	423,363	0	0	0	423,363
Tourism	0	0	0	2,540	2,540
Assigned:					
Community Development	0	200	0	0	200
Capital Projects	0	0	100	0	100
Total Fund Balances	570,198	200	100	2,540	573,038
TOTAL LIABILITIES AND FUND BALANCES	$ 570,198	$ 200	$ 100	$ 4,425	$ 574,923

COMBINING STATEMENT OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCES

Non-Major Governmental Funds — Year Ended
Sylvester, Georgia — June 30, 2011

	SPECIAL REVENUE FUNDS				
	CDBG Loan Fund	CHIP Grant Fund	2009 CDBG Grant Fund	Hotel/ Motel Tax Fund	Total
REVENUES					
Grant Proceeds	$ 0	$ 124,138	$ 356,435	$ 0	$ 480,573
Investment Income	700	0	0	0	700
Hotel/Motel Taxes	0	0	0	17,845	17,845
TOTAL REVENUES	700	124,138	356,435	17,845	499,118
EXPENDITURES					
Culture and Recreation	0	0	0	10,742	10,742
Economic Development	0	124,138	0	0	124,138
TOTAL EXPENDITURES	0	124,138	0	10,742	134,880
Excess of Revenues over Expenditures	700	0	356,435	7,103	364,238
OTHER FINANCING SOURCES (USES)					
Transfers Out	0	0	(356,435)	(7,500)	(363,935)
NET CHANGE IN FUND BALANCE	700	0	0	(397)	303
Fund Balance - July 1, 2010	569,498	200	100	2,937	572,735
FUND BALANCE - JUNE 30, 2011	$ 570,198	$ 200	$ 100	$ 2,540	$ 573,038

BALANCE SHEET

Economic Development Revolving Loan Fund
Community Development Block Grant
Sylvester, Georgia — June 30, 2011

ASSETS	
Cash	$ 423,363
Loan Receivable	146,835
TOTAL ASSETS	$ 570,198
LIABILITIES AND FUND BALANCES	
Liabilities	$ 0
Fund Balance	
Nonspendable:	
Loans Receivable	146,835
Restricted:	
Economic Development	423,363
Total Fund Balance	570,198
TOTAL LIABILITIES AND FUND BALANCE	$ 570,198

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACUTAL

Economic Development Revolving Loan Fund
Community Development Block Grant
Sylvester, Georgia

Year Ended
June 30, 2011

	Budget			Variance Over
	Original	Final	Actual	(Under)
REVENUES				
Interest on Loan Receivable	$ 14,000	$ 14,000	$ 700	$ (13,300)
Interest-Bank	250	250	0	(250)
TOTAL REVENUES	14,250	14,250	700	(13,550)
EXPENDITURES				
Loan Servicing Fees	2,000	2,000	0	(2,000)
Contingency	12,250	12,250	0	(12,250)
TOTAL EXPENDITURES	14,250	14,250	0	(14,250)
Excess of Revenues Over Expenditures	0	0	700	700
NET CHANGE IN FUND BALANCE	$ 0	$ 0	700	$ 700
Fund Balance - July 1, 2010			569,498	
FUND BALANCE - JUNE 30, 2011			$ 570,198	

BALANCE SHEET

CHIP Grant Fund
Community Development Block Grant
Sylvester, Georgia — June 30, 2011

ASSETS	
Cash	$ 200
TOTAL ASSETS	$ 200
LIABILITIES AND FUND BALANCES	
Liabilities	$ 0
Fund Balance	
Asssigned:	
Community Development	200
Total Fund Balance	200
TOTAL LIABILITIES AND FUND BALANCE	$ 200

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACUTAL

CHIP Grant Fund
Community Development Block Grant
Sylvester, Georgia

Year Ended
June 30, 2011

	Budget			Variance Over (Under)
	Original	Final	Actual	
REVENUES				
Grant Proceeds	$ 169,046	$ 169,046	$ 124,138	$ (44,908)
TOTAL REVENUES	169,046	169,046	124,138	(44,908)
EXPENDITURES				
Current:				
Project Consulting Service	10,971	10,971	10,000	971
Construction and Engineering Expenditures	150,282	150,282	114,138	36,144
Contingency	7,793	7,793	0	7,793
TOTAL EXPENDITURES	169,046	169,046	124,138	44,908
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	0
NET CHANGE IN FUND BALANCE	$ 0	$ 0	0	$ 0
Fund Balance - July 1, 2010			200	
FUND BALANCE - JUNE 30, 2011			$ 200	

