

CITY OF METTER, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2011

TABLE OF CONTENTS

	Page
FINANCIAL SECTION	
Independent Auditor's Report	3
Management's Discussion and Analysis (Unaudited)	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet-Governmental Funds	15
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets	16
Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds	17
Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	18
Statement of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual-General Fund	19
Statement of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual-Hotel/Motel Tax Special Revenue Fund	21
Statement of Net Assets-Proprietary Fund-Water and Sewer System Fund	22
Statement of Revenues, Expenses and Changes in Fund Net Assets-Proprietary Fund-Water and Sewer System Fund	23
Statement of Cash Flows-Proprietary Fund-Water and Sewer System Fund	24
Notes to the Financial Statements	25
Supplementary Information:	
Individual Fund Statements:	
General Fund	
Comparative Balance Sheet	40
Comparative Statement of Revenues, Expenditures, and Changes in Fund Balances	41
Hotel/Motel Special Revenue Fund	
Comparative Balance Sheet	42
Comparative Statement of Revenues, Expenditures, and Changes in Fund Balances	43

SPLOST Capital Projects Fund	
Comparative Balance Sheet	44
Comparative Statement of Revenues, Expenditures, and Changes in Fund Balances	45
Water and Sewer System Fund	
Comparative Statement of Net Assets	46
Comparative Statement of Revenues, Expenses, and Changes in Net Assets	47
Schedule of Projects Paid with Special Purpose Local Option Sales Tax Proceeds	48
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	49

THIGPEN, LANIER, WESTERFIELD & DEAL

CERTIFIED PUBLIC ACCOUNTANTS
201 SOUTH ZETTEROWER AVENUE
P.O. BOX 505
STATESBORO, GEORGIA 30459
PHONE (912) 489-8756
FAX (912) 489-1243

MEMBERS
AMERICAN INSTITUTE OF CERTIFIED
PUBLIC ACCOUNTANTS
GEORGIA SOCIETY OF CERTIFIED
PUBLIC ACCOUNTANTS

MARSHALL R. THIGPEN, CPA
WILLIAM RUSSELL LANIER, CPA
JOSEPH S. WESTERFIELD, CPA
RICHARD N. DEAL, CPA
KAY S. PROCTOR, CPA
LEE ANN LANE, CPA
JENNIFER GROOMS, CPA

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Metter, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Metter, Georgia, as of and for the year ended September 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 Metter, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Metter, Georgia as of September 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the General Fund and Hotel/Motel Tax Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2012, on our consideration of the City of Metter, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Thigpen, Lanier, Wasterfield + Deal

January 17, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the City of Metter, Georgia's (the City's) annual financial report, the City's management is pleased to provide this narrative discussion and analysis of the financial activities of the City for the fiscal year ended September 30, 2011. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Highlights

- The City had total net assets (assets exceeded liabilities) of \$12,348,566 at 2011 fiscal year-end.
- Total net assets are comprised of the following:
 - (1) Capital assets, net of related debt, of \$9,125,519 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 - (2) Net assets of \$1,421,774 are restricted by constraints imposed from outside the City such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted net assets of \$1,801,273 represent the portion available to maintain the City's continuing obligations to citizens and creditors.
- The City's governmental funds reported total ending fund balance of \$2,302,649, compared to \$2,156,848 in fiscal year 2010. This is a \$145,801 (or 6.8%) increase.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$820,435, or 29.0% of total General Fund expenditures.

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

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

The second government-wide statement is the *Statement of Activities*, which reports how the City's net assets changed during the current 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's taxpayers.

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by sales and property taxes from business-type activities that are intended to recover all or a significant portion of their costs through user fees and

charges. Governmental activities include general government, public safety, public works, health and welfare, culture and recreation, and housing and development. Business-type activities include the water and sewer system.

The government-wide financial statements are presented on pages 13 & 14 of this report.

Fund Financial Statements

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

The City has two kinds of funds:

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

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

The basic governmental fund financial statements are presented on pages 15-21 of this report.

2. *Proprietary funds* are reported in the fund financial statements and generally report services for which the City charges customers a fee. The City's only proprietary fund is classified as an enterprise fund. This enterprise fund essentially encompasses the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the City for water and sewer utilities.

The basic enterprise fund financial statements are presented on pages 22-24 of this report.

