

CITY OF STATHAM, GEORGIA

Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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City of Statham, Georgia
Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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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, each major fund and the remaining fund information of the **City of Statham, Georgia**, as of and for the fiscal year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of 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, 2011, 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 30, 2011, 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 30, 2011

City of Statham, Georgia
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

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, 2011. 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 \$6,063,170 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$6,399,933.

Total net assets are comprised of the following:

- (1) Capital assets, net of related debt, of \$5,065,631 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 \$224,239 are restricted by constraints imposed from outside the City such as grantors, laws, or regulations.
- (3) Unrestricted net assets of \$773,300 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 \$381,416 this year. This compares to the prior year ending fund balance of \$533,801 showing a decrease of \$152,385 during the current year. Unreserved fund balance of \$269,506 for the fiscal year 2011 shows a \$264,295 decrease over the prior year.

At the end of the fiscal year, unreserved fund balance for the General Fund was \$269,506 or 22.3 % of total General Fund expenditures and 26.4 % of total General Fund revenues.

Total liabilities of the City decreased by \$4,546 to \$4,768,348 during the fiscal year. The City's Water & Sewer Fund issued a capital lease payable in the amount of \$152,493 for water treatment equipment. The General Fund issued no new debt during the fiscal year ended June 30, 2011.

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 project and special revenue funds can be found in a later section of this report. This reporting demonstrates 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 \$6,063,170. This is a \$336,763 decrease from the beginning year's net assets of \$6,399,933. 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	%
	2011	2010	2011	2010	2011	2010	Change	Change
Current and other Assets	\$395	\$553	\$840	\$937	\$1,235	\$1,490	(\$255)	-17%
Capital assets	2,015	2,063	7,582	7,620	9,597	9,683	(86)	-1%
Total Assets	\$2,410	\$2,616	\$8,422	\$8,557	\$10,832	\$11,173	(\$341)	-3%
Current and other liabilities	\$13	\$25	\$403	\$390	\$416	\$415	\$1	0%
Long-term liabilities			4,353	4,358	4,353	4,358	(5)	-0%
Total Liabilities	\$13	\$25	\$4,756	\$4,748	\$4,769	\$4,773	(\$4)	-0%
Net Assets:								
Invested in capital assets								
net of related debt	\$2,015	\$2,057	\$3,050	\$3,100	\$5,065	\$5,157	(\$92)	-2%
Restricted	111		113	113	224	113	111	98%
Unrestricted	271	534	503	596	774	1,130	(356)	-32%
Total Net Assets	\$2,397	\$2,591	\$3,666	\$3,809	\$6,063	\$6,400	(\$337)	-5%

The City reported positive balances in net assets for both governmental and business-type activities. Net assets decreased \$194,137 for governmental activities and decreased \$142,626 for business-type activities. The City's overall financial position remained relatively strong during fiscal year 2011.

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	%
	2011	2010	2011	2010	2011	2010	Change	Change
Revenues								
Program Revenues:								
Charges for services	\$114	\$93	\$959	\$992	\$1,073	\$1,085	(\$12)	-1%
Operating grants & contributions	8				8	0	8	
Capital grants & contributions	46	44	25		71	44	27	61%
General Revenues:								
Sales & Use taxes	308	302			308	302	6	2%
Property taxes	295	303			295	303	(8)	-3%
Franchise taxes	139	128			139	128	11	9%
Alcohol beverage taxes	42	42			42	42	0	0%
Insurance Premium taxes	110	113			110	113	(3)	-3%
Other taxes, Interest & Misc	14	21	1	3	15	24	(9)	-38%
Total Revenues	\$1,076	\$1,046	\$985	\$995	\$2,061	\$2,041	\$20	1%
Expenses								
General Government	\$478	\$435			\$478	\$435	\$43	10%
Public Safety	462	380			462	380	82	22%
Public Works	330	290			330	290	40	14%
Interest on General long-term debt	0	1			0	1	(1)	-100%
Water & Sewer			\$961	\$706	961	706	255	36%
Solid Waste			167	103	167	103	64	62%
Total Expenses	\$1,270	\$1,106	\$1,128	\$809	\$2,398	\$1,915	\$483	25%
Increase (decrease) in net assets before transfers	(\$194)	(\$60)	(\$143)	\$186	(\$337)	\$126	(\$463)	-367%
Change in Net Assets	(\$194)	(\$60)	(\$143)	\$186	(\$337)	\$126	(\$463)	-367%
Beginning Net Assets	2,591	2,651	3,809	3,623	6,400	6,274	126	2%
Ending Net Assets	\$2,397	\$2,591	\$3,666	\$3,809	\$6,063	\$6,400	(\$337)	-5%

GOVERNMENTAL REVENUES

The City's governmental activities are heavily reliant on taxes to support governmental operations. Property taxes provided 27 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 13 percent of governmental operating expenses. The City's taxpayers and other general revenues funded 71 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 \$1,270,324. Of this amount, general government was \$478,597 (38%), public safety was \$461,606 (36%), and public works was \$330,007 (26%) of the total cost for services for fiscal year 2010-2011. Some of the costs were paid by programs revenues of \$167,810.

BUSINESS-TYPE ACTIVITIES

Revenues vs. Costs

Fiscal Year Ended June 30, 2011

	<u>Revenues</u>	<u>Expenses</u>
Water & Sewer System	\$831,003	\$961,293
Solid Waste Disposal /Management	154,757	167,093

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 \$381,416. Of this year-end total, \$269,506 is unreserved indicating availability for continuing City service requirements.