BALANCE SHEET

2009 CDBG Grant Fund
Community Development Block Grant
Sylvester, Georgia — June 30, 2011

ASSETS	
Cash	$ 100
TOTAL ASSETS	$ 100
LIABILITIES AND FUND BALANCES	
Liabilities	$ 0
Fund Balance	
Assigned:	
Capital Projects	100
Total Fund Balance	100
TOTAL LIABILITIES AND FUND BALANCES	$ 100

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACUTAL

2009 CDBG Grant Fund
Community Development Block Grant
Sylvester, Georgia

Year Ended
June 30, 2011

	Budget			Variance Over (Under)
	Original	Final	Actual	
REVENUES				
Grant Proceeds	$ 500,000	$ 500,000	$ 356,435	$ (143,565)
TOTAL REVENUES	500,000	500,000	356,435	(143,565)
EXPENDITURES				
	0	0	0	0
Excess (Deficiency) of Revenues Over Expenditures	500,000	500,000	356,435	(143,565)
OTHER FINANCING SOURCES (USES)				
Transfers out	(500,000)	(500,000)	(356,435)	143,565
NET CHANGE IN FUND BALANCE	$ 0	$ 0	0	$ 0
Fund Balance - July 1, 2010			100	
FUND BALANCE - JUNE 30, 2011			$ 100	

BALANCE SHEET

Hotel/Motel Tax Fund
Sylvester, Georgia — June 30, 2011

ASSETS	
Cash	$ 2,827
Taxes Receivable	1,598
TOTAL ASSETS	$ 4,425
LIABILITIES AND FUND BALANCES	
Liabilities	
Accounts Payable	$ 1,885
Fund Balance	
Restricted:	
Tourism	2,540
TOTAL LIABILITIES AND FUND BALANCE	$ 4,425

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACUTAL

Hotel/Motel Tax Fund
Sylvester, Georgia

Year Ended
June 30, 2011

	Budget			Variance Over (Under)
	Original	Final	Actual	
REVENUES				
Hotel/Motel Taxes	$ 20,000	$ 20,000	$ 17,845	$ (2,155)
TOTAL REVENUES	20,000	20,000	17,845	(2,155)
EXPENDITURES				
Chamber of Commerce Allocation	12,400	12,400	10,707	1,693
Bank Charges	100	100	35	65
TOTAL EXPENDITURES	12,500	12,500	10,742	1,758
Excess (Deficiency) of Revenues Over Expenditures	7,500	7,500	7,103	(397)
OTHER FINANCING SOURCES (USES)				
Transfers Out	(7,500)	(7,500)	(7,500)	0
NET CHANGE IN FUND BALANCE	$ 0	$ 0	(397)	$ (397)
Fund Balance - July 1, 2010			2,937	
FUND BALANCE - JUNE 30, 2011			$ 2,540	

BALANCE SHEET

SPLOST Capital Projects Fund
Sylvester, Georgia — June 30, 2011

ASSETS	
Cash	$ 744,161
TOTAL ASSETS	$ 744,161
LIABILITIES AND FUND BALANCES	
Liabilities	$ 0
Fund Balance	
Restricted:	
Capital Projects	744,161
TOTAL LIABILITIES AND FUND BALANCE	$ 744,161

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACUTAL

SPLOST Capital Projects Fund
Sylvester, Georgia

Year Ended
June 30, 2011

	Budget			Variance Over (Under)
	Original	Final	Actual	
REVENUES				
Intergovernmental	$ 460,000	$ 460,000	$ 452,657	$ (7,343)
Interest	1,500	1,500	1,515	15
TOTAL REVENUES	461,500	461,500	454,172	(7,328)
EXPENDITURES				
Current:				
Administrative	0	0	14	(14)
Capital Outlay	277,506	277,506	9,000	268,506
Debt Service:				
Principal	113,616	113,616	113,621	(5)
Interest	70,378	70,378	70,372	6
TOTAL EXPENDITURES	461,500	461,500	193,007	268,493
Excess (Deficiency) of Revenues Over Expenditures	0	0	261,165	261,165
NET CHANGE IN FUND BALANCE	$ 0	$ 0	261,165	$ 261,165
Fund Balance - July 1, 2010			482,996	
FUND BALANCE - JUNE 30, 2011			$ 744,161	

