

**CITY OF STATHAM, GEORGIA**

**Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2010**

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**City of Statham, Georgia**  
**Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2010**

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## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council Members  
City of Statham, Georgia 30666

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, and each major fund of the **City of Statham, Georgia**, as of and for the fiscal year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Statham, Georgia's management. Our responsibility is to express opinions on these financial statements based on our audit.


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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the **City of Statham, Georgia**, as of June 30, 2010, and the respective changes in financial position, cash flows of its proprietary funds, and the respective budgetary comparison of the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 4 through 12 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the **City of Statham, Georgia's** basic financial statements. The combining and individual fund financial statements, schedules and schedule of project expenditures with Special Option Sales Tax 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, schedules and schedule of project expenditures with Special Option Sales Tax have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 10, 2010, on our consideration of the **City of Statham, Georgia's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of the report is to describe the scope of testing of internal control over financial reporting and compliance and the results of that testing, and is not to provide an opinion on the internal control over financial reporting or on compliance. Accordingly, we express no such opinion. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

  
**HUBERT A. BRISCOE, CPA**  
Winder, Georgia 30680-0531  
November 10, 2010



**City of Statham, Georgia**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2010**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Within this section of the City of Statham, Georgia (City) basic financial report, the City's management provides narrative discussion and analysis of the financial activities of the City for the fiscal year ended June 30, 2010. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section. The discussion focuses on the City's primary government. Unless otherwise noted component units, related organization and joint ventures reported separately from the primary government are not included.

### **Financial Highlights**

The City of Statham (City), Georgia operates under a Mayor-Council form of government. The accounting, financial reporting, and significant practices of the City are discussed in subsequent sections and the remainder of the Notes are organized to provide explanations and other required disclosures for the City's financial activities.

The City's assets exceeded its liabilities by \$6,399,933 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$6,274,754.

Total net assets are comprised of the following:

- (1) Capital assets, net of related debt, of \$5,156,933 includes property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
- (2) Net assets of \$113,396 are restricted by constraints imposed from outside the City such as grantors, laws, or regulations.
- (3) Unrestricted net assets of \$1,129,604 represent the portion available to maintain the City's continuing obligations to citizens and creditors.

The City's governmental funds reported total ending fund balance of \$533,801 this year. This compares to the prior year ending fund balance of \$544,983 showing a decrease of \$11,182 during the current year. Unreserved fund balance of \$533,801 for the fiscal year 2010 shows a \$11,182 decrease over the prior year.

At the end of the fiscal year, unreserved fund balance for the General Fund was \$451,652 or 43.0 % of total General Fund expenditures and 45.1 % of total General Fund revenues.

Total liabilities of the City increased by \$324,230 to \$4,772,894 during the fiscal year. The City's Water & Sewer Fund's interim financing of \$3,009,474 for construction of a waste water plant and system improvements increased by \$374,079 over the prior year. The interim financing was converted to permanent financing on June 1, 2010. The General Fund issued no new debt during the fiscal year ended June 30, 2010.

## **Overview of the Financial Statements**

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

### ***Government-wide Financial Statements***

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

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

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

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by taxes and intergovernmental revenues, such as grants, and from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, planning & zoning, public safety and public works. Business-type activities include water & sewer system utilities and solid waste disposal and management. Fiduciary activities such as employee pension plans are not included in the government-wide statements since these asset are not available to fund City programs.

The City's financial reporting includes the funds of the City (primary government) and organizations for which the City is accountable (component units). The city had no reportable component units. Other organizations such as related organizations and joint ventures are reported separately and are not included in the City's overall reporting entity.

### *Fund Financial Statements*

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

The City has three kinds of funds:

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

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

Budgetary comparison statements are included in the basic financial statements for the general fund. Budgetary comparison schedules for capital projects funds can be found in a later section of this report. These statements and schedules demonstrate compliance with the City's adopted, revised and final budgets.

*Proprietary funds* are reported in the fund financial statements and generally report services for which the City charges customers a fee. There are two kinds of proprietary funds. These are enterprise funds and internal service funds. The City utilizes only enterprise funds. Enterprise funds essentially encompass the same functions as reported as business-type activities in the government-wide statements. Services are provided to customers external to the City organization such as water & sewer utilities and solid waste disposal and management.

Proprietary fund statements and statements for discretely presented component units (reporting that is similar to proprietary funds) provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements but with more detail for major enterprise funds. The city had no component units, internal service funds, or non-major enterprise funds.

*Fiduciary funds*, such as employee pension plans, are reported in the fiduciary fund financial statements, but are excluded from the government-wide reporting. Fiduciary fund financial statements report resources that are not available to fund City programs. The City's only fiduciary funds are employee pension funds and financial statements are reported appropriately and separate from the City's financial statements.

*Notes to the financial statements*

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin on page 26 of this report immediately following the basic financial statements.

*Other information*

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information. Other supplementary information includes details by fund for receivables, payables, transfers, and payments within the reporting entity. Supplementary information follows the notes to the financial statements.

Major funds are reported in the basic financial statements as discussed. Combining and individual statements and schedules for non-major funds are presented in a subsequent section of this report.

**Financial Analysis of the City as a Whole**

The City implemented the new financial reporting model used in this report at the beginning of the fiscal year July 1, 2003. Over time, as year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the City as a whole.

The City's net assets at fiscal year-end are \$6,399,933. This is a \$125,179 increase over the beginning year's net assets of \$6,274,754. The following table provides a summary of the City's net assets:

**Summary of Net Assets**  
(dollars are in thousands)

	Governmental Activities		Business-type Activities		Total		Amount	%
	2010	2009	2010	2009	2010	2009	Change	Change
Current and other Assets	\$553	\$579	\$937	\$672	\$1,490	\$1,251	\$239	19%
Capital assets	2,063	2,128	7,620	7,344	9,683	9,472	211	2%
<b>Total Assets</b>	<b>\$2,616</b>	<b>\$2,707</b>	<b>\$8,557</b>	<b>\$8,016</b>	<b>\$11,173</b>	<b>\$10,723</b>	<b>\$450</b>	<b>4%</b>
Current and other liabilities	\$25	\$50	\$390	\$2,883	\$415	\$2,933	(\$2,518)	-86%
Long-term liabilities		6	4,358	1,510	4,358	1,516	2,842	187%
<b>Total Liabilities</b>	<b>\$25</b>	<b>\$56</b>	<b>\$4,748</b>	<b>\$4,393</b>	<b>\$4,773</b>	<b>\$4,449</b>	<b>\$324</b>	<b>7%</b>
Net Assets:								
Invested in capital assets								
net of related debt	\$2,057	\$2,106	\$3,100	\$3,153	\$5,157	\$5,259	(\$102)	-2%
Restricted			113	113	113	113	0	0%
Unrestricted	534	545	596	356	1,130	901	229	25%
<b>Total Net Assets</b>	<b>\$2,591</b>	<b>\$2,651</b>	<b>\$3,809</b>	<b>\$3,622</b>	<b>\$6,400</b>	<b>\$6,273</b>	<b>\$127</b>	<b>2%</b>

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010**

**City of Statham, Georgia**

The City reported positive balances in net assets for both governmental and business-type activities. Net assets decreased \$60,575 for governmental activities and increased \$187,754 for business-type activities. The City's overall financial position improved during fiscal year 2010.

Comparative data is accumulated to assist analysis. The following table provides a summary of the City's changes in net assets:

**Summary of Changes of Net Assets**  
(dollars are in thousands)

	Governmental Activities		Business-type Activities		Total		Amount	%
	2010	2009	2010	2009	2010	2009	Change	Change
<b>Revenues</b>								
Program Revenues:								
Charges for services	\$93	\$143	\$992	\$800	\$1,085	\$943	\$142	15%
Operating grants & contributions					0	0	0	
Capital grants & contributions	44			323	44	323	(279)	-86%
General Revenues:								
Sales & Use taxes	302	366			302	366	(64)	-17%
Property taxes	303	307			303	307	(4)	-1%
Franchise taxes	128	126			128	126	2	2%
Alcohol beverage taxes	42	41			42	41	1	2%
Insurance Premium taxes	113	114			113	114	(1)	-1%
Other taxes, Interest & Misc	21	20	3	15	24	35	(11)	-31%
<b>Total Revenues</b>	<b>\$1,046</b>	<b>\$1,117</b>	<b>\$995</b>	<b>\$1,138</b>	<b>\$2,041</b>	<b>\$2,255</b>	<b>(\$214)</b>	<b>-9%</b>
<b>Expenses</b>								
General Government	\$435	\$467			\$435	\$467	(\$32)	-7%
Public Safety	380	440			380	440	(60)	-14%
Public Works	290	264			290	264	26	10%
Interest on General long-term debt	1	1			1	1	0	0%
Water & Sewer			\$706	\$635	706	635	71	11%
Solid Waste			103	98	103	98	5	5%
<b>Total Expenses</b>	<b>\$1,106</b>	<b>\$1,172</b>	<b>\$809</b>	<b>\$733</b>	<b>\$1,915</b>	<b>\$1,905</b>	<b>\$10</b>	<b>1%</b>
Increase (decrease) in net assets before transfers	(\$60)	(\$55)	\$186	\$405	\$126	\$350	(\$224)	-64%
<b>Change in Net Assets</b>	<b>(\$60)</b>	<b>(\$55)</b>	<b>\$186</b>	<b>\$405</b>	<b>\$126</b>	<b>\$350</b>	<b>(\$224)</b>	<b>-64%</b>
Beginning Net Assets	2,651	2,706	3,623	3,218	6,274	5,924	350	6%
<b>Ending Net Assets</b>	<b>\$2,591</b>	<b>\$2,651</b>	<b>\$3,809</b>	<b>\$3,623</b>	<b>\$6,400</b>	<b>\$6,274</b>	<b>\$126</b>	<b>2%</b>

### GOVERNMENTAL REVENUES

The City's governmental activities are heavily reliant on taxes to support governmental operations. Property taxes provided 29 percent, sales taxes provided 29 percent and other taxes provided 27 percent of the City's total revenues. Program revenues, which included capital grants covered 12 percent of governmental operating expenses. The City's taxpayers and other general revenues funded 82 percent of the governmental activities. Therefore, the general economy and local business have a major impact on the City's revenue streams.