The total ending fund balances of governmental funds shows a decrease of \$152,385 from 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 \$182,146. 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 \$111,910 as of June 30, 2011.

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 loss was \$130,290. The Solid Waste Fund net loss was \$12,336.

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 2010-2011 was \$1,140,929. This was an increase of \$8,640 over the previous year amended budget. The City Council made subsequent budget amendments of \$65,600. These budget amendments were funded with prior year fund balance carryover of \$22,600, additional revenues of \$41,000, and sale of assets for \$2,000.

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, 2011, was \$2,015,431 and \$7,582,152 respectively. Major capital asset additions during the current year included street improvements (paving) of \$13,437 and equipment purchases of \$14,871. Expansion and improvements by the City's business-type activities in the amount of \$177,493 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	%
	2011	2010	2011	2010	2011	2010	Change	Change
Non-Depreciable Assets								
Land	\$366	\$366	\$526	\$526	\$892	\$892	\$0	0%
Depreciable Assets								
Buildings	357	371	27	28	384	399	(15)	-4%
Distribution Systems			6,738	6,912	6,738	6,912	(174)	-3%
Vehicles & Equipment	157	179	291	154	448	333	115	35%
Infrastructure	1,135	1,147			1,135	1,147	(12)	-1%
Total	\$2,015	\$2,063	\$7,582	\$7,620	\$9,597	\$9,683	(\$86)	-1%

Long-term debt

At the end of the fiscal year, the City had total debt outstanding of \$4,531,952. Of this amount, \$148,214 was for capital leases. Another major component was \$1,375,390 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	%
	2011	2010	2011	2010	2011	2010	Change	Change
Capital Lease Obligations	\$0	\$6	148	0	\$148	\$6	\$142	2367%
Revenue Bonds			\$1,375	\$1,409	1,375	1,409	(34)	-2%
Notes Payable			3,008	3,111	3,008	3,111	(103)	-3%
Total	\$0	\$6	\$4,531	\$4,520	\$4,531	\$4,526	\$5	0%

Economic Environment and Next Year's Budgets

The City's elected officials considered many factors when adopting the fiscal year 2010-2011 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 2011-2012, the City Council approved a total budget of \$2,331,490. This budget includes operating and non-operating funds. The General Fund budget is \$1,238,712 and the Proprietary Funds are budgeted for \$1,092,778 (Water & Sewer \$947,878 and Solid Waste \$144,900). 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, 2011

City of Statham, Georgia
Statement of Net Assets
June 30, 2011

	Primary Government		
	Governmental Activities	Business Type Activities	Totals
ASSETS			
Current Assets			
Cash and Cash equivalents	\$ 148,112	\$ 231,316	\$ 379,428
Receivables - Taxes	93,683		93,683
Other Accounts		104,809	104,809
Due from Other Governments	54,001		54,001
Internal Balances	(13,368)	13,368	0
Restricted Current Assets			
Cash and Cash equivalents	107,743	490,104	597,847
Due from Other Governments	4,167		4,167
Non-Current Assets			
Capital Assets:			
Land	365,949	525,753	891,702
Other Capital Assets, net of accumulated depreciation	1,649,482	7,056,399	8,705,881
TOTAL ASSETS	\$ 2,409,769	\$ 8,421,749	\$ 10,831,518
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 12,922	\$ 7,660	\$ 20,582
Refundable Deposits		131,400	131,400
Accrued Interest Payable		84,414	84,414
Notes, Leases & Bonds Payable - Current		179,179	179,179
Non-Current Liabilities			
Notes, Leases & Bonds Payable - Non Current		4,352,773	4,352,773
TOTAL LIABILITIES	\$ 12,922	\$ 4,755,426	\$ 4,768,348
NET ASSETS			
Investment in Capital Assets, net of related debt	\$ 2,015,431	\$ 3,050,200	\$ 5,065,631
Restricted for Capital Projects	110,910		110,910
Restricted for Debt Service		113,329	113,329
Unrestricted	270,506	502,794	773,300
TOTAL NET ASSETS	\$ 2,396,847	\$ 3,666,323	\$ 6,063,170

See accompanying notes to Financial Statements

City of Statham, Georgia
Statement of Activities
For the Fiscal Year Ended June 30, 2011

Function/Programs Primary Government:	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Operating		Primary Government		Total
		Charges for Services	Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental Activities:						
General Government	\$ 478,597	\$ 28,628	\$ 8,091	\$ 2,796	\$ (449,969)	\$ (449,969)
Public Safety	461,606	85,097		43,198	(365,622)	(365,622)
Public Works	330,007				(286,809)	(286,809)
Interest on long-term debt	114				(114)	(114)
Total Governmental Activities	\$ 1,270,324	\$ 113,725	\$ 8,091	\$ 45,994	\$ (1,102,514)	\$ (1,102,514)
Business Type Activities:						
Water & Sewer	961,293	804,890		25,000	\$ (131,403)	\$ (131,403)
Solid Waste	167,093	154,618			(12,475)	(12,475)
Total Business Type Activities	\$ 1,128,386	\$ 959,508	\$ 0	\$ 25,000	\$ (143,878)	\$ (143,878)
Total Primary Government	\$ 2,398,710	\$ 1,073,233	\$ 8,091	\$ 70,994	\$ (1,102,514)	\$ (1,246,392)
General Revenues:						
Taxes:						
Sales & Use Taxes - Local Option					\$ 307,975	\$ 307,975
Property Taxes					295,128	295,128
Franchise Taxes					138,768	138,768
Alcohol Beverage Taxes					41,813	41,813
Insurance Premium Taxes					109,817	109,817
Other Taxes					2,446	2,446
Interest & Investment Earnings					141	1,393
Miscellaneous					1,252	1,393
Total General Revenues, Special Items & Transfers					\$ 908,377	\$ 909,629
Change in Net Assets					\$ (194,137)	\$ (336,763)
Net Assets-Beginning					2,590,984	6,399,933
Net Assets-Ending					\$ 2,396,847	\$ 6,063,170