STATEMENT OF NET ASSETS

Electric Fund
Sylvester, Georgia — June 30, 2011

ASSETS	
Current Assets	
Cash	$ 1,020,903
Investment-Certificate of Deposit	187,612
Investments	3,838,245
Restricted Assets	
Cash-Customer Deposits	70,058
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	1,147,110
Intergovernmental Receivable	27,012
Inventory	191,009
Total Current Assets	6,481,949
Noncurrent Assets	
Capital Assets	
Electric System	2,609,215
Machinery and Equipment	140,237
Vehicles	540,018
Accumulated Depreciation	(2,373,936)
Total Noncurrent Assets	915,534
TOTAL ASSETS	7,397,483
LIABILITIES	
Current Liabilities	
Accounts Payable	666,987
Accrued Expenses	23,362
Due to Other Funds	92,820
Liabilities Payable from Restricted Assets-Customer Deposits	72,375
Total Current Liabilities	855,544
Noncurrent Liabilities	
Accrued Vacation	23,807
TOTAL NONCURRENT LIABILITIES	23,807
TOTAL LIABILITIES	879,351
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	915,534
Unrestricted	5,602,598
TOTAL NET ASSETS	$ 6,518,132

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Electric Fund Sylvester, Georgia	Year Ended June 30, 2011
OPERATING REVENUES	
Electric Sales	$ 8,913,057
Penalties	69,218
Service	43,458
Miscellaneous	36,729
Pole Rental	56,775
TOTAL OPERATING REVENUES	9,119,237
OPERATING EXPENSES	
Purchases-Electricity	6,075,262
Personnel Services	326,932
Employee Medical Insurance	57,157
Retirement Fund Contribution	26,969
Insurance -General	14,997
Professional Fees	40,247
Miscellaneous	460
Motor Fuels	13,208
Repairs and Maintenance-Equipment	34,656
Repairs and Maintenance-System	89,833
Telephone and Utilties	21,304
Dues and Memberships	500
Supplies-General	15,477
Supplies-System	67,180
Clerical and Administrative	22,542
Uniforms	2,819
Travel and Training	15,095
Solar Energy Project	54,118
Technical Support	44,716
Marketing	39,347
Depreciation	70,336
TOTAL OPERATING EXPENSES	7,033,155
OPERATING INCOME	2,086,082

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Electric Fund Sylvester, Georgia	Year Ended June 30, 2011
NON-OPERATING REVENUES (EXPENSES)	
Interest Income	11,281
Grant Proceeds	54,210
Market Loss on Investments	(219)
Disposal of Assets	41,700
TOTAL NON-OPERATING REVENUES (EXPENSES)	106,972
Income Before Transfers	2,193,054
Tranfers In	67,988
Transfers Out	(1,589,543)
CHANGE IN NET ASSETS	671,499
Net Assets - July 1, 2010	5,846,633
NET ASSETS - JUNE 30, 2011	$ 6,518,132

STATEMENT OF CASH FLOWS

Electric Fund Sylvester, Georgia	Year Ended June 30, 2011
Cash Flows from Operating Activities	
Cash Received from Customers	$ 9,176,248
Cash Payments to Suppliers	(6,481,986)
Cash Payments to Employees	(410,399)
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,283,863
Cash Flows from Noncapital Financing Activities	
Transfers In	67,988
Transfers Out	(1,589,543)
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	(1,521,555)
Cash Flows from Capital and Related Financing Activities	
Putchase and Construction of Capital Assets	(231,110)
Capital Grant	27,198
Cash Received from Disposal of Capital Assets	41,700
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(162,212)
Cash Flows from Investing Activities	
Interest Received	11,540
Purchase of Investments	(501,575)
NET CASH USED BY INVESTING ACTIVITIES	(490,035)
Net Increase in Cash and Cash Equivalents	110,061
Cash and Cash Equivalents - July 1, 2010	980,900
CASH AND CASH EQUIVALENTS - JUNE 30, 2011	$ 1,090,961
Displayed As:	
Restricted Assets	$ 70,058
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	$ 2,086,082
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation Expense	70,336
(Increase) Decrease in Accounts Receivable	54,995

STATEMENT OF CASH FLOWS

Electric Fund Sylvester, Georgia	Year Ended June 30, 2011
(Increase) Decrease in Inventory	$ 22,010
(Increase) Decrease in Prepaid Items	54
Increase (Decrease) in Accounts Payable	47,601
Increase (Decrease) in Accrued Liabilities	2,785
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 2,283,863
NonCash Investing, Capital and Financing Activities	
Decrease in Fair Value of Investments	$ (219)