### GOVERNMENTAL FUNCTIONAL EXPENSES

Total governmental activities costs for the current fiscal year were \$1,106,166. Of this amount, general government was \$435,316 (39%), public safety was \$379,582 (34%), and public works was \$292,577 (26%) of the total cost for services for fiscal year 2009-2010. Some of the costs were paid by programs revenues of \$136,853.

### BUSINESS-TYPE ACTIVITIES

#### Revenues vs. Costs

Fiscal Year Ended June 30, 2010

	<u>Revenues</u>	<u>Expenses</u>
Water & Sewer System	\$834,954	\$705,805
Solid Waste Disposal /Management	156,257	102,831

### Financial Analysis of the City's Funds

#### *Governmental Funds*

As discussed, governmental funds are reported in the fund statements with a short-term, inflows and outflows of spendable resource focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of \$553,801. Of this year-end total, \$553,801 is unreserved indicating availability for continuing City service requirements.

The total ending fund balances of governmental funds shows a decrease of \$11,182 over the prior year. This decrease is primarily the result of the events and programs described with the analysis of the City's governmental activities.

#### *Major Governmental Funds*

The General Fund is the City's primary operating fund and the largest source of day-to-day service delivery. The fund balance of the General Fund decreased by \$47,511. A key factor contributing to this decrease was a decrease in governmental revenues.

The Capital Projects Fund accumulates resources and disbursements for major capital projects. The Capital Projects Fund had a fund balance of \$82,149 as of June 30, 2010.



***Proprietary Funds***

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status. The Water & Sewer Fund net income was \$132,097. The Solid Waste Fund net income was \$53,657.

***Major Proprietary Funds***

The Water & Sewer System Fund provides water and waste water disposal to the City's residential and commercial customers. The City strives to maintain competitive rates to its customers while providing safe drinking water and sewage treatment. The City's water and sewage utilities are reported within this activity in the government-wide statements.

The Solid Waste Disposal/Management Fund provides refuse collection and disposal to the City's residential and commercial customers. The City's solid waste disposal and management are reported within this activity in the government-wide statements.

**General Fund Budgetary Highlights**

The General Fund budget for fiscal year 2009-2010 was \$1,132,289. This was a increase of \$33,580 under the previous year amended budget. The City Council made subsequent budget amendments between departments of \$10,500.

These amendments adjusted budgeted expenditures between departments to reflect a reclassification of funds required to adjust the original appropriations.

**Capital Asset and Debt Administration**

***Capital assets***

The City's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of June 30, 2010, was \$2,063,256 and \$7,619,520 respectively. Major capital asset additions during the current year included street improvements (paving) for \$7,427 and equipment purchases of \$1,995. Expansion and improvements by the City's business-type activities in the amount of \$414,728 also contributed to changes in the City's investment in capital assets. See Note 4. D. for additional information about changes in capital assets during the fiscal year.



**Capital Assets**  
**Net of Accumulated Depreciation**  
(dollars are in thousands)

	Governmental Activities		Business-type Activities		Total		Amount	%
	2010	2009	2010	2009	2010	2009	Change	Change
Non-Depreciable Assets								
Land	\$366	\$366	\$526	\$526	\$892	\$892	\$0	0%
Construciton in progress				3,253	0	3,253	(3,253)	-100%
Depreciable Assets (net)								
Buildings	371	384	28	29	399	413	(14)	-3%
Distribution Systems			6,912	3,350	6,912	3,350	3,562	106%
Vehicles & Equipment	179	214	154	186	333	400	(67)	-17%
Infrastructure	1,147	1,165			1,147	1,165	(18)	-2%
<b>Total</b>	<b>\$2,063</b>	<b>\$2,129</b>	<b>\$7,620</b>	<b>\$7,344</b>	<b>\$9,683</b>	<b>\$9,473</b>	<b>\$210</b>	<b>2%</b>

**Long-term debt**

At the end of the fiscal year, the City had total debt outstanding of \$4,525,843. Of this amount, \$6,073 was for capital leases. The other major component was \$1,408,870 supported by pledged revenues generated primarily by the business-type activities of the City (Revenue Bonds). See Note 4. G. for additional discussion.

**Bond Ratings**

Bond ratings are disclosed on the face of the final official statements for the bonds. Bond ratings have not changed since issuance.

**Outstanding Debt**  
(dollars are in thousands)

	Governmental Activities		Business-type Activities		Total		Amount	%
	2010	2009	2010	2009	2010	2009	Change	Change
General Obligation Leases	\$6	\$22			\$6	\$22	(\$16)	-73%
Revenue Bonds			\$1,409	\$1,441	1,409	1,441	(32)	-2%
Notes Payable			3,111	2,750	3,111	2,750	361	13%
<b>Total</b>	<b>\$6</b>	<b>\$22</b>	<b>\$4,520</b>	<b>\$4,191</b>	<b>\$4,526</b>	<b>\$4,213</b>	<b>\$313</b>	<b>7%</b>

### **Economic Environment and Next Year's Budgets**

The City's elected officials considered many factors when adopting the fiscal year 2009-2010 budget. The City's tax rates and fees for business-type activities were predominate budget considerations. The City is experiencing steady growth in population and local businesses. The City has low to moderate cost of living, relatively low unemployment and a stable but growing economic environment. Water System improvements are planned and are to be funded primarily with Special Option Sale Tax receipts.

The City reached an agreement with Barrow County, Georgia, for the transfer of the City's waste water treatment plant and sewer distribution system. This transfer will be effective upon the completion of a new waste water treatment plant.

For the fiscal year 2010-2011, the City Council approved a total budget of \$2.157 million. This budget includes operating and non-operating funds. The General Fund budget is \$1,140,929 and the Proprietary Funds are budgeted for \$1,016,171 (Water & Sewer \$918,127 and Solid Waste \$98,044). The City's budgets and relative fund balances are maintained in compliance with the City's adopted financial policies.

### **Contacting the City's Financial Management**

This financial report is designed to provide a general overview of the City's finances, comply with finance-related laws and regulations, and demonstrate the City's commitment to public accountability. If you have any questions about this report or would like to request additional information, contact the City Clerk, at: P. O. Box 28, Statham, Georgia 30666.

**City of Statham, Georgia**  
**Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2010**

City of Statham, Georgia  
Statement of Net Assets  
June 30, 2010

	Primary Government		
	Governmental Activities	Business Type Activities	Totals
<b>ASSETS</b>			
Current Assets			
Cash and Cash equivalents	\$ 285,727	\$ 521,400	\$ 807,127
Receivables - Taxes	104,058		104,058
Other Accounts		104,154	104,154
Due from Other Governments	54,245	(108,533)	54,245
Internal Balances	108,533		0
Restricted Current Assets			
Cash and Cash equivalents		420,467	420,467
Non-Current Assets			
Capital Assets:			
Land & Construction in Progress	365,949	525,753	891,702
Other Capital Assets, net of accumulated depreciation	1,697,307	7,093,767	8,791,074
<b>TOTAL ASSETS</b>	<b>\$ 2,615,819</b>	<b>\$ 8,557,008</b>	<b>\$ 11,172,827</b>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts Payable	\$ 18,762	\$ 19,614	\$ 38,376
Refundable Deposits		126,200	126,200
Accrued Interest Payable		82,475	82,475
Notes, Leases & Bonds Payable - Current	6,073	161,369	167,442
Non-Current Liabilities			
Notes, Leases & Bonds Payable - Non Current		4,358,401	4,358,401
<b>TOTAL LIABILITIES</b>	<b>\$ 24,835</b>	<b>\$ 4,748,059</b>	<b>\$ 4,772,894</b>
<b>NET ASSETS</b>			
Investment in Capital Assets, net of related debt	\$ 2,057,183	\$ 3,099,750	\$ 5,156,933
Restricted - Debt Service		113,396	113,396
Unrestricted	533,801	595,803	1,129,604
<b>TOTAL NET ASSETS</b>	<b>\$ 2,590,984</b>	<b>\$ 3,808,949</b>	<b>\$ 6,399,933</b>