City of Statham, Georgia
Balance Sheet
Governmental Funds
June 30, 2011

	General Fund	Capital Projects Fund	Other Governmental Funds	Totals Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 139,021	\$ 107,743	\$ 9,091	\$ 255,855
Receivables - Taxes	93,683			93,683
Due From Other Governments	54,001	4,167		58,168
Receivable From Other Funds	15,854			15,854
TOTAL ASSETS	\$ 302,559	\$ 111,910	\$ 9,091	\$ 423,560
LIABILITIES				
Accounts Payable	\$ 12,922			\$ 12,922
Due To Other Funds	20,131		9,091	29,222
TOTAL LIABILITIES	\$ 33,053	\$ 0	\$ 9,091	\$ 42,144
FUND BALANCES				
Unreserved - General Fund	\$ 269,506			\$ 269,506
Reserved - Capital Projects Fund		111,910		111,910
Reserved - Special Revenue Fund				0
TOTAL FUND BALANCES	\$ 269,506	\$ 111,910	\$ 0	\$ 381,416
TOTAL LIABILITIES AND FUND BALANCES	\$ 302,559	\$ 111,910	\$ 9,091	\$ 423,560

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, 2011

Total fund balance - total governmental funds **\$ 381,416**

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds

Capital assets (Cost)	\$ 2,877,506	
Less accumulated depreciation	<u>(862,075)</u>	2,015,431

Net Assets of Governmental Activities	\$ 2,396,847
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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, 2011

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:				
Taxes	\$ 895,947	\$	\$	\$ 895,947
Licenses & Permits	28,628			28,628
Intergovernmental		43,107	10,887	53,994
Fines and Forfeitures	85,097			85,097
Interest Income	141	91		232
Miscellaneous	12,033			12,033
TOTAL REVENUES	<u>\$ 1,021,846</u>	<u>\$ 43,198</u>	<u>\$ 10,887</u>	<u>\$ 1,075,931</u>
EXPENDITURES:				
Current Operations				
General Government	\$ 458,822	\$	\$	\$ 458,822
Public Safety	436,865		8,091	444,956
Public Works	298,225			298,225
Capital Outlay - General Government	3,995			3,995
Capital Outlay - Public Safety			2,796	2,796
Capital Outlay - Public Works	8,080	13,437		21,517
TOTAL EXPENDITURES	<u>\$ 1,205,987</u>	<u>\$ 13,437</u>	<u>\$ 10,887</u>	<u>\$ 1,230,311</u>
Revenues Over (Under) Expenditures	\$ (184,141)	\$ 29,761	\$ 0	\$ (154,380)
OTHER FINANCING SOURCES/(USES)				
Sale Proceeds	\$ 1,995	\$	\$	\$ 1,995
TOTAL OTHER FINANCING SOURCES/(USES)	<u>\$ 1,995</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,995</u>
NET CHANGE IN FUND BALANCES	\$ (182,146)	\$ 29,761	\$ 0	\$ (152,385)
FUND BALANCE - BEGINNING OF YEAR	<u>451,652</u>	<u>82,149</u>		<u>533,801</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 269,506</u></u>	<u><u>\$ 111,910</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 381,416</u></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, 2011

Net Changes in Fund Balances - Total Governmental Funds		\$ (152,385)
Amounts reported for governmental activities in the statement of activities are different because:		
<p>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.</p>		
Capital Outlay	\$ 28,308	
Depreciation	<u>(74,394)</u>	(46,086)
<p>The book value of capital assets sold are reported on the government-wide statement of activities but not reported in the governmental fund's operating statement.</p>		
		(1,739)
<p>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.</p>		
		<u>6,073</u>
Change in net assets of Governmental Activities		\$ <u>(194,137)</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, 2011

	<u>Budgeted Amounts</u>			<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Revisions</u>	<u>Final</u>		
REVENUES					
Taxes					
Property Taxes	\$ 280,000	\$	\$ 280,000	\$ 277,198	\$ (2,802)
Motor Vehicle Taxes	20,000		20,000	17,930	(2,070)
Sales Taxes	350,000		350,000	307,975	(42,025)
Franchise Taxes	110,000	29,000	139,000	138,768	(232)
Alcohol Beverage Taxes	30,000	12,000	42,000	41,813	(187)
Insurance Premium Taxes	115,000		115,000	109,817	(5,183)
Other Taxes	2,500		2,500	2,446	(54)
Total Taxes	\$ 907,500	\$ 41,000	\$ 948,500	\$ 895,947	\$ (52,553)
Licenses & Permits	76,399		76,399	28,628	(47,771)
Fines & Forfeitures	142,030		142,030	85,097	(56,933)
Miscellaneous	12,000	22,600	34,600	12,033	(22,567)
Interest Earned	3,000		3,000	141	(2,859)
TOTAL REVENUES	\$ 1,140,929	\$ 63,600	\$ 1,204,529	\$ 1,021,846	\$ (182,683)
EXPENDITURES					
Current					
General Government					
Personal Services	\$ 205,866	\$ 18,800	\$ 224,666	\$ 224,697	\$ (31)
Purchased/Contracted Services	206,695	(7,100)	199,595	199,578	17
Supplies	31,059	(4,600)	26,459	26,420	39
Other Costs	4,000	4,100	8,100	8,127	(27)
Capital Outlay		4,000	4,000	3,995	5
Total General Government	\$ 447,620	\$ 15,200	\$ 462,820	\$ 462,817	\$ 3
Public Safety					
Personal Services	\$ 327,654	\$ (6,100)	\$ 321,554	\$ 333,772	\$ (12,218)
Purchased/Contracted Services	47,400	6,100	53,500	41,065	12,435
Supplies	48,500	(14,000)	34,500	34,389	111
Other Costs	18,185	9,500	27,685	27,639	46
Capital Outlay			0		0
Total Public Safety	\$ 441,739	\$ (4,500)	\$ 437,239	\$ 436,865	\$ 374