STATEMENT OF NET ASSETS

Water and Sewer Fund
Sylvester, Georgia — June 30, 2011

ASSETS	
Current Assets	
Cash	$ 862,195
Investment-Certificate of Deposit	182,573
Restricted Assets	
Cash-Customer Deposits	74,636
Cash-GEFA	220
Investment-Certificate of Deposit-GEFA	163,978
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	219,615
Inventory	84,122
Due from Other Funds	125,302
Total Current Assets	1,712,641
Noncurrent Assets	
Capital Assets	
Land	21,800
Water and Sewer System	12,556,085
Machinery and Equipment	684,543
Vehicles	95,950
Accumulated Depreciation	(6,823,187)
Total Noncurrent Assets	6,535,191
TOTAL ASSETS	8,247,832
LIABILITIES	
Current Liabilities	
Notes Payable	101,343
Accounts Payable	77,165
Accrued Expenses	10,106
Liabilities Payable from Restricted Assets-Customer Deposits	71,430
Total Current Liabilities	260,044
Noncurrent Liabilities	
Notes Payable	1,954,592
Accrued Vacation	40,811
Total Noncurrent Liabilities	1,995,403
TOTAL LIABILITIES	2,255,447
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	4,479,257
Restricted for Debt Service	164,198
Unrestricted	1,348,930
TOTAL NET ASSETS	$ 5,992,385

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Water and Sewer Fund Sylvester, Georgia	Year Ended June 30, 2011
OPERATING REVENUES	
Water Revenue	$ 838,879
Sewer Revenue	765,513
Penalties	11,817
Other	10,400
TOTAL OPERATING REVENUES	1,626,609
OPERATING EXPENSES	
Water (Schedule 1)	394,413
Sewer (Schedule 2)	488,102
Depreciation	326,945
TOTAL OPERATING EXPENSES	1,209,460
OPERATING INCOME	417,149
NON-OPERATING REVENUES (EXPENSES)	
Interest Income	7,052
Interest Expense	(45,681)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(38,629)
Income (Loss) Before Transfers	378,520
Transfers In	356,435
Transfers Out	(62,221)
CHANGE IN NET ASSETS	672,734
Net Assets - July 1, 2010	5,319,651
NET ASSETS - JUNE 30, 2011	$ 5,992,385

STATEMENT OF CASH FLOWS

Water and Sewer Fund Sylvester, Georgia	Year Ended June 30, 2011
Cash Flows from Operating Activities	
Cash Received from Customers	$ 1,612,734
Cash Payments to Suppliers	(376,946)
Cash Payments to Employees	(426,524)
NET CASH PROVIDED BY OPERATING ACTIVITIES	809,264
Cash Flows from Noncapital Financing Activities	
Payments from Other Funds	11,262
Transfers Out	(62,221)
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	(50,959)
Cash Flows from Capital and Related Financing Activities	
Purchases and Construction of Capital Assets	(706,232)
Principal Paid on Capital Debt	(62,443)
Interest Paid on Capital Debt	(40,951)
Transfers In	356,435
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(453,191)
Cash Flows from Investing Activities	
Interest Received	7,072
Purchase of Investments	(1,648)
NET CASH PROVIDED BY INVESTING ACTIVITIES	5,424
Net Increase in Cash and Cash Equivalents	310,538
Cash and Cash Equivalents - July 1, 2010	626,513
CASH AND CASH EQUIVALENTS - JUNE 30, 2011	$ 937,051
Displayed As:	
Restricted Assets	$ 74,856
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	$ 417,149
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation Expense	326,945
(Increase) Decrease in Accounts Receivable	(16,725)
(Increase) Decrease in Inventory	18,661
(Increase) Decrease in Prepaid Items	108
Increase (Decrease) in Accounts Payable	53,092
Increase (Decrease) in Accrued Liabilities	10,034
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 809,264

WATER OPERATING EXPENSES

Water and Sewer Fund
Sylvester, Georgia

Year Ended
June 30, 2011

Water Operating Expenses

Personnel Services	$ 173,905
Employee Medical Insurance	16,999
Retirement Fund Contribution	11,799
Professional Fees	595
Repairs and Maintenance - Equipment	7,040
Repairs and Maintenance - System	46,407
Motor fuels	6,989
Insurance	15,072
Supplies - General	1,620
Supplies - System	58,495
Lab Fees	9,060
Dues and Memberships	568
Travel and Training	4,247
Uniforms	1,390
Clerical and Administrative	960
Telephone and Utilities	38,817
Advertising	450
Total Operating Expenses	$ 394,413

SEWER OPERATING EXPENSES

Water and Sewer Fund
Sylvester, Georgia

Year Ended
June 30, 2011

Sewer Operating Expenses

Personnel Services	$ 179,450
Employee Medical Insurance	34,561
Retirement Fund Contribution	16,994
Repairs and Maintenance - Equipment	18,638
Repairs and Maintenance - System	90,520
Advertising	707
Clerical and Administrative	2,006
Motor Fuels	17,612
Insurance	15,050
Telephone and Utilities	54,875
Supplies - General	15,524
Travel and Training	1,824
Supplies - System	3,001
Uniforms	2,240
Lab Fees	35,100
Total Operating Expenses	$ 488,102