See accompanying notes to Financial Statements

**City of Statham, Georgia**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2010**

Function/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business Type Activities
<b>Primary Government:</b>						
<b>Governmental Activities:</b>						
General Government	\$ 435,316	\$ 22,312	\$		\$ (413,004)	\$ (413,004)
Public Safety	379,582	70,785		43,756	(308,797)	(308,797)
Public Works	290,577				(246,821)	(246,821)
Interest on long-term debt	691				(691)	(691)
<b>Total Governmental Activities</b>	<b>\$ 1,106,166</b>	<b>\$ 93,097</b>	<b>\$ 0</b>	<b>\$ 43,756</b>	<b>\$ (969,313)</b>	<b>\$ (969,313)</b>
<b>Business Type Activities:</b>						
Water & Sewer	705,805	834,954				\$ 129,149
Solid Waste	102,831	156,257				53,426
<b>Total Business Type Activities</b>	<b>\$ 808,636</b>	<b>\$ 991,211</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 182,575</b>	<b>\$ 182,575</b>
<b>Total Primary Government</b>	<b>\$ 1,914,802</b>	<b>\$ 1,084,308</b>	<b>\$ 0</b>	<b>\$ 43,756</b>	<b>\$ (969,313)</b>	<b>\$ (786,738)</b>
<b>General Revenues:</b>						
Taxes:						
Sales & Use Taxes - Local Option					\$ 302,147	\$ 302,147
Property Taxes					303,302	303,302
Franchise Taxes					127,500	127,500
Alcohol Beverage Taxes					42,289	42,289
Insurance Premium Taxes					113,104	113,104
Other Taxes					2,971	2,971
Interest & Investment Earnings					341	3,520
Miscellaneous					3,179	17,084
<b>Total General Revenues, Special Items &amp; Transfers</b>					<b>\$ 908,738</b>	<b>\$ 911,917</b>
<b>Change in Net Assets</b>						
Net Assets-Beginning					\$ (60,575)	\$ 125,179
Net Assets-Ending					2,651,559	3,623,195
					\$ 2,590,984	\$ 3,808,949

See accompanying notes to Financial Statements

**City of Statham, Georgia**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2010**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Totals Governmental Funds</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 207,466	\$ 78,261	\$ 285,727
Receivables - Taxes	104,058		104,058
Due From Other Governments	50,357	3,888	54,245
Receivable From Other Funds	<u>136,370</u>		<u>136,370</u>
<b>TOTAL ASSETS</b>	<u>\$ 498,251</u>	<u>\$ 82,149</u>	<u>\$ 580,400</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 18,762	\$	\$ 18,762
Due To Other Funds	<u>27,837</u>		<u>27,837</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 46,599</u>	<u>\$ 0</u>	<u>\$ 46,599</u>
<b>FUND BALANCES</b>			
Unreserved - General Fund	\$ 451,652	\$	\$ 451,652
Unreserved - Capital Projects Fund		<u>82,149</u>	<u>82,149</u>
<b>TOTAL FUND BALANCES</b>	<u>\$ 451,652</u>	<u>\$ 82,149</u>	<u>\$ 533,801</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 498,251</u>	<u>\$ 82,149</u>	<u>\$ 580,400</u>

*See accompanying notes to Financial Statements*

**City of Statham, Georgia**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**To the Statement of Net Assets**  
**June 30, 2010**

<b>Total fund balance - total governmental funds</b>		<b>\$ 533,801</b>
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds</p>		
Capital assets (Cost)	\$ 2,851,153	
Less accumulated depreciation	<u>(787,897)</u>	2,063,256
<p>Long-term Liabilities are not due and payable in the current period and are not reported in the funds</p>		
Capital Leases		<u>(6,073)</u>
<b>Net Assets of Governmental Activities</b>		<b>\$ <u><u>2,590,984</u></u></b>

*See accompanying notes to Financial Statements*

**City of Statham, Georgia**  
**Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances -**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2010**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>			
Taxes	\$ 891,313	\$	\$ 891,313
Licenses & Permits	22,312		22,312
Intergovernmental		43,650	43,650
Fines and Forfeitures	70,785		70,785
Interest Income	341	106	447
Miscellaneous	17,084		17,084
<b>TOTAL REVENUES</b>	<u>\$ 1,001,835</u>	<u>\$ 43,756</u>	<u>\$ 1,045,591</u>
<b>EXPENDITURES:</b>			
Current Operations			
General Government	\$ 416,254	\$	\$ 416,254
Public Safety	372,746		372,746
Public Works	258,351		258,351
Capital Outlay - General Government	1,995		1,995
Capital Outlay - Public Works		7,427	7,427
<b>TOTAL EXPENDITURES</b>	<u>\$ 1,049,346</u>	<u>\$ 7,427</u>	<u>\$ 1,056,773</u>
<b>Revenues Over (Under) Expenditures</b>	\$ (47,511)	\$ 36,329	\$ (11,182)
<b>OTHER FINANCING SOURCES (USES)</b>			
None	\$	\$	\$ 0
<b>NET CHANGE IN FUND BALANCES</b>	\$ (47,511)	\$ 36,329	\$ (11,182)
<b>FUND BALANCE - BEGINNING OF YEAR</b>	499,163	45,820	544,983
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 451,652</u>	<u>\$ 82,149</u>	<u>\$ 533,801</u>

*See accompanying notes to Financial Statements*



**City of Statham, Georgia**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Funds**  
**To the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2010**

<b>Net Changes in Fund Balances - Total Governmental Funds</b>		<b>\$ (11,182)</b>
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays and depreciation differ in the current period.		
Capital Outlay	\$ 9,422	
Depreciation	<u>(74,549)</u>	(65,127)
Repayment of debt principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Repayment of capital lease obligations. See Note 4. G.		<u>15,734</u>
<b>Change in net assets of Governmental Activities</b>		<b>\$ <u>(60,575)</u></b>

*See accompanying notes to Financial Statements*

**City of Statham, Georgia**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in**  
**Fund Balance - Budget and Actual (Budgetary Basis)**  
**For the Fiscal Year Ended June 30, 2010**

	<u>Budgeted Amounts</u>			<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Revisions</u>	<u>Final</u>		
<b>REVENUES</b>					
Taxes					
Property Taxes	\$ 260,000	\$	\$ 260,000	\$ 285,732	\$ 25,732
Motor Vehicle Taxes	20,000		20,000	17,570	(2,430)
Sales Taxes	350,000		350,000	302,147	(47,853)
Franchise Taxes	110,000		110,000	127,500	17,500
Alcohol Beverage Taxes	30,000		30,000	42,289	12,289
Insurance Premium Taxes	115,000		115,000	113,104	(1,896)
Other Taxes	2,500		2,500	2,971	471
<b>Total Taxes</b>	<u>\$ 887,500</u>	<u>\$ 0</u>	<u>\$ 887,500</u>	<u>\$ 891,313</u>	<u>\$ 3,813</u>
Licenses & Permits	87,247		87,247	22,312	(64,935)
Fines & Forfeitures	142,542		142,542	70,785	(71,757)
Miscellaneous	12,000		12,000	17,084	5,084
Interest Earned	3,000		3,000	341	(2,659)
<b>TOTAL REVENUES</b>	<u>\$ 1,132,289</u>	<u>\$ 0</u>	<u>\$ 1,132,289</u>	<u>\$ 1,001,835</u>	<u>\$ (130,454)</u>
<b>EXPENDITURES</b>					
<b>Current</b>					
<b>General Government</b>					
Personal Services	\$ 211,649	\$ 3,200	\$ 214,849	\$ 214,840	\$ 9
Purchased/Contracted Services	202,787	(10,500)	192,287	168,777	23,510
Supplies	34,459	(9,700)	24,759	24,233	526
Other Costs	3,500	5,000	8,500	8,404	96
Capital Outlay	500	1,500	2,000	1,995	5
<b>Total General Government</b>	<u>\$ 452,895</u>	<u>\$ (10,500)</u>	<u>\$ 442,395</u>	<u>\$ 418,249</u>	<u>\$ 24,146</u>
<b>Public Safety</b>					
Personal Services	\$ 327,354	\$	\$ 327,354	\$ 288,281	\$ 39,073
Purchased/Contracted Services	55,200	(21,300)	33,900	33,895	5
Supplies	38,400		38,400	19,814	18,586
Other Costs	7,000	23,800	30,800	30,756	44
Capital Outlay	1,000		1,000		1,000
<b>Total Public Safety</b>	<u>\$ 428,954</u>	<u>\$ 2,500</u>	<u>\$ 431,454</u>	<u>\$ 372,746</u>	<u>\$ 58,708</u>

*See accompanying notes to Financial Statements*

**City of Statham, Georgia**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in**  
**Fund Balance - Budget and Actual (Budgetary Basis)**  
**For the Fiscal Year Ended June 30, 2010**