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, 2011

	<u>Budgeted Amounts</u>			<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Revisions</u>	<u>Final</u>		
Public Works					
Personal Services	\$ 149,696	\$ 7,700	\$ 157,396	\$ 157,325	\$ 71
Purchased/Contracted Services	35,724	43,800	79,524	79,518	6
Supplies	66,150	(4,700)	61,450	61,382	68
Capital Outlay		8,100	8,100	8,080	20
Total Public Works	<u>\$ 251,570</u>	<u>\$ 54,900</u>	<u>\$ 306,470</u>	<u>\$ 306,305</u>	<u>\$ 165</u>
TOTAL EXPENDITURES	<u>\$ 1,140,929</u>	<u>\$ 65,600</u>	<u>\$ 1,206,529</u>	<u>\$ 1,205,987</u>	<u>\$ 542</u>
EXCESS OF REVENUES OVER EXPENDITURES	\$ 0	\$ (2,000)	\$ (2,000)	\$ (184,141)	\$ (182,141)
OTHER FINANCING SOURCES/(USES)					
Sale Proceeds	\$ _____	2,000	2,000	1,995	5
TOTAL OTHER FINANCING SOURCES/(USES)	<u>\$ 0</u>	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>1,995</u>	<u>5</u>
NET CHANGE IN FUND BALANCE	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	\$ (182,146)	<u>\$ (182,136)</u>
FUND BALANCE - BEGINNING OF YEAR				<u>451,652</u>	
FUND BALANCE - END OF YEAR				<u>\$ 269,506</u>	

See accompanying notes to Financial Statements

City of Statham, Georgia
Statement of Net Assets
Proprietary Funds
June 30, 2011

	<u>Enterprise Funds</u>		<u>Totals</u>
	<u>Water & Sewer System</u>	<u>Solid Waste</u>	
ASSETS			
Current Assets:			
Cash & Cash Equivalents	\$ 175,801	\$ 55,515	\$ 231,316
Receivables, Net	104,809		104,809
Restricted Cash & Cash Equivalents	490,104		490,104
Total Current Assets	<u>\$ 770,714</u>	<u>\$ 55,515</u>	<u>\$ 826,229</u>
Non-Current Assets:			
Capital Assets:			
Land	\$ 525,753	\$	\$ 525,753
Buildings, Equipment & Distribution System			
net of accumulated depreciation	7,049,843	6,556	7,056,399
Due from Other Funds		20,131	20,131
Total Non-Current Assets	<u>\$ 7,575,596</u>	<u>\$ 26,687</u>	<u>\$ 7,602,283</u>
TOTAL ASSETS	<u><u>\$ 8,346,310</u></u>	<u><u>\$ 82,202</u></u>	<u><u>\$ 8,428,512</u></u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 7,660	\$	\$ 7,660
Refundable Deposits	131,400		131,400
Notes & Bonds Payable, Current	179,179		179,179
Accrued Interest Payable	84,414		84,414
Non-Current Liabilities:			
Notes & Bonds Payable, Non-Current	4,352,773		4,352,773
Due to Other Funds	6,763		6,763
TOTAL LIABILITIES	<u><u>\$ 4,762,189</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 4,762,189</u></u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ 3,043,644	\$ 6,556	\$ 3,050,200
Restricted - Debt Service	113,396		113,396
Unrestricted	427,081	75,646	502,727
TOTAL NET ASSETS	<u><u>\$ 3,584,121</u></u>	<u><u>\$ 82,202</u></u>	<u><u>\$ 3,666,323</u></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, 2011

	<u>Enterprise Funds</u>		<u>Totals</u>
	<u>Water & Sewer System</u>	<u>Solid Waste</u>	
Operating Revenues:			
Charges for Service	\$ 792,737	\$ 154,618	\$ 947,355
Other	12,153		12,153
Total Operating Revenues	<u>\$ 804,890</u>	<u>\$ 154,618</u>	<u>\$ 959,508</u>
Operating Expenses:			
Personal Services & Benefits	\$ 215,546	\$ 11,256	\$ 226,802
Purchased/Contracted Services	200,483	139,010	339,493
Depreciation	202,914	11,947	214,861
Supplies	126,267	861	127,128
Other		4,019	4,019
Total Operating Expenses	<u>\$ 745,210</u>	<u>\$ 167,093</u>	<u>\$ 912,303</u>
Operating Income (Loss)	\$ 59,680	\$ (12,475)	\$ 47,205
Non-operating Revenues (Expenses)			
Interest Income	1,113	139	1,252
Intergovernmental	25,000		25,000
Interest Expense	<u>(216,083)</u>		<u>(216,083)</u>
Net Income (Loss)	\$ (130,290)	\$ (12,336)	\$ (142,626)
Total Net Assets - Beginning of Year	<u>3,714,411</u>	<u>94,538</u>	<u>3,808,949</u>
Total Net Assets - End of Year	<u>\$ 3,584,121</u>	<u>\$ 82,202</u>	<u>\$ 3,666,323</u>