STATEMENT OF NET ASSETS

Natural Gas Fund
Sylvester, Georgia — June 30, 2011

ASSETS	
Current Assets	
Cash	$ 42,885
Restricted Assets	
Cash-Customer Deposits	21,251
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	50,053
Inventory	28,013
Total Current Assets	142,202
Noncurrent Assets	
Capital Assets	
Land	2,500
Natural Gas System	896,021
Machinery and Equipment	187,880
Vehicles	70,107
Accumulated Depreciation	(874,214)
Total Noncurrent Assets	282,294
TOTAL ASSETS	424,496
LIABILITIES	
Current Liabilities	
Accounts Payable	44,151
Accrued Expenses	7,441
Due to Other Funds	32,482
Liabilities Payable from Restricted Assets-Customer Deposits	22,205
Total Current Liabilities	106,279
Noncurrent Liabilities	
Accrued Vacation	2,148
TOTAL LIABILITIES	108,427
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	282,294
Unrestricted	33,775
TOTAL NET ASSETS	$ 316,069

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Natural Gas Fund Sylvester, Georgia	Year Ended June 30, 2011
OPERATING REVENUES	
Gas Sales	$ 1,399,997
Penalties	6,564
Miscellaneous	2,191
TOTAL OPERATING REVENUES	1,408,752
OPERATING EXPENSES	
Purchases - Natural Gas	718,899
Personnel Services	105,695
Employee Medical Insurance	10,592
Retirement Fund Contribution	7,888
Insurance - General	14,997
Professional Fees	16,900
Miscellaneous	3,586
Motor Fuels	5,737
Repairs and Maintenance - Equipment	2,070
Repairs and Maintenance - System	18,334
Supplies - General	2,734
Clerical and Administrative	78
Telephone and Utilities	1,366
Supplies - System	3,958
Dues and Membership	400
Travel and Training	2,617
Uniforms	1,195
Advertising	3,991
Depreciation	27,633
TOTAL OPERATING EXPENSES	948,670
OPERATING INCOME	460,082
NON-OPERATING REVENUES (EXPENSES)	
Interest Income	179
Income Before Transfers	460,261
Transfers Out	(503,717)
CHANGE IN NET ASSETS	(43,456)
Net Assets - July 1, 2010	359,525
NET ASSETS - JUNE 30, 2011	$ 316,069

STATEMENT OF CASH FLOWS

Natural Gas Fund Sylvester, Georgia	Year Ended June 30, 2011
Cash Flows from Operating Activities	
Cash Received from Customers	$ 1,430,570
Cash Payments to Suppliers	(803,113)
Cash Payments to Employees	(124,286)
NET CASH PROVIDED BY OPERATING ACTIVITIES	503,171
Cash Flows from Noncapital Financing Activities	
Transfers Out	(503,717)
Cash Flows from Capital and Related Financing Activities	0
Cash Flows from Investing Activities	
Interest Received	179
Net Decrease in Cash and Cash Equivalents	(367)
Cash and Cash Equivalents - July 1, 2010	64,503
CASH AND CASH EQUIVALENTS - JUNE 30, 2011	$ 64,136
Displayed As:	
Restricted Assets	$ 21,251
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	$ 460,082
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation Expense	27,633
(Increase) Decrease in Accounts Receivable	21,053
(Increase) Decrease in Inventory	(1,771)
(Increase) Decrease in Prepaid Items	54
Increase (Decrease) in Accounts Payable	(406)
Increase (Decrease) in Accrued Liabilities	(3,474)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 503,171

COMBINING STATEMENT OF NET ASSETS

Non-Major Proprietary Funds
Sylvester, Georgia — June 30, 2011

	Solid Waste Fund	Telecommunications Fund	Airport Fund	Total
ASSETS				
Current Assets				
Cash	$ 76,474	$ 292,422	$ 6,369	$ 375,265
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	96,986	98,925	800	196,711
Total Current Assets	173,460	391,347	7,169	571,976
Noncurrent Assets				
Capital Assets				
Nondepreciable Capital Assets	0	0	370,478	370,478
Depreciable Capital Assets	0	293,795	498,856	792,651
Accumulated Depreciation	0	(140,867)	(180,491)	(321,358)
Total Noncurrent Assets	0	152,928	688,843	841,771
TOTAL ASSETS	173,460	544,275	696,012	1,413,747
LIABILITIES				
Current Liabilities				
Accounts Payable	64,832	0	228	65,060
Accrued Expenses	15,458	0	0	15,458
Due to Other Funds	0	33,792	18,872	52,664
TOTAL LIABILITIES	80,290	33,792	19,100	133,182
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	0	152,928	688,843	841,771
Unrestricted	93,170	357,555	(11,931)	438,794
TOTAL NET ASSETS	$ 93,170	$ 510,483	$ 676,912	$ 1,280,565