	<u>Budgeted Amounts</u>			<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Revisions</u>	<u>Final</u>		
<b>Public Works</b>					
Personal Services	\$ 149,896	\$ 4,000	\$ 153,896	\$ 153,863	\$ 33
Purchased/Contracted Services	36,224	7,400	43,624	43,601	23
Supplies	64,320	(3,400)	60,920	60,887	33
Capital Outlay			0		0
<u>Total Public Works</u>	<u>\$ 250,440</u>	<u>\$ 8,000</u>	<u>\$ 258,440</u>	<u>\$ 258,351</u>	<u>\$ 89</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 1,132,289</u>	<u>\$ 0</u>	<u>\$ 1,132,289</u>	<u>\$ 1,049,346</u>	<u>\$ 82,943</u>
<b>EXCESS OF REVENUES OVER</b>					
<b>EXPENDITURES</b>	\$ 0	\$ 0	\$ 0	\$ (47,511)	\$ (47,511)
<b>OTHER FINANCING SOURCES (USES)</b>					
None			0		0
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (47,511)</u>	<u>\$ (47,511)</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>				499,163	
<b>FUND BALANCE - END OF YEAR</b>				<u>\$ 451,652</u>	

*See accompanying notes to Financial Statements*

**City of Statham, Georgia**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2010**

	<u>Enterprise Funds</u>		<u>Totals</u>
	<u>Water &amp; Sewer System</u>	<u>Solid Waste</u>	
<b>ASSETS</b>			
Current Assets:			
Cash & Cash Equivalents	\$ 466,010	\$ 55,390	\$ 521,400
Receivables, Net	104,154		104,154
Restricted Cash & Cash Equivalents	<u>420,467</u>		<u>420,467</u>
Total Current Assets	<u>\$ 990,631</u>	<u>\$ 55,390</u>	<u>\$ 1,046,021</u>
Non-Current Assets:			
Capital Assets:			
Land & Construction in Progress	\$ 525,753	\$	\$ 525,753
Buildings, Equipment & Distribution System			
net of accumulated depreciation	7,075,264	18,503	7,093,767
Due from Other Funds		<u>27,837</u>	<u>27,837</u>
Total Non-Current Assets	<u>\$ 7,601,017</u>	<u>\$ 46,340</u>	<u>\$ 7,647,357</u>
<b>TOTAL ASSETS</b>	<u>\$ 8,591,648</u>	<u>\$ 101,730</u>	<u>\$ 8,693,378</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	\$ 12,422	\$ 7,192	\$ 19,614
Refundable Deposits	126,200		126,200
Notes & Bonds Payable, Current	161,369		161,369
Accrued Interest Payable	<u>82,475</u>		<u>82,475</u>
Non-Current Liabilities:			
Notes & Bonds Payable, Non-Current	4,358,401		4,358,401
Due to Other Funds	<u>136,370</u>		<u>136,370</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 4,877,237</u>	<u>\$ 7,192</u>	<u>\$ 4,884,429</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	\$ 3,081,247	\$ 18,503	\$ 3,099,750
Restricted - Debt Service	113,396		113,396
Unrestricted	<u>519,768</u>	<u>76,035</u>	<u>595,803</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 3,714,411</u>	<u>\$ 94,538</u>	<u>\$ 3,808,949</u>

*See accompanying notes to Financial Statements*

**City of Statham, Georgia**  
**Statement of Revenues, Expenses**  
**and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2010**

	<u>Enterprise Funds</u>		
	<u>Water &amp; Sewer System</u>	<u>Solid Waste</u>	<u>Totals</u>
<b>Operating Revenues:</b>			
Charges for Service	\$ 813,679	\$ 156,257	\$ 969,936
Other	21,275		21,275
<b>Total Operating Revenues</b>	<u>\$ 834,954</u>	<u>\$ 156,257</u>	<u>\$ 991,211</u>
<b>Operating Expenses:</b>			
Personal Services & Benefits	\$ 209,099	\$ 34,542	\$ 243,641
Purchased/Contracted Services	160,423	10,006	170,429
Depreciation	127,311	11,947	139,258
Supplies	126,737	6,581	133,318
Other	100	39,755	39,855
<b>Total Operating Expenses</b>	<u>\$ 623,670</u>	<u>\$ 102,831</u>	<u>\$ 726,501</u>
<b>Operating Income (Loss)</b>	\$ 211,284	\$ 53,426	\$ 264,710
<b>Non-operating Revenues (Expenses)</b>			
Interest Income	2,948	231	3,179
Interest Expense	<u>(82,135)</u>		<u>(82,135)</u>
<b>Net Income (Loss)</b>	\$ 132,097	\$ 53,657	\$ 185,754
<b>Total Net Assets - Beginning of Year</b>	<u>3,582,314</u>	<u>40,881</u>	<u>3,623,195</u>
<b>Total Net Assets - End of Year</b>	<u>\$ 3,714,411</u>	<u>\$ 94,538</u>	<u>\$ 3,808,949</u>

*See accompanying notes to Financial Statements*

**City of Statham, Georgia**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2010**

	<u>Enterprise Funds</u>		
	<u>Water &amp; Sewer System</u>	<u>Solid Waste</u>	<u>Totals</u>
<b>Cash Flows from Operating Activities:</b>			
Receipts from customers	\$ 831,141	\$ 156,257	\$ 987,398
Payments to suppliers	(279,244)	(12,049)	(291,293)
Payments to employees	(150,686)	(24,522)	(175,208)
Other receipts (payments)	(119,069)	(116,686)	(235,755)
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 282,142</u>	<u>\$ 3,000</u>	<u>\$ 285,142</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition of Capital Assets	\$ (414,728)	\$	\$ (414,728)
Principal Payments	(44,881)		(44,881)
Loan Proceeds	374,079		374,079
Interest Expense	(73,713)		(73,713)
<b>Total Cash Provided (Used) by Capital and Related Financing Activities</b>	<u>\$ (159,243)</u>	<u>\$ 0</u>	<u>\$ (159,243)</u>
<b>Cash Flows from Investing Activities:</b>			
Interest Income	\$ 2,948	\$ 231	\$ 3,179
<b>Net Increase (Decrease) in Cash</b>	<u>\$ 125,847</u>	<u>\$ 3,231</u>	<u>\$ 129,078</u>
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>760,630</u>	<u>52,159</u>	<u>812,789</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 886,477</u>	<u>\$ 55,390</u>	<u>\$ 941,867</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>			
Net Operating Income/(Loss)	\$ 211,284	\$ 53,426	\$ 264,710
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation	127,311	11,947	139,258
(Increase)/Decrease - Accounts Receivable	(8,793)		(8,793)
(Increase)/Decrease - Due from Other Funds		(27,837)	(27,837)
Increase/(Decrease) - Accounts Payable	7,916	4,538	12,454
Increase/(Decrease) - Customer Deposits	4,980		4,980
Increase/(Decrease) - Due to Other Funds	(60,556)	(39,074)	(99,630)
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 282,142</u>	<u>\$ 3,000</u>	<u>\$ 285,142</u>

See accompanying notes to Financial Statements

**City of Statham, Georgia**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2010**

**City of Statham, Georgia**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2010**

**Note 1. Summary of Significant Accounting Policies**

**A. Introduction:**

The City of Statham (City), Georgia operates under a Mayor-Council form of government. The accounting, financial reporting, and significant practices of the City are discussed in subsequent sections and the remainder of the Notes are organized to provide explanations and other required disclosures for the City's financial activities.

The financial statements of the City of Statham have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) of the United States of America. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The City also applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued after November 30, 1989, to its governmental and business-type activities at the government-wide financial reporting level and to its proprietary funds at the fund reporting level unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

**B. Financial Reporting Entity - Basis of Presentation**

**1. Primary Government and Component Units:**

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

In conformity with GASB Statement 14, The City of Statham, Georgia, has no component units that meet the criteria for component units requiring discrete presentation in the primary government financial reporting entity.



**City of Statham, Georgia**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2010**

**Note 1. Summary of Significant Accounting Policies, continued**

**B. Financial Reporting Entity - Basis of Presentation, continued**

**2. 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 for the City as a whole. The primary government is the focus of these financial statements. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

*Fund Financial Statements*

The City segregates transactions related to certain City functions or activities in separate funds in order to aid in financial management and to demonstrate legal and contractual compliance. Fund financial statements are provided for governmental and proprietary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

*Fund Accounting*

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

**City of Statham, Georgia**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2010**

**Note 1. Summary of Significant Accounting Policies, continued**

**B. Financial Reporting Entity - Basis of Presentation, continued**

**2. Government-wide and Fund Financial Statements**

*Fund Accounting*

**Governmental Fund Types**

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within sixty (60) days of end of the fiscal year. Revenues subject to accrual are property taxes, sales & use taxes, interest income and grants. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due. Governmental fund types utilized by the City are General Fund and Capital Projects Fund. The general fund is the City's primary operating fund and it accounts for all financial resources of the general government. Capital projects fund accounts for the accumulation of resources and subsequent disbursement of such resources in obtaining or renovating major capital projects. The General Fund and Capital Projects Fund are major governmental fund types.