See accompanying notes to Financial Statements

City of Statham, Georgia
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2011

	Enterprise Funds		
	Water & Sewer System	Solid Waste	Totals
Cash Flows from Operating Activities:			
Receipts from customers	\$ 809,435	\$ 154,618	\$ 964,053
Payments to suppliers	(331,512)	(147,063)	(478,575)
Payments to employees	(160,728)	(4,432)	(165,160)
Other receipts (payments)	(184,425)	(3,137)	(187,562)
Net Cash Provided by Operating Activities	\$ 132,770	\$ (14)	\$ 132,756
Cash Flows from Capital and Related Financing Activities:			
Acquisition of Capital Assets	\$ (177,493)	\$	\$ (177,493)
Principal Payments	(140,311)		(140,311)
Loan Proceeds	152,493		152,493
Intergovernmental	25,000		25,000
Interest Expense	(214,144)		(214,144)
Total Cash Provided (Used) by Capital and Related Financing Activities	\$ (354,455)	\$ 0	\$ (354,455)
Cash Flows from Investing Activities:			
Interest Income	\$ 1,113	\$ 139	\$ 1,252
Net Increase (Decrease) in Cash	\$ (220,572)	\$ 125	\$ (220,447)
Cash and Cash Equivalents - Beginning of Year	886,477	55,390	941,867
Cash and Cash Equivalents - End of Year	\$ 665,905	\$ 55,515	\$ 721,420
 Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Net Operating Income/(Loss)	\$ 59,680	\$ (12,475)	\$ 47,205
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation	202,914	11,947	214,861
(Increase)/Decrease - Accounts Receivable	(655)		(655)
(Increase)/Decrease - Due from Other Funds		7,706	7,706
Increase/(Decrease) - Accounts Payable	(4,762)	(7,192)	(11,954)
Increase/(Decrease) - Customer Deposits	5,200		5,200
Increase/(Decrease) - Due to Other Funds	(129,607)		(129,607)
Net Cash Provided by Operating Activities	\$ 132,770	\$ (14)	\$ 132,756

See accompanying notes to Financial Statements

City of Statham, Georgia
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2011

City of Statham, Georgia
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2011

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, 2011

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, 2011

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, Capital Projects and Special Revenue. The General Fund is the City's primary operating fund and it accounts for all financial resources of the general government. The Capital Projects Fund accounts for the accumulation of resources and subsequent disbursement of such resources in obtaining or renovating major capital projects. The Special Revenue Fund accounts for resources that are legally restricted to expenditures for specific purposes. 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.

City of Statham, Georgia
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 1. Summary of Significant Accounting Policies, continued

B. Financial Reporting Entity - Basis of Presentation, continued

3. Measurement Focus - continued

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.

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, 2011

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) 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, 2011

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, 2011

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, 2011

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 had no affect on the General Fund as a result of GASB Interpretation No. 6 because capital leases payable previously reported were retired.

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, Special Revenue 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, 2011

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

The City had no deficit fund balances or retained earnings as of June 30, 2011.

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	\$ 1,013,670	\$ 0	\$ 0	\$ 1,013,670	\$ 977,275
Total	<u>\$ 1,013,670</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,013,670</u>	<u>\$ 977,275</u>

City of Statham, Georgia
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2011

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	\$ 93,683			\$ 93,683
Water & Sewer Fund		124,101	19,292	104,809
Total Primary Government	<u>\$ 93,683</u>	<u>\$ 124,101</u>	<u>\$ 19,292</u>	<u>\$ 198,492</u>

C. Due from Other Governments

The City recorded sales and use tax receipts for May and June 2011 due from the Georgia Department of Revenue - Sales and Use Tax Division in the amount of \$54,001. The May 2011 receivable in the amount of \$26,223 was received July 2011. The June 2011 receivable in the amount of \$27,778 was received August 2011.

The City recorded special sales and use tax (SPLOST) receipts due from Barrow County, Georgia in the amount of \$4,167.

City of Statham, Georgia
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 4. Detailed Notes on All Funds - continued

D. Capital Assets

A summary of changes in Capital Assets follows:

Governmental Activities	<u>Balance 7/1/2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2011</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	693,659	\$14,871	\$1,955	706,575
Infrastructure	<u>1,266,646</u>	<u>13,437</u>		<u>1,280,083</u>
Total Other Capital Assets	<u>\$2,485,204</u>	<u>\$28,308</u>	<u>\$1,955</u>	<u>\$2,511,557</u>
Accumulated Depreciation:				
Buildings	\$154,172	\$13,122		\$167,294
Vehicles & Equipment	514,221	35,805	\$216	549,810
Infrastructure	<u>119,504</u>	<u>25,467</u>		<u>144,971</u>
Totals Accumulated Deprec.	<u>\$787,897</u>	<u>\$74,394</u>	<u>\$216</u>	<u>\$862,075</u>
Governmental Activities - Capital assets, net	<u><u>\$2,063,256</u></u>	<u><u>(\$46,086)</u></u>	<u><u>\$1,739</u></u>	<u><u>\$2,015,431</u></u>

City of Statham, Georgia
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 4. Detailed Notes on All Funds, continued