COMBINING STATEMENT OF REVENUES, EXPENDITURES

AND CHANGES IN FUND NET ASSETS

Non-Major Proprietary Funds
Sylvester, Georgia

Year Ended
June 30, 2011

	Solid Waste Fund	Telecommunications Fund	Airport Fund	Total
OPERATING REVENUES				
Charges for Services	$ 749,200	$ 522,540	$ 4,800	$ 1,276,540
OPERATING EXPENSES				
Operating Expenses	553,667	85,109	4,640	643,416
Depreciation	0	19,688	23,890	43,578
TOTAL OPERATING EXPENSES	553,667	104,797	28,530	686,994
OPERATING INCOME	195,533	417,743	(23,730)	589,546
NON-OPERATING REVENUES (EXPENSES)				
Capital Grants	0	0	279,031	279,031
Income Before Transfers	195,533	417,743	255,301	868,577
Transfers Out	(199,191)	(480,000)	0	(679,191)
CHANGE IN NET ASSETS	(3,658)	(62,257)	255,301	189,386
Net Assets - July 1, 2010	96,828	572,540	421,611	1,091,179
NET ASSETS - JUNE 30, 2011	$ 93,170	$ 510,483	$ 676,912	$ 1,280,565

COMBINING STATEMENT OF CASH FLOWS

Non-Major Proprietary Funds
Sylvester, Georgia

Year Ended
June 30, 2011

	Solid Waste Fund	Telecommunications Fund	Airport Fund	Total
Cash Flows from Operating Activities				
Cash Received from Customers	$ 749,538	$ 596,415	$ 4,800	$ 1,350,753
Cash Payments to Suppliers	(553,280)	(73,744)	(2,883)	(629,907)
NET CASH PROVIDED BY OPERATING ACTIVITIES	196,258	522,671	1,917	720,846
Cash Flows from Noncapital Financing Activities				
Transfers Out	(199,191)	(480,000)	0	(679,191)
Cash Flows from Capital and Related Financing Activities				
Purchase of Capital Assets	0	(3,060)	(279,368)	(282,428)
Capital Grants Received	0	0	279,031	279,031
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	0	(3,060)	(337)	(3,397)
Cash Flows from Investing Activities	0	0	0	0
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,933)	39,611	1,580	38,258
Cash and Cash Equivalents - July 1, 2010	79,407	252,811	4,789	337,007
CASH AND CASH EQUIVALENTS - JUNE 30, 2011	$ 76,474	$ 292,422	$ 6,369	$ 375,265
Reconciliation of Operating Income To Net Cash Provided by Operating Activities				
Operating Income	$ 195,533	$ 417,743	$ (23,730)	$ 589,546
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation Expense	0	19,688	23,890	43,578
(Increase) Decrease in Accounts Receivable	338	73,875	0	74,213
Increase (Decrease) in Accounts Payable	1,386	0	99	1,485
Increase (Decrease) in Accrued Liabilities	(999)	0	0	(999)
Increase (Decrease) in Due to Other Funds	0	11,365	1,658	13,023
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 196,258	$ 522,671	$ 1,917	$ 720,846

STATEMENT OF NET ASSETS

Solid Waste Fund
Sylvester, Georgia — June 30, 2011

ASSETS	
Cash	$ 76,474
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	96,986
TOTAL ASSETS	173,460
LIABILITIES	
Accounts Payable	64,832
Accrued Expenses	15,458
TOTAL LIABILITIES	80,290
NET ASSETS	
Unrestricted	93,170
TOTAL NET ASSETS	$ 93,170

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Solid Waste Fund Sylvester, Georgia	Year Ended June 30, 2011
OPERATING REVENUES	
Refuse Collection Fees	$ 715,693
Landfill Collection Fees	26,462
Penalties	6,106
Other Revenues	939
TOTAL OPERATING REVENUES	749,200
OPERATING EXPENSES	
Refuse Disposal Fees	393,534
Landfill Fees	156,555
Miscellaneous	3,578
TOTAL OPERATING EXPENSES	553,667
OPERATING INCOME	195,533
Income Before Transfers	195,533
Transfers out	(199,191)
CHANGE IN NET ASSETS	(3,658)
Net Assets - July 1, 2010	96,828
NET ASSETS - JUNE 30, 2011	$ 93,170