**Proprietary Fund Types**

Proprietary fund financial statements report using the economic resources measurement focus and the accrual basis of accounting, primarily directed to continuing operations. Reporting focuses on the determination of net income, financial position, and cash flows. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are costs of providing goods or services and includes administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements. Proprietary fund types utilized by the City are Water & Sewer and Solid Waste Funds. Both are major enterprise funds. The Water & Sewer fund accounts for utility services and their related distribution operations. The Solid Waste fund accounts for refuse collections and operations.

**3. Measurement Focus:**

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

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**City of Statham, Georgia**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2010**

**Note 1. Summary of Significant Accounting Policies, continued**

**B. Financial Reporting Entity - Basis of Presentation, continued**

**3. Measurement Focus - continued**

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

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

**C. Basis of Accounting:**

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

**D. Assets, Liabilities, Net Assets or Fund Equity:**

**1. Cash, Cash Equivalents, and Investments**

Cash and cash equivalents include demand deposits, money market accounts and short-term investments with a maturity date, within ninety (90) days of the date acquired by the City.

**City of Statham, Georgia**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2010**

**Note 1. Summary of Significant Accounting Policies, continued**

**D. 1. Cash, Cash Equivalents, and Investments - continued**

The City may invest and reinvest money subject to its control in (1) obligations of the United States and its agencies and instrumentalities; (2) bonds or certificates of indebtedness of Georgia and its agencies and instrumentalities; and (3) certificates of deposit of banks which have deposits insured by the Federal Deposit Insurance Corporation and certain specified amounts in excess of the amount insured by the F.D.I.C. The City also may hold funds in deposit accounts with banking institutions as otherwise authorized by law.

Investments are stated at cost or amortized costs, which approximates market. Investments consist of money market accounts, certificates of deposit and U. S. Government Treasury Bills & Notes, and are considered as the same as cash and cash equivalents, and accordingly are reported under the caption of cash on the balance sheet.

**2. Receivables**

Receivables are recorded in the General and Enterprise Funds net of any estimated uncollectibles.

**3. Inventory**

Materials purchased and expendable supplies are shown as expenditures in governmental funds and expenses in proprietary funds when acquired and are not inventoried at year end because the amounts are not considered to be material.

**4. Prepaid Items**

Payments to vendors for services that benefit future periods beyond fiscal year end are recorded as prepaid items and reported on the consumption basis. When prepaid items are incurred by the City, the expenditure or expense is deferred to the period benefited. At the fund reporting level, a reservation is made in the fund balance for an equal amount.

**5. Capital Assets**

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Infrastructure acquired prior to implementation of GASB 34 on July 1, 2003 are not reported in the basic financial statements. Proprietary/Enterprise fund capital assets also are reported in their respective fund financial statements. Donated assets are stated at fair value on the date donated. The City maintains a capitalization threshold of five thousand dollars. The City's infrastructure consists of roads, bridges, curbs and gutters, sidewalks, and utility (Water & Sewer and Solid Waste) distribution systems. Major improvements to capital assets are capitalized. Cost of normal maintenance and repair that do not add to the asset value or materially extend useful lives are not capitalized.

**City of Statham, Georgia**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2010**

**Note 1. Summary of Significant Accounting Policies, continued**

**D. 5. Capital Assets - continued**

Capital assets are depreciated using the straight-line method. When capital assets are disposed or retired, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss recorded in operations. Depreciation is determined using the straight-line method over the following estimated useful lives:

Plants & Buildings	20 - 50 years
Machinery & Equipment	5 - 8 years
Vehicles	3 - 5 years
Transmission/Distribution Systems & Infrastructure	20 - 50 years

**6. Interest Capitalization**

Interest costs are capitalized when incurred by proprietary fund types on debt where the proceeds were used to finance construction of assets.

**7. Compensated Absences**

Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. The maximum vacation accrual is limited to thirty (30) days. The City requires vacation benefits to be taken in the year granted. Vacation benefits are not allowed to be accrued and carried over to future periods, therefore any vacation benefits not taken are lost.

Sick leave accrues to full-time employees to specified maximums; however, benefits are paid only upon illness of an employee and are charged to expenditures when taken. Accrued sick benefits are lost upon termination or retirement.

**8. Accrued Liabilities and Long-term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide and proprietary financial statements. Bond issue costs, bond discounts or premiums, and the difference between the reacquisition price and net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest rate method.

Governmental fund payables and accrued liabilities reported as obligations of these funds are paid in full from current financial resources. Governmental fund financial statements recognize proceeds from debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

**City of Statham, Georgia**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2010**

**Note 1. Summary of Significant Accounting Policies, continued**

**D. 9. 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*

Fund balance represents the difference between current assets and current liabilities. Unreserved fund balance indicates the amount available for appropriation in future periods. The City reserves portions of fund balance which are legally segregated for a specific purpose or do not represent amounts available for appropriation or expenditure.

*Net Assets*

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through legislation adopted by the City or contractual by creditors, grantors, laws, or regulations of other governments. All other net assets are reported as unrestricted.

**10. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. The City's operating revenues are charges for services for water & sewage and solid waste disposal. Operating expenses are the necessary costs incurred to provide the good or service that is the primary activity of each fund.

**11. Contributed Capital**

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, grants or outside contribution of resources restricted to capital acquisition and construction.

**Note 2. Changes in Accounting Principles, Fund Reclassifications and Restatement of Equity**

**A. Changes in Accounting Principles**

For the Fiscal Year beginning July 1, 2003, the City implemented GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments." GASB Statement No. 34 creates new basic financial statements for reporting the City's financial activities. The financial statements include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present



**City of Statham, Georgia**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2010**

**Note 2. Changes in Accounting Principles, Fund Reclassifications and Restatement of Equity**

**A. Changes in Accounting Principles, continued**

information for individual major funds rather than by fund type. Nonmajor funds are presented in total in a single column.

The government-wide financial statements classify the City's programs between governmental activities and business-type activities. The beginning net asset amount for the business-type activities equals fund equity of the enterprise fund from the prior year. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2003, caused by the conversion to the accrual basis of accounting.

**B. Restatement of Equity Balances**

Restatement of fund equity effected only the General Fund as a result of GASB Interpretation No. 6 for capital leases payable in the amount of \$6,073 as previously reported.

**Note 3. Stewardship, Compliance and Accountability**

**A. Budgetary Information**

*Budget Policy and Practice*

The City prepares annual budgets based on anticipated revenues and appropriated expenditures. Public hearings are conducted to obtain taxpayer comments. Prior to June 30, each year the budget is legally enacted by passage of an ordinance for the City's operating funds. Amendments to the budget must be approved by the City Council. Budgets of the General, Capital Projects and Proprietary Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

*Basis for Budgeting*

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personal services and benefits, purchased/contracted services, supplies, capital outlays, and transfers. The legal level of budgetary control is the department level. Budget revisions at this level are subject to review and approval by the City Council. Within these control levels, management may transfer appropriations without Council approval. Revisions to the budget were made throughout the fiscal year. All unexpended annual appropriations lapse at year end.

**City of Statham, Georgia**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2010**

**Note 3. Stewardship, Compliance and Accountability - continued**

**B. Encumbrances**

Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting - under which purchase orders, contracts and other commitments for expenditures of resources are recorded to reserve the applicable appropriation - is not used by the City.

**C. Deficit Fund Equities**

Deficit fund balances or retained earnings of individual funds. The City had no deficit fund balances or retained earnings as of June 30, 2010.

**D. Excess of Expenditures over Appropriations**

There were no known expenditures in excess of appropriations for the primary government.

**Note 4. Detailed Notes on All Funds**

**A. Deposits and Investments**

All bank balances of deposits as of the balance sheet date are entirely insured or collateralized with securities held by the City or its agent in the City's name. Cash and investments are classified as to credit risk as described below:

Deposits

Category 1 - Insured or collateralized with securities held by the City or its agent in the City's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Category 3 - Uncollateralized.

	1	Category 2	3	Bank Balance	Carrying Amount
Primary Government	\$ 1,247,514	\$ 0	\$ 0	\$ 1,247,514	\$ 1,227,594
Total	<u>\$ 1,247,514</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,247,514</u>	<u>\$ 1,227,594</u>



**City of Statham, Georgia**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2010**

**Note 4. Detailed Notes on All Funds - continued**

**A. Deposits and Investments - continued**

*Investments*

The City may invest and reinvest money subject to its control in 1) obligations of the United States and its agencies and instrumentalities; 2) bonds or certificates of indebtedness of the State of Georgia and its agencies and instrumentalities; and (3) certificates of deposits of banks which have deposits insured by the Federal Deposit Insurance Corporation (FDIC) and certain specified amounts in excess of the amounts insured by the FDIC with the bank pledging appropriate bank assets as collateral. The City also may hold funds in deposit accounts with banking institutions as otherwise authorized by law.