D. Capital Assets - Continued

Business-type Activities	<u>Balance 7/1/2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2011</u>
Capital Assets not being depreciated				
Land	\$525,753			\$525,753
Total Capital Assets not being depreciated	<u>\$525,753</u>	<u>\$0</u>	<u>\$0</u>	<u>\$525,753</u>
Other Capital Assets				
Plants/Buildings	\$41,898			\$41,898
Distribution Systems	8,686,975			8,686,975
Vehicles & Equipment	451,095	\$177,493		628,588
Total Other Capital Assets	<u>\$9,179,968</u>	<u>\$177,493</u>	<u>\$0</u>	<u>\$9,357,461</u>
Accumulated Depreciation				
Plants/Buildings	\$13,567	\$1,047		\$14,614
Distribution Systems	1,775,102	173,740		1,948,842
Vehicles & Equipment	297,532	40,074		337,606
Total Accumulated Deprec.	<u>\$2,086,201</u>	<u>\$214,861</u>	<u>\$0</u>	<u>\$2,301,062</u>
Business-type Activities				
Capital Assets, net	<u><u>\$7,619,520</u></u>	<u><u>(\$37,368)</u></u>	<u><u>\$0</u></u>	<u><u>\$7,582,152</u></u>

Combining schedule of enterprise funds capital assets follows:

	<u>Water & Sewer</u>	<u>Solid Waste</u>	<u>Totals</u>
Land	\$525,753		\$525,753
Plants & Buildings	41,898		41,898
Transmission/Distribution Systems	8,686,975		8,686,975
Vehicles & Equipment	509,120	\$119,468	628,588
Totals	<u>\$9,763,746</u>	<u>\$119,468</u>	<u>\$9,883,214</u>
Less: Accum. Depreciation	<u>2,188,150</u>	<u>112,912</u>	<u>2,301,062</u>
Net	<u><u>\$7,575,596</u></u>	<u><u>\$6,556</u></u>	<u><u>\$7,582,152</u></u>

City of Statham, Georgia
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2011

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	\$25,962	Water & Sewer	\$202,914
Public Safety	16,650	Solid Waste	11,947
Public Works	31,782		

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, 2011, consisted of the following amounts:

Interfund Balances:

	Receivable	Payable
Governmental Activities		
<u>Major Governmental Funds</u>		
General Fund	\$ 15,854	\$ 20,131
<u>Non-Major Governmental Funds</u>		
Special Revenue Fund		9,091
Business-type Activities		
<u>Major Enterprise Funds</u>		
Water & Sewer Fund		6,763
Solid Waste Fund	20,131	
Totals	\$ 35,985	\$ 35,985

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, 2011

Note 4. Detailed Notes on All Funds, continued

E. Interfund Balances and Transfers, continued

Transfers and Payment within the reporting entity:

There were no transfers made within the reporting entity during the year ended June 30, 2011.

F. Property Tax Calendar

The City receives property tax assessments from Barrow County. Taxes were levied on September 21, 2010 and tax bills were mailed to taxpayers on September 30, 2010. The due date for these taxes was December 14, 2010 and after that date, both penalty and interest are accrued until the taxes are collected. The lien date was March 14, 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 a general government computer system for \$19,135. The lease was retired during the year so the amount outstanding at June 30, 2011 was \$0.

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 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.

During the year, the City entered into a long-term capital lease with SolarBee, Inc. in order to purchase three long distance radial circulation machines to be used at the City's water treatment facility. The total amount issued was \$152,493 and will be paid back in monthly installments of \$2,879 over 60 months.

City of Statham, Georgia
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 4. Detailed Notes on All Funds, continued

Changes in Long-Term Debt

PRIMARY GOVERNMENT	Balance 7/1/2010	Issued	Retired	Balance 6/30/2011	Due Within One Year
<i>Governmental Activities</i>					
Capital Lease Obligations	\$6,073		\$6,073	\$0	\$0
Total Governmental Activities	\$6,073	\$0	\$6,073	\$0	\$0
<i>Business-type Activities</i>					
Capital Lease Obligations		\$152,493	\$4,279	\$148,214	\$26,598
Total Capital Lease Obligations	\$0	\$152,493	\$4,279	\$148,214	\$26,598
<i>Revenue Bonds</i>					
Water & Sewer, Series 1976	\$29,000		\$4,000	\$25,000	\$4,000
Water & Sewer, Series 1992A	1,020,340		21,710	998,630	23,010
Water & Sewer, Series 1992B	359,530		7,770	351,760	8,230
Total Revenue Bonds	\$1,408,870	\$0	\$33,480	\$1,375,390	\$35,240
<i>Notes Payable</i>					
Water & Sewer - GEFA	\$4,706		\$495	\$4,211	\$495
Water & Sewer - GEFA/GLCP	96,720		12,948	83,772	13,342
Water & Sewer - GEFA	3,009,474		89,109	2,920,365	103,504
Total Notes Payable	\$3,110,900	\$0	\$102,552	\$3,008,348	\$117,341
Total Business-type Activities	\$4,519,770	\$152,493	\$140,311	\$4,531,952	\$179,179
Total Primary Government	\$4,525,843	\$152,493	\$146,384	\$4,531,952	\$179,179

Debt Service Requirements

PRIMARY GOVERNMENT

	Amount of Original Issue	Interest Rate	Year Ending June 30	Principal	Interest
<i>Business-type Activities</i>					
Capital Lease Obligations	\$152,493	5.86%	2012	\$26,598	\$7,950
		5.86%	2013	28,240	6,308
		5.86%	2014	29,980	4,568
		5.86%	2015	31,830	2,718
		5.86%	2016	31,566	103
Totals - Capital Lease Obligations				<u>\$148,214</u>	<u>\$21,647</u>

City of Statham, Georgia
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2011