STATEMENT OF CASH FLOWS

Solid Waste Fund Sylvester, Georgia	Year Ended June 30, 2011
Cash Flows from Operating Activities	
Cash Received from Customers	$ 749,538
Cash Payments to Suppliers	(553,280)
NET CASH PROVIDED BY OPERATING ACTIVITIES	196,258
Cash Flows from Noncapital Financing Activities	
Transfers to Other Funds	(199,191)
Cash Flows from Capital and Related Financing Activities	0
Cash Flows from Investing Activities	0
Net Decrease in Cash and Cash Equivalents	(2,933)
Cash and Cash Equivalents - July 1, 2010	79,407
CASH AND CASH EQUIVALENTS - JUNE 30, 2011	$ 76,474
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	$ 195,533
Adjusting to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
(Increase) Decrease in Accounts Receivable	338
Increase (Decrease) in Accounts Payable	1,386
Increase (Decrease) in Accrued Liabilities	(999)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 196,258

STATEMENT OF NET ASSETS

Telecommunications Fund
Sylvester, Georgia — June 30, 2011

ASSETS	
Current Assets	
Cash	$ 292,422
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	98,925
Total Current Assets	391,347
Noncurrent Assets	
Capital Assets	
Fiber Optics System	290,735
Vehicles	3,060
Accumulated Depreciation	(140,867)
Total Noncurrent Assets	152,928
TOTAL ASSETS	544,275
LIABILITIES	
Current Liabilities	
Due to Other Funds	33,792
TOTAL LIABILITIES	33,792
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	152,928
Unrestricted	357,555
TOTAL NET ASSETS	$ 510,483

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Telecommunications Fund Sylvester, Georgia	Year Ended June 30, 2011
OPERATING REVENUES	
Telecom Charges	$ 414,540
Internet Charges	108,000
TOTAL OPERATING REVENUES	522,540
OPERATING EXPENSES	
Contractual Services	12,564
Professional Services	2,009
Leases	9,571
Internet Fees	35,680
Repairs and Maintenance - System	5,868
Licenses	19,417
Depreciation	19,688
TOTAL OPERATING EXPENSES	104,797
OPERATING INCOME	417,743
Income Before Transfers	417,743
Transfers Out	(480,000)
CHANGE IN NET ASSETS	(62,257)
Net Assets - July 1, 2010	572,740
NET ASSETS - JUNE 30, 2011	$ 510,483

STATEMENT OF CASH FLOWS

Telecommunications Fund Sylvester, Georgia	Year Ended June 30, 2011
Cash Flows from Operating Activities	
Cash Received from Customers	$ 596,415
Cash Payments to Suppliers	(73,744)
NET CASH PROVIDED BY OPERATING ACTIVITIES	522,671
Cash Flows from Noncapital Financing Activities	
Transfers to Other Funds	(480,000)
Cash Flows from Capital and Related Financing Activities	
Purchase of Capital Assets	(3,060)
Cash Flows from Investing Activities	0
Net Increase in Cash and Cash Equivalents	39,611
Cash and Cash Equivalents - July 1, 2010	252,811
CASH AND CASH EQUIVALENTS - JUNE 30, 2011	$ 292,422
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	$ 417,743
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	19,688
(Increase) Decrease in Accounts Receivable	73,875
Increase (Decrease) in Due to Other Funds	11,365
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 522,671

STATEMENT OF NET ASSETS

Airport Fund
Sylvester, Georgia — June 30, 2011

ASSETS	
Current Assets	
Cash	$ 6,369
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	800
Total Current Assets	7,169
Noncurrent Assets	
Capital Assets	
Land	247,300
Improvements	492,816
Equipment	6,040
Construction in Progress	123,178
Accumulated Depreciation	(180,491)
Total Noncurrent Assets	688,843
TOTAL ASSETS	696,012
LIABILITIES	
Current Liabilities	
Accounts Payable	228
Due to Other Funds	18,872
TOTAL LIABILITIES	19,100
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	688,843
Unrestricted	(11,931)
TOTAL NET ASSETS	$ 676,912

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Airport Fund Sylvester, Georgia	Year Ended June 30, 2011
OPERATING REVENUES	
Rent	$ 4,800
TOTAL OPERATING REVENUES	4,800
OPERATING EXPENSES	
Repairs and Maintenance	231
Utilities	1,736
Insurance	2,473
Dues and Memberships	200
Depreciation	23,890
TOTAL OPERATING EXPENSES	28,530
OPERATING INCOME	(23,730)
NON-OPERATING REVENUES (EXPENSES)	
Capital Grants	279,031
CHANGE IN NET ASSETS	255,301
Net Assets - July 1, 2010	421,611
NET ASSETS - JUNE 30, 2011	$ 676,912