**B. Receivables**

Receivables are recorded in the General and Enterprise Funds net of any estimated uncollectibles. A summary by fund of the receivables and their respective allowances for doubtful accounts follows:

**Primary Government**

	Property Taxes	Accounts	Allowance for Uncollectibles	Net Receivables
General Fund	\$ 104,058	\$	\$	\$ 104,058
Water & Sewer Fund	<u>                    </u>	122,973	<u>18,819</u>	<u>104,154</u>
<b>Total Primary Government</b>	<u>\$ 104,058</u>	<u>\$ 122,973</u>	<u>\$ 18,819</u>	<u>\$ 208,212</u>

**C. Due from Other Governments**

The City recorded sales and use tax receipts for May and June 2010 due from the Georgia Department of Revenue - Sales and Use Tax Division in the amount of \$50,357. The May 2010 receivable in the amount of \$24,836 was received July 2010. The June 2010 receivable in the amount of \$25,521 was received August 2010.

The City recorded special sales and use tax (SPLOST) receipts due from Barrow County Georgia in the amount of \$3,888.

**City of Statham, Georgia**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2010**

**Note 4. Detailed Notes on All Funds - continued**

**D. Capital Assets**

A summary of changes in Capital Assets follows:

<b>Governmental Activities</b>	<u>Balance 7/1/2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2010</u>
Capital Assets not being depreciated				
Land	\$365,949			\$365,949
Total Capital Assets not being depreciated	<u>\$365,949</u>	<u>\$0</u>	<u>\$0</u>	<u>\$365,949</u>
Other Capital Assets:				
Buildings	\$524,899			\$524,899
Vehicles & Equipment	691,664	\$1,995		693,659
Infrastructure	1,259,219	7,427		1,266,646
Total Other Capital Assets	<u>\$2,475,782</u>	<u>\$9,422</u>	<u>\$0</u>	<u>\$2,485,204</u>
Accumulated Depreciation:				
Buildings	\$141,050	\$13,122		\$154,172
Vehicles & Equipment	478,053	36,168		514,221
Infrastructure	94,245	25,259		119,504
Totals Accumulated Deprec.	<u>\$713,348</u>	<u>\$74,549</u>	<u>\$0</u>	<u>\$787,897</u>
<b>Governmental Activities - Capital assets, net</b>	<u><u>\$2,128,383</u></u>	<u><u>(\$65,127)</u></u>	<u><u>\$0</u></u>	<u><u>\$2,063,256</u></u>

**City of Statham, Georgia**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2010**

**Note 4. Detailed Notes on All Funds, continued**

**D. Capital Assets - Continued**

<b>Business-type Activities</b>	<u>Balance 7/1/2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2010</u>
Capital Assets not being depreciated				
Land	\$525,753			\$525,753
Construction in Progress	3,252,833	\$409,228	\$3,662,061	0
Total Capital Assets not being depreciated	<u>\$3,778,586</u>	<u>\$409,228</u>	<u>\$3,662,061</u>	<u>\$525,753</u>
Other Capital Assets				
Plants/Buildings	\$41,898			\$41,898
Distribution Systems	5,024,914	\$3,662,061		8,686,975
Vehicles & Equipment	445,595	5,500		451,095
Total Other Capital Assets	<u>\$5,512,407</u>	<u>\$3,667,561</u>	<u>\$0</u>	<u>\$9,179,968</u>
Accumulated Depreciation				
Plants/Buildings	\$12,520	\$1,047		\$13,567
Distribution Systems	1,674,604	100,498		1,775,102
Vehicles & Equipment	259,819	37,713		297,532
Total Accumulated Deprec.	<u>\$1,946,943</u>	<u>\$139,258</u>	<u>\$0</u>	<u>\$2,086,201</u>
<b>Business-type Activities</b>				
<b>Capital Assets, net</b>	<u><u>\$7,344,050</u></u>	<u><u>\$3,937,531</u></u>	<u><u>\$3,662,061</u></u>	<u><u>\$7,619,520</u></u>

Combining schedule of enterprise funds capital assets follows:

	<u>Water &amp; Sewer</u>	<u>Solid Waste</u>	<u>Totals</u>
Land	\$525,753		\$525,753
Plants & Buildings	41,898		41,898
Transmission/Distribution Sys.	8,686,975		8,686,975
Vehicles & Equipment	331,627	\$119,468	451,095
Totals	<u>\$9,586,253</u>	<u>\$119,468</u>	<u>\$9,705,721</u>
Less: Accum. Depr.	<u>1,985,236</u>	<u>100,965</u>	<u>2,086,201</u>
Net	<u><u>\$7,601,017</u></u>	<u><u>\$18,503</u></u>	<u><u>\$7,619,520</u></u>

**City of Statham, Georgia**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2010**

**Note 4. Detailed Notes on All Funds, continued**

**D. Capital Assets - Continued**

*Depreciation Expense*

Depreciation expense was charged to functions of the primary government as follows:

<i>Governmental Activities</i>		<i>Business-type Activities</i>	
General Government	\$25,812	Water & Sewer	\$127,311
Public Safety	16,511	Solid Waste	11,947
Public Works	32,226		

**E. Interfund Balances and Transfers**

Transfers and payments within the reporting entity are for purposes of funding capital asset acquisitions. The government-wide statement of activities eliminates transfers within segregated governmental and business-type activities columns. Only transfers between the two columns appear in this statement. Fund financial statement receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in governmental and business-type activities of government-wide statements of net assets, except for net residual amounts due between governmental and business-type activities, which are reclassified and presented as internal balances. The interfund balances resulted from capital and infrastructure improvements. Interfund balances at June 30, 2010, consisted of the following amounts:

*Interfund Balances:*

	<b>Receivable</b>	<b>Payable</b>
<b>Governmental Activities</b>		
<i>Major Governmental Funds</i>		
General Fund	\$ 136,370	\$ 27,837
<b>Business-type Activities</b>		
<i>Major Enterprise Funds</i>		
Water & Sewer Fund		136,370
Solid Waste Fund	27,837	
Totals	\$ <u>164,207</u>	\$ <u>164,207</u>

Interfund balances are not expected to be repaid within one year from the date of the financial statements.

**City of Statham, Georgia**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2010**

**Note 4. Detailed Notes on All Funds, continued**

**E. Interfund Balances and Transfers, continued**

*Transfers and Payment within the reporting entity:*

	<u>Transfer To</u>	<u>Transfers From</u>
<b>Governmental Activities</b>		
<i>Major Governmental Funds</i>	\$ 0	
<b>Business-type Activities</b>		
<i>Major Enterprise Funds</i>		\$ 0

**F. Property Tax Calendar**

The City receives property tax assessments from Barrow County. Taxes were levied on September 17, 2009 and tax bills were mailed to taxpayers on December 8, 2009. The due date for these taxes was February 8, 2010 and after that date, both penalty and interest are accrued until the taxes are collected. The lien date was April 15, 2011. Ad Valorem taxes on vehicles are collected concurrently with the issuance of state license tags by Barrow County.

Property tax revenues are recognized when they become available, which includes those tax receivables expected to be collected within sixty days after year end. Delinquent taxes are considered fully collectible and therefore no allowance for uncollectible taxes is provided.

**G. Debt**

*Long-Term Debt Supporting Governmental Activities*

Capital lease obligations are primarily paid from the General Fund. The City's capital lease obligation was for the purchase of one public safety (police) vehicle for \$26,978 and general government computer system for \$19,135. The amount outstanding at June 30, 2010 for capital leases was \$6,073.

*Short-Term Debt Supporting Business Activities*

Interim financing with GEFA for waste water improvements at the beginning of the fiscal year was \$2,635,395 and additional draws during the current year were \$374,079. Total interim financing was converted to permanent financing in the amount of \$3,009,474 with GEFA on June 1, 2010.

*Long-Term Debt Supporting Business Activities*

Revenue bonds outstanding consist of debt issued for the purposes of the fund responsible for payment of the debt. Bond indentures contain significant requirements for annual debt service and flow of funds through various restricted accounts. The general bond indenture and its supplements for water and wastewater systems bonds require the use of revenue, sinking, bond

**City of Statham, Georgia**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2010**

**Note 4. Detailed Notes on All Funds, continued**

*Long-Term Debt Supporting Business Activities*

reserves, and renewal and extension fund accounts. The reporting entity was in compliance with all significant requirements of the various bond covenants. Revenue Bonds and GEFA Notes Payable were issued for construction and expansion of the Water & Sewer System.