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%	2012	\$4,000	\$1,250
		5.00%	2013	5,000	1,050
		5.00%	2014	5,000	800
		5.00%	2015	5,000	550
		5.00%	2016	6,000	300
Totals - Revenue Bonds Series 1976				<u>\$25,000</u>	<u>\$3,950</u>
Water & Sewer, Series 1992A	\$1,247,800	5.625%	2012	\$23,010	\$56,173
		5.625%	2013	24,390	54,879
		5.625%	2014	25,860	53,507
		5.625%	2015	27,410	52,052
		5.625%	2016	29,050	50,510
		5.625%	2017-21	173,600	225,987
		5.625%	2022-26	232,320	170,941
		5.625%	2027-31	310,890	97,276
		5.625%	2032-36	152,100	12,960
Totals - Revenue Bonds Series 1992A				<u>\$998,630</u>	<u>\$774,285</u>
Water & Sewer, Series 1992B	\$441,700	5.875%	2012	\$8,230	\$20,666
		5.875%	2013	8,710	20,182
		5.875%	2014	9,220	19,671
		5.875%	2015	9,770	19,129
		5.875%	2016	10,340	18,555
		5.875%	2017-21	61,560	82,917
		5.875%	2022-26	81,890	62,582
		5.875%	2027-31	108,940	35,528
		5.875%	2032-36	53,100	4,725
Totals - Revenue Bonds Series 1992B				<u>\$351,760</u>	<u>\$283,955</u>
Notes Payable					
Water & Sewer - GEFA	\$9,660	0.000%	2012	\$495	\$0
		0.000%	2013	495	0
		0.000%	2014	495	0
		0.000%	2015	495	0
		0.000%	2016	495	0
		0.000%	2017-21	1,736	0
Totals - GEFA				<u>\$4,211</u>	<u>\$0</u>

City of Statham, Georgia
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 4. Detailed Notes on All Funds, continued

G. Long-Term Debt, continued

Debt Service Requirements

	Amount of Original Issue	Interest Rate	Year Ending June 30	Principal	Interest
<i>Business-type Activities</i>					
Notes Payable					
Water & Sewer - GEFA/GLGP	\$135,254	3.00%	2012	\$13,342	\$2,331
		3.00%	2013	13,747	1925
		3.00%	2014	14,166	1507
		3.00%	2015	14,596	1076
		3.00%	2016	15,040	632
		3.00%	2017-21	12,881	177
Totals - GEFA				<u>\$83,772</u>	<u>\$7,648</u>
Water & Sewer - GEFA	\$3,009,474	4.12%	2012	\$103,504	\$118,379
		4.12%	2013	107,850	114,033
		4.12%	2014	112,379	109,505
		4.12%	2015	117,097	104,787
		4.12%	2016	122,014	99,870
		4.12%	2017-21	691,352	418,065
		4.12%	2022-26	849,201	260,216
		4.12%	2027-31	816,968	70,565
Totals - GEFA				<u>\$2,920,365</u>	<u>\$1,295,420</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, 2011

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, 2011, 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 \$13,437 special option sales tax on street infrastructure (paving) during the current fiscal year.

City of Statham, Georgia
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 4. Detailed Notes on All Funds, continued

J. Compliance with Legal Provisions, continued

Federal Laws

The City received a Community Development Block Grant in the amount of \$25,000 under the Immediate Threat and Danger Program during the current fiscal year.

The City was awarded a COPS Hiring Program award from the US Department of Justice in the amount of \$139,203 to be received over a three year period. The City received \$8,091 during the current fiscal year.

The City received a Bulletproof Vest Partnership award from the US Department of Justice in the amount of \$2,796 during the current fiscal year.

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 \$13,020 in benefits and City employees contributed \$20,481 during 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 \$725,915; including payroll of \$261,492 covered by the plan. The plan had \$344,401 of assets and reserves as of June 30, 2011.

City of Statham, Georgia
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2011

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, 2011 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	\$2,877,506	\$9,883,214
Less: accumulated depreciation	<u>862,075</u>	<u>2,301,062</u>
Book Value	\$2,015,431	\$7,582,152
Less: capital related debt	<u>0</u>	<u>4,531,952</u>
Invested in capital assets, net of related debt	<u><u>\$2,015,431</u></u>	<u><u>\$3,050,200</u></u>

Note 5. Other Notes

A. Changes in Contributed Capital - Enterprise Funds

Water & Sewer	
Balance - July 1, 2010	\$ 1,425,800
Depreciation on Contributed Assets (Assets purchased with Grant Funds)	<u>(43,666)</u>
Balance - June 30, 2011	<u><u>\$ 1,382,134</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 Commission (RC) and is required to pay annual dues thereto. During its fiscal year ended June 30, 2011, 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 RC is required by the Official Code of Georgia Annotated (OCGA), Section 50-8-34, which provides for the organizational structure of the RC in Georgia. The RC 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 RC. Separate financial statements for the RC may be obtained from:

Northeast Georgia Regional Commission
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, 2011

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, 2011

	<u>Budgeted Amounts</u>			<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Revisions</u>	<u>Final</u>		
REVENUES					
Special Purpose Local Option Sales Tax	\$ 44,000	\$	\$ 44,000	\$ 43,107	\$ (893)
Interest Income			0	91	91
Prior Year Fund Balance			0		0
TOTAL REVENUES	<u>\$ 44,000</u>	<u>\$ 0</u>	<u>\$ 44,000</u>	<u>\$ 43,198</u>	<u>\$ (802)</u>
EXPENDITURES					
Current					
Public Works					
Capital Outlay	\$ 44,000	\$	\$ 44,000	\$ 13,437	\$ 30,563
TOTAL EXPENDITURES	<u>\$ 44,000</u>	<u>\$ 0</u>	<u>\$ 44,000</u>	<u>\$ 13,437</u>	<u>\$ 30,563</u>
EXCESS OF REVENUES OVER					
EXPENDITURES	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 29,761</u>	<u>\$ 29,761</u>
FUND BALANCE - BEGINNING OF YEAR				<u>\$ 82,149</u>	
FUND BALANCE - END OF YEAR				<u><u>\$ 111,910</u></u>	