STATEMENT OF CASH FLOWS

Airport Fund Sylvester, Georgia	Year Ended June 30, 2011
Cash Flows from Operating Activities	
Cash Received from Customers	$ 4,800
Cash Payments to Suppliers	(2,883)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,917
Cash Flows from Noncapital Financing Activities	0
Cash Flows from Capital and Related Financing Activities	
Purchase and Construction of Capital Assets	(279,368)
Capital Grants Received	279,031
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(337)
Cash Flows from Investing Activities	0
Net Increase in Cash and Cash Equivalents	1,580
Cash and Cash Equivalents - July 1, 2010	4,789
CASH AND CASH EQUIVALENTS - JUNE 30, 2011	$ 6,369
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	$ (23,730)
Adjusting to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	23,890
Increase (Decrease) in Accounts Payable	99
Increase (Decrease) in Due to Other Funds	1,658
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 1,917

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Utility Energy Crisis
Agency Fund
Sylvester, Georgia — June 30, 2011

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
ASSETS				
Cash	$ 760	$ 132,830	$ 132,830	$ 760
TOTAL ASSETS	$ 760	$ 132,830	$ 132,830	$ 760
LIABILITIES				
Due to Other Governments	$ 760	$ 132,830	$ 132,830	$ 760
TOTAL LIABILITIES	$ 760	$ 132,830	$ 132,830	$ 760

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

Honorable Mayor and
Members of the City Council
City of Sylvester, Georgia

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Sylvester, Georgia as of and for the year ended June 30, 2011, which collectively comprise the City of Sylvester, Georgia's basic financial statements and have issued our report thereon dated February 13, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Sylvester, Georgia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Sylvester, Georgia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Sylvester, 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 was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned responses that we consider to be significant deficiencies in internal control over financial reporting as items 2011-1 through 2011-2. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Sylvester, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned responses as item 2011-3.

We noted certain matters that we reported to management of the City of Sylvester, Georgia, in a separate letter dated February 13, 2012.

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

This report is intended solely for the information and use of management, City Council, others within the entity, Georgia Department of Audits, 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.

Herring CPA Group, P.C.

HERRING CPA GROUP, P.C.
Tifton, Georgia
February 13, 2012

SECTION I—SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?	No
Significant deficiencies identified not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

SECTION II—FINANCIAL STATEMENT FINDINGS

Significant Deficiencies

2011-1 Segregation of Duties

Criteria – Segregation of duties is a key internal control whereby the authorization, custody, record keeping, and reconciling duties are separated among several persons.

Condition – There is not appropriate segregation of duties between recording, distribution, and reconciliation of cash accounts and other operational functions in certain departments and component unit.

Effect – The possibility that errors or irregularities will occur and not be detected on a timely basis in the normal course of business.

Cause – The limited number of personnel to perform all of the required duties.

Recommendation – Segregation of duties should be implemented to the extent practical and accounting records reviewed by responsible officials on a regular basis.

Management's Response – The City concurs with the recommendation. City management will work to continually improve and implement as many procedures as possible to improve internal controls in this area.

2011-2 Expenditures exceeded appropriations at the legal level

Criteria - Expenditures should not exceed budget at the legal level.

Condition - Budget is not being monitored to prevent expenditures exceeding budget.

Effect - Lack of budget monitoring may result in excessive expenditures and misappropriation

of funds.

Cause - Policies and procedures are inadequate to ensure proper monitoring of expenditures.

Recommendation - Monitor expenditures versus budget on a monthly basis and adjust budget accordingly.

Management's Response - The City concurs with the recommendation. Monthly reviews of the budget will be administered.

SECTION III—NON-COMPLIANCE WITH LAWS, REGULATIONS AND GRANT AGREEMENTS

2011-3 Loan payments are not being remitted on a timely basis

Criteria - Loan balances due to the City under the CDBG Loan Grant No. 96Q-X-159-483-9703 should be monitored and managed to ensure timely collection and reduction of bad debts.

Condition - We noted the loan made to assist small businesses in the City is not being repaid according to the loan agreement.

Effect - Loan balances due to the City may not be timely collected and bad debts could result.

Cause - Policies and procedures are inadequate to ensure collection of loan balances and reduction of delinquencies.

Recommendation - Policies and procedures should be reviewed and refined to ensure collection of loan balances and reduction of and/or prevention of delinquencies. The City should also review the outstanding loan balances periodically to determine the collectability of the loans.

Management's Response - The City concurs with the recommendation. Policies and procedures for the above program will be reviewed in a continued effort to prevent delinquencies. Outstanding loan balances will also be reviewed for collectability.