*Changes in Long-Term Debt*

<b>PRIMARY GOVERNMENT</b>	Balance 7/1/2009	Issued	Retired	Balance 6/30/2010	Due Within One Year
<i>Governmental Activities</i>					
Capital Lease Obligations	\$21,807		\$15,734	\$6,073	\$6,073
Total Governmental Activities	<u>\$21,807</u>	<u>\$0</u>	<u>\$15,734</u>	<u>\$6,073</u>	<u>\$6,073</u>
<i>Business-type Activities</i>					
Revenue Bonds					
Water & Sewer, Series 1976	\$33,000		\$4,000	\$29,000	\$4,000
Water & Sewer, Series 1992A	1,040,820		20,480	1,020,340	21,710
Water & Sewer, Series 1992B	366,870		7,340	359,530	7,770
Total Revenue Bonds	<u>\$1,440,690</u>	<u>\$0</u>	<u>\$31,820</u>	<u>\$1,408,870</u>	<u>\$33,480</u>
Notes Payable					
Water & Sewer - GEFA	\$5,201		\$495	\$4,706	\$495
Water & Sewer - GEFA/GLCP	109,286		12,566	96,720	12,948
Water & Sewer - GEFA/GLCP	0	\$3,009,474		3,009,474	114,446
Total Notes Payable	<u>\$114,487</u>	<u>\$3,009,474</u>	<u>\$13,061</u>	<u>\$3,110,900</u>	<u>\$127,889</u>
Total Business-type Activities	<u>\$1,555,177</u>	<u>\$3,009,474</u>	<u>\$44,881</u>	<u>\$4,519,770</u>	<u>\$161,369</u>
<b>Total Primary Government</b>	<u><u>\$1,576,984</u></u>	<u><u>\$3,009,474</u></u>	<u><u>\$60,615</u></u>	<u><u>\$4,525,843</u></u>	<u><u>\$167,442</u></u>

*Debt Service Requirements*

**PRIMARY GOVERNMENT**

	Amount of Original Issue	Interest Rate	Year Ending June 30	Principal	Interest
<i>Governmental Activities</i>					
Capital Lease Obligations	\$46,463	3.73-5.25%	2011	\$6,073	\$114
Totals - Capital Lease Obligations				<u><u>\$6,073</u></u>	<u><u>\$114</u></u>

**City of Statham, Georgia**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2010**

**Note 4. Detailed Notes on All Funds, continued**

**G. Long-Term Debt, continued**

*Debt Service Requirements*

	<u>Amount of Original Issue</u>	<u>Interest Rate</u>	<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
<i>Business-type Activities</i>					
Revenue Bonds					
Water & Sewer, Series 1976	\$95,000	5.00%	2011	\$4,000	\$1,400
		5.00%	2012	4,000	1,200
		5.00%	2013	5,000	950
		5.00%	2014	5,000	550
		5.00%	2015	11,000	1,100
Totals - Revenue Bonds Series 1976				<u>\$29,000</u>	<u>\$5,200</u>
Water & Sewer, Series 1992A	\$1,247,800	5.625%	2011	\$21,710	\$57,394
		5.625%	2012	23,010	56,173
		5.625%	2013	24,390	54,878
		5.625%	2014	25,860	53,507
		5.625%	2015	27,410	52,052
		5.625%	2016-20	163,770	235,199
		5.625%	2021-25	219,170	183,269
		5.625%	2026-30	293,290	113,774
		5.625%	2031-33	221,730	25,432
Totals - Revenue Bonds Series 1992A				<u>\$1,020,340</u>	<u>\$831,678</u>
Water & Sewer, Series 1992B	\$441,700	5.875%	2011	\$7,770	\$21,122
		5.875%	2012	8,230	20,666
		5.875%	2103	8,710	20,182
		5.875%	2014	9,220	19,671
		5.875%	2015	9,770	19,129
		5.875%	2016-20	58,140	86,333
		5.875%	2021-25	77,350	67,126
		5.875%	2026-30	102,900	41,574
		5.875%	2031-33	77,440	9,274
Totals - Revenue Bonds Series 1992B				<u>\$359,530</u>	<u>\$305,077</u>
Notes Payable					
Water & Sewer - GEFA	\$9,660	0.000%	2011	\$495	\$0
		0.000%	2012	495	0
		0.000%	2013	495	0
		0.000%	2014	495	0
		0.000%	2015	495	0
		0.000%	2016-20	2,231	0
Totals - GEFA				<u>\$4,706</u>	<u>\$0</u>

**City of Statham, Georgia**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2010**

**Note 4. Detailed Notes on All Funds, continued**

**G. Long-Term Debt, continued**

*Debt Service Requirements*

	<u>Amount of Original Issue</u>	<u>Interest Rate</u>	<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
<i>Business-type Activities</i>					
Notes Payable					
Water & Sewer - GEFA/GLGP	\$135,254	3.00%	2011	\$12,948	\$2,725
		3.00%	2012	13,342	2331
		3.00%	2013	13,747	1925
		3.00%	2014	14,166	1507
		3.00%	2015	14,596	1076
		3.00%	2016-17	27,921	809
Totals - GEFA				<u>\$96,720</u>	<u>\$10,373</u>
Water & Sewer - GEFA	\$3,009,474	4.12%	2011	\$104,221	\$112,274
		4.12%	2012	129,754	117,576
		4.12%	2103	135,496	111,835
		4.12%	2014	140,935	106,396
		4.12%	2015	146,851	100,480
		4.12%	2016-20	831,966	404,686
		4.12%	2021-25	1,022,147	214,506
		4.12%	2026-30	498,104	23,393
Totals - GEFA				<u>\$3,009,474</u>	<u>\$1,191,146</u>

**H. Risk Management**

The City is exposed to various risks of losses related to torts, thefts, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is a member of the Georgia Interlocal Risk Management Agency (GIRMA) and the Georgia Municipal Association of Workers' Compensation Self Insurance Fund. These memberships allow the City to share liability, crime, motor vehicle, and property damage risks.

Chapter 85 of Title 36 of the Official Code of Georgia Annotated authorized Georgia municipalities to form interlocal risk management agencies. GIRMA is a municipal interlocal risk management agency, which functions as an unincorporated nonprofit instrumentality of its member municipalities. GIRMA is to defend and protect in accordance with the member government contract and related coverage descriptions any member against liability or loss.

Chapter 9, Article 5 of Title 34 of the Official Code of Georgia Annotated authorized the Georgia Municipal Association of Workers' Compensation Self Insurance Fund. The Fund is to defend, in the name of and on behalf of its members, any suits or other proceedings which may be instituted



**City of Statham, Georgia**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2010**

**Note 4. Detailed Notes on All Funds, continued**

**H. Risk Management - continued**

against them on account of injuries or death within the preview of the Workers' Compensation Law of Georgia. The liability of the Fund to employees of any member employer is specifically limited to such obligations as are imposed by applicable state laws against the employer for workers' compensation and/or employer's liability.

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

These Funds are to defend and protect the members of the funds against liability or loss as prescribed in the member contracts and in accordance with the workers' compensation laws of Georgia. The Funds are to pay all costs 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. Management believes this coverage is adequate to preclude any significant uninsured risk exposure to the City.

The City retains the first \$2,500 of each risk of loss in the form of a deductible. The City files all claims with GIRMA and GIRMA bills the City for any risk of loss up to the \$2,500 deductible.

There were no significant reductions in insurance coverages from the prior year, and there have been no settled claims in the past three years have not exceeded the coverage.

**I. Litigation**

The City Attorney advised that no legal actions were in progress by or against the City at June 30, 2010, that would have a material effect on the City's financial condition.

**J. Compliance with Legal Provisions**

***State Laws***

**Budgets** - The City was in compliance with Title 36, Chapter 91, Section 3-6 of the Official Code of Georgia, Annotated (OCGA) which requires the adoption of balanced budgets.

**Special Local Option Sales Tax** - The City expended \$7,427 special option sales tax on street (paving) during the current fiscal year.

**City of Statham, Georgia**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2010**

**Note 4. Detailed Notes on All Funds, continued**

**J. Compliance with Legal Provisions, continued**

***Federal Laws***

The City was awarded a Community Development Block Grant in the amount of \$25,000 under the Immediate Threat and Danger Program during the current fiscal year. No funds were received as of June 30, 2010.

**K. Contingent Liabilities**

The City participates in both federal and state assistance programs which are subject to program compliance audits by the grantors or their representatives.

**L. Related Parties**

The City was not involved in any significant related party transactions during the current operating year.

**M. Retirement/Pension Plans**

The City's employees are covered under the Social Security Act maintained by the Federal Government. The City also participates in a deferred compensation plan (IRC Section 457) for all full-time City employees, excluding elected officials. Employees are eligible to participate in the plan after one year and having at least 1,000 hours continuous service. Employees are not required to participate in the (457) plan; however, the City provides substantial incentives for participation. The City will match employee contributions up to five percent (5%) of the employee's annual compensation not to exceed \$7,500 per year. Contributions are fully vested and are expensed by the City. One hundred percent (100%) of these funds goes into a fixed-rate savings account. The City paid \$13,112 in benefits and City employees contributed \$20,750 for the current fiscal year.

The City's deferred compensation plan, City of Statham Employees Deferred Compensation Retirement Plan, a defined contribution plan was authorized by the City Council by passage of an ordinance and is administered by an insurance company, Hartford Life Insurance Company.

The City's total payroll for the fiscal year was \$656,984; including payroll of \$262,236 covered by the plan. The plan had \$332,856 of assets and reserves as of June 30, 2010.