City of Statham, Georgia
Special Revenue Fund - Police
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Budgetary Basis)
For the Fiscal Year Ended June 30, 2011

	<u>Budgeted Amounts</u>			<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Revisions</u>	<u>Final</u>		
REVENUES					
Intergovernmental	\$ _____	\$ 10,887	\$ 10,887	\$ 10,887	\$ _____
TOTAL REVENUES	\$ _____	\$ 10,887	\$ 10,887	\$ 10,887	\$ _____
EXPENDITURES					
Current					
Public Safety					
Personal Services & Benefits	\$ _____	\$ 8,091	\$ 8,091	\$ 8,091	\$ _____
Capital Outlay	_____	2,796	2,796	2,796	_____
TOTAL EXPENDITURES	\$ _____	\$ 10,887	\$ 10,887	\$ 10,887	\$ _____
EXCESS OF REVENUES OVER					
EXPENDITURES	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
FUND BALANCE - BEGINNING OF YEAR				\$ _____	
FUND BALANCE - END OF YEAR				\$ _____	

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, 2011

	<u>Original/ Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating Revenues:			
Metered Sales - Water	\$ 680,550	\$ 680,769	\$ 219
Tapping Fees - Water	49,800	2,163	(47,637)
Sewer Fees	119,747	120,678	931
Tapping Fees - Sewer	<u>72,225</u>	<u>1,280</u>	<u>(70,945)</u>
Total Operating Revenues	\$ <u>922,322</u>	\$ <u>804,890</u>	\$ <u>(117,432)</u>
Operating Expenses:			
<i>Water</i>			
Personal Services & Benefits	\$ 214,854	\$ 214,657	\$ 197
Purchased/Contracted Services	117,200	117,154	46
Supplies	115,500	111,325	4,175
Other	100	0	100
Depreciation	107,820	107,820	0
<i>Sewer</i>			
Purchased/Contracted Services	84,780	84,218	562
Supplies	14,950	14,942	8
Depreciation	<u>95,095</u>	<u>95,094</u>	<u>1</u>
Total Operating Expenses	\$ <u>750,299</u>	\$ <u>745,210</u>	\$ <u>5,089</u>
Operating Income/(Loss)	\$ <u>172,023</u>	\$ <u>59,680</u>	\$ <u>(112,343)</u>
Nonoperating Income and (Expenses):			
Interest Income	\$ 20,000	\$ 1,113	\$ (18,887)
Intergovernmental	25,000	25,000	0
Interest Expense	<u>(217,023)</u>	<u>(216,083)</u>	<u>940</u>
Net Nonoperating Income/(Expense)	\$ <u>(172,023)</u>	\$ <u>(189,970)</u>	\$ <u>(17,947)</u>
Income/(Loss)	\$ <u>0</u>	\$ (130,290)	\$ <u>(130,290)</u>
Depreciation on Assets Acquired by Grant Funds		43,666	
Retained Earnings - Beginning of Year		<u>2,288,611</u>	
Retained Earnings - End of Year		<u>\$ <u>2,201,987</u></u>	

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, 2011

	<u>Original/ Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating Revenues:			
Charges for Services	\$ 167,194	\$ 154,618	\$ (12,576)
Total Operating Revenues	<u>\$ 167,194</u>	<u>\$ 154,618</u>	<u>\$ (12,576)</u>
Operating Expenses:			
Personal Services & Benefits	\$ 11,569	\$ 11,256	\$ 313
Purchased/Contracted Services	138,750	139,010	(260)
Depreciation	11,950	11,947	3
Supplies	900	861	39
Other	4,025	4,019	6
Total Operating Expenses	<u>\$ 167,194</u>	<u>\$ 167,093</u>	<u>\$ 101</u>
Operating Income	<u>\$ 0</u>	<u>\$ (12,475)</u>	<u>\$ (12,475)</u>
Nonoperating Income and (Expenses):			
Interest Income	\$ _____	\$ 139	\$ 139
Net Nonoperating Income/(Expense)	<u>\$ 0</u>	<u>\$ 139</u>	<u>139</u>
Net Income (Loss)	<u>\$ 0</u>	<u>\$ (12,336)</u>	<u>\$ (12,336)</u>
Retained Earnings - Beginning of Year		<u>94,538</u>	
Retained Earnings - End of Year		<u>\$ 82,202</u>	

City of Statham, Georgia
Special Schedules and Reports
For the Fiscal Year Ended June 30, 2011

City of Statham, Georgia
Schedule of Project Expenditures with
Special Option Sales Tax Revenue
For the Fiscal Year Ended June 30, 2011

Project	Original Estimated Cost	EXPENDITURES		% of Completion
		Prior Years	Current Year	
PUBLIC WORKS:				
<i>Road Improvements - Paving</i>	\$ 600,000	\$ 139,624	\$ 13,437	26%
		<u>\$ 139,624</u>	<u>\$ 13,437</u>	
			<u>\$ 153,061</u>	

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**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, each major fund and the remaining fund information of the **City of Statham, Georgia**, as of and for the year ended June 30, 2011, and have issued our report thereon dated November 30, 2011. 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 30, 2011