**City of Statham, Georgia**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2010**

**Note 4. Detailed Notes on All Funds, continued**

**N. Net Assets**

Net assets on the government-wide statement of net assets as of June 30, 2010 are as follows:

<u>Investments in capital assets, net of related debt</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Cost of capital assets	\$2,851,153	\$9,705,721
Less: accumulated depreciation	<u>787,897</u>	<u>2,086,201</u>
Book Value	\$2,063,256	\$7,619,520
Less capital related debt	<u>6,073</u>	<u>4,519,770</u>
Invested in capital assets, net of related debt	<u><u>\$2,057,183</u></u>	<u><u>\$3,099,750</u></u>

**Note 5. Other Notes**

**A. Changes in Contributed Capital - Enterprise Funds**

Water & Sewer		
Balance - July 1, 2009	\$	1,469,466
Depreciation on Contributed Assets (Assets purchased with Grant Funds)		<u>(43,666)</u>
Balance - June 30, 2010	\$	<u><u>1,425,800</u></u>

**B. Joint Ventures:**

Under Georgia law, the City, in conjunction with other cities and counties in the twelve (12) county northeast Georgia area, is a member of the Northeast Georgia Regional Development Center (RDC) and is required to pay annual dues thereto. During its fiscal year ended June 30, 2010, the City's membership dues were assessed to and paid by Barrow County, Georgia. The City of Statham did not pay any annual dues. Membership in a RDC is required by the Official Code of Georgia Annotated (OCGA), Section 50-8-34, which provides for the organizational structure of the RDC in Georgia. The RDC Board membership includes the chief elected official of each county and municipality of the area. OCGA Section 50-8-39.1 provides that the member governments are liable for any debts or obligations of the RDC. Separate financial statements for the RDC may be obtained from:

Northeast Georgia Regional Development Center  
305 Research Drive  
Athens, Georgia 30605-2795

**C. Other Post-Employment Benefits:**

The City does not provide post retirement benefits other than pension benefits as outlined in Note 4 M (Retirement/Pension Plans).

**City of Statham, Georgia**  
**Supplemental Statements and Schedules**  
**For the Fiscal Year Ended June 30, 2010**

**City of Statham, Georgia**  
**Capital Projects Fund**  
**Schedule of Revenues, Expenditures and Changes in**  
**Fund Balance - Budget and Actual (Budgetary Basis)**  
**For the Fiscal Year Ended June 30, 2010**

	<u>Budgeted Amounts</u>			<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Revisions</u>	<u>Final</u>		
<b>REVENUES</b>					
Special Purpose Local Option Sales Tax	\$ 44,000	\$	\$ 44,000	\$ 43,650	\$ (350)
Interest Income			0	106	106
Prior Year Fund Balance			0		0
<b>TOTAL REVENUES</b>	<u>\$ 44,000</u>	<u>\$ 0</u>	<u>\$ 44,000</u>	<u>\$ 43,756</u>	<u>\$ (244)</u>
<b>EXPENDITURES</b>					
<b>Current</b>					
<b>Public Works</b>					
Capital Outlay	\$ 44,000	\$	\$ 44,000	\$ 7,427	\$ 36,573
<b>TOTAL EXPENDITURES</b>	<u>\$ 44,000</u>	<u>\$ 0</u>	<u>\$ 44,000</u>	<u>\$ 7,427</u>	<u>\$ 36,573</u>
<b>EXCESS OF REVENUES OVER</b>					
<b>EXPENDITURES</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 36,329</u>	<u>\$ 36,329</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>				<u>\$ 45,820</u>	
<b>FUND BALANCE - END OF YEAR</b>				<u><u>\$ 82,149</u></u>	

**City of Statham, Georgia**  
**Enterprise Funds - Water & Sewer**  
**Schedule of Revenues, Expenses and Changes in**  
**Retained Earnings - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2010**

	<u>Original/ Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Operating Revenues:</b>			
Metered Sales - Water	\$ 687,216	\$ 698,522	\$ 11,306
Tapping Fees - Water	24,800	6,600	(18,200)
Sewer Fees	110,000	115,157	5,157
Tapping Fees - Sewer	<u>107,680</u>	<u>14,675</u>	<u>(93,005)</u>
<b>Total Operating Revenues</b>	<b>\$ <u>929,696</u></b>	<b>\$ <u>834,954</u></b>	<b>\$ <u>(94,742)</u></b>
<b>Operating Expenses:</b>			
<i>Water</i>			
Personal Services & Benefits	\$ 209,754	\$ 209,099	\$ 655
Purchased/Contracted Services	108,460	44,334	64,126
Supplies	127,480	117,166	10,314
Other	100	100	0
Depreciation	106,000	105,459	541
<i>Sewer</i>			
Purchased/Contracted Services	148,324	116,089	32,235
Supplies	23,500	9,571	13,929
Depreciation	<u>114,528</u>	<u>21,852</u>	<u>92,676</u>
<b>Total Operating Expenses</b>	<b>\$ <u>838,146</u></b>	<b>\$ <u>623,670</u></b>	<b>\$ <u>214,476</u></b>
<b>Operating Income/(Loss)</b>	<b>\$ <u>91,550</u></b>	<b>\$ <u>211,284</u></b>	<b>\$ <u>119,734</u></b>
<b>Nonoperating Income and (Expenses):</b>			
Interest Income	\$ 20,000	\$ 2,948	\$ (17,052)
Interest Expense	(111,550)	(82,135)	29,415
Transfers - In/(Out)	<u>                    </u>	<u>                    </u>	<u>0</u>
<b>Net Nonoperating Income/(Expense)</b>	<b>\$ <u>(91,550)</u></b>	<b>\$ <u>(79,187)</u></b>	<b>\$ <u>12,363</u></b>
<b>Income/(Loss)</b>	<b>\$ <u>0</u></b>	<b>\$ 132,097</b>	<b>\$ <u>132,097</u></b>
<b>Depreciation on Assets Acquired by Grant Funds</b>		43,666	
<b>Retained Earnings - Beginning of Year</b>		<u>2,112,848</u>	
<b>Retained Earnings - End of Year</b>		<b>\$ <u>2,288,611</u></b>	

**City of Statham, Georgia**  
**Enterprise Funds - Solid Waste**  
**Schedule of Revenues, Expenses, and Changes in**  
**Retained Earnings - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2010**

	<u>Original/ Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Operating Revenues:</b>			
Charges for Services	\$ 103,718	\$ 156,257	\$ 52,539
<b>Total Operating Revenues</b>	<u>\$ 103,718</u>	<u>\$ 156,257</u>	<u>\$ 52,539</u>
<b>Operating Expenses:</b>			
Personal Services & Benefits	\$ 34,549	\$ 34,542	\$ 7
Purchased/Contracted Services	10,700	10,006	694
Depreciation	12,000	11,947	53
Supplies	6,669	6,581	88
Other	39,800	39,755	45
<b>Total Operating Expenses</b>	<u>\$ 103,718</u>	<u>\$ 102,831</u>	<u>\$ 887</u>
<b>Operating Income</b>	<u>\$ 0</u>	<u>\$ 53,426</u>	<u>\$ 53,426</u>
<b>Nonoperating Income and (Expenses):</b>			
Interest Income	\$ _____	\$ 231	\$ 231
<b>Net Nonoperating Income/(Expense)</b>	<u>\$ 0</u>	<u>\$ 231</u>	<u>\$ 231</u>
<b>Net Income (Loss)</b>	<u><u>\$ 0</u></u>	<u>\$ 53,657</u>	<u><u>\$ 53,657</u></u>
<b>Retained Earnings - Beginning of Year</b>		<u>40,881</u>	
<b>Retained Earnings - End of Year</b>		<u><u>\$ 94,538</u></u>	

**City of Statham, Georgia**  
**Special Schedules and Reports**  
**For the Fiscal Year Ended June 30, 2010**



**City of Statham, Georgia**  
**Schedule of Project Expenditures with**  
**Special Option Sales Tax Revenue**  
**For the Fiscal Year Ended June 30, 2010**

<u>Project</u>	<u>Original Estimated Cost</u>	<u>EXPENDITURES</u>		<u>% of Completion</u>
		<u>Prior Years</u>	<u>Current Year</u>	
		<u>Total</u>	<u>Total</u>	
<b>PUBLIC WORKS:</b>				
<i>Road Improvements - Paving</i>	<u>\$ 600,000</u>	<u>\$ 132,197</u>	<u>\$ 7,427</u>	<u>23%</u>
	<u>\$ 600,000</u>	<u>\$ 132,197</u>	<u>\$ 7,427</u>	
	<u>\$ 600,000</u>	<u>\$ 132,197</u>	<u>\$ 7,427</u>	<u>\$ 139,624</u>

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CERTIFIED PUBLIC ACCOUNTANTS

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

Honorable Mayor and City Council  
City of Statham, Georgia

We have audited the basic financial statements of the governmental activities, the business type activities, and each major fund of the **City of Statham, Georgia**, as of and for the year ended June 30, 2010, and have issued our report thereon dated November 10, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and with the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America.

Compliance

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


Internal Control Over Financial Reporting

In planning and performing our audit, we considered the **City of Statham, Georgia's** internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City'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.

This report is intended solely for the information of and use of the audit committee, management, others within the City and city council, and is not intended to be and should not be used by anyone other than these specified parties.

  
**HUBERT A. BRISCOE, CPA**  
Winder, Georgia 30680-0531  
November 10, 2010