Notes to the Basic Financial Statements

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

Financial Analysis of the City as a Whole

The City's net assets at fiscal year end 2011 were \$12,348,566, compared to the fiscal year 2010 figure of \$12,036,267. The following table provides a summary of the City's net assets:

Summary of Net Assets

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Assets:						
Current assets	\$ 2,515,465	\$ 2,342,899	\$ 985,417	\$ 979,534	\$ 3,500,882	\$ 3,322,433
Capital assets	<u>5,358,579</u>	<u>5,512,910</u>	<u>4,680,898</u>	<u>4,619,135</u>	<u>10,039,477</u>	<u>10,132,045</u>
Total assets	<u>7,874,044</u>	<u>7,855,809</u>	<u>5,666,315</u>	<u>5,598,669</u>	<u>13,540,359</u>	<u>13,454,478</u>
Liabilities:						
Current liabilities	218,309	193,461	182,247	258,956	400,556	452,417
Long-term liabilities	<u>106,044</u>	<u>182,287</u>	<u>685,193</u>	<u>783,507</u>	<u>791,237</u>	<u>965,794</u>
Total liabilities	<u>324,353</u>	<u>375,748</u>	<u>867,440</u>	<u>1,042,463</u>	<u>1,191,793</u>	<u>1,418,211</u>
Net assets:						
Investment in capital assets, net of debt	5,210,532	5,295,118	3,914,987	3,705,082	9,125,519	9,000,200
Restricted	1,421,774	1,185,471	-	-	1,421,774	1,185,471
Unrestricted	<u>917,385</u>	<u>999,472</u>	<u>883,888</u>	<u>851,124</u>	<u>1,801,273</u>	<u>1,850,596</u>
Total net assets	<u>\$ 7,549,691</u>	<u>\$ 7,480,061</u>	<u>\$ 4,798,875</u>	<u>\$ 4,556,206</u>	<u>\$ 12,348,566</u>	<u>\$ 12,036,267</u>

The City continues to maintain a high current ratio. The current ratio compares current assets to current liabilities, and is an indication of the ability to pay current obligations. For fiscal year 2011, the current ratio for governmental activities is 11.5 and 5.4 for business type activities. For fiscal year 2010, the current ratio for governmental activities was 12.1, and for business type activities 3.8. For the City, overall, the current ratio for fiscal year 2011 is 8.7, compared to 7.3 for fiscal year 2010. These ratios are very strong.

The City reported positive balances in net assets for both governmental and business-type activities. Net assets increased by \$69,630 for governmental activities and by \$242,669 for business-type activities. The City's overall financial position increased \$312,299 during fiscal year 2011.

Note that 69.0% of the governmental activities' net assets were invested in capital assets. The City uses these capital assets to provide services to its citizens. On the business type activities, the City has spent 81.6% of its net assets on capital assets. Capital assets in the business type activities provide utility services, which generate revenues for this fund. Expansion of these systems is necessary for the continued growth of the City and for its financial position, as this utility system generates considerable revenue for all the City's operations. 73.9% of the City's total net assets were included in capital assets.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
For the Year Ended September 30, 2011

City of Metter, Georgia

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

	Summary of Changes in Net Assets					
	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program:						
Charges for services	\$ 528,236	\$ 524,891	\$ 1,143,265	\$ 1,120,430	\$ 1,671,501	\$ 1,645,321
Operating grants	276,691	219,495	-	-	276,691	219,495
Capital grants and contributions	453,228	548,660	-	-	453,228	548,660
General:						
Taxes	1,915,844	1,951,218	-	-	1,915,844	1,951,218
Other	54,426	72,181	19,952	30,714	74,378	102,895
Total revenues	<u>3,228,425</u>	<u>3,316,445</u>	<u>1,163,217</u>	<u>1,151,144</u>	<u>4,391,642</u>	<u>4,467,589</u>
Program Expenses:						
General government	472,501	494,575	-	-	472,501	494,575
Municipal court	12,101	8,745	-	-	12,101	8,745
Public safety	1,235,648	1,176,899	-	-	1,235,648	1,176,899
Public works	986,740	941,985	-	-	986,740	941,985
Health and welfare	10,982	11,377	-	-	10,982	11,377
Culture and recreation	156,094	150,076	-	-	156,094	150,076
Housing and development	163,637	197,690	-	-	163,637	197,690
Interest	9,191	11,984	-	-	9,191	11,984
Water and sewer	-	-	1,032,449	1,165,712	1,032,449	1,165,712
Total expenses	<u>3,046,894</u>	<u>2,993,331</u>	<u>1,032,449</u>	<u>1,165,712</u>	<u>4,079,343</u>	<u>4,159,043</u>
Excess (deficiency)	181,531	323,114	130,768	(14,568)	312,299	308,546
Transfers	(111,901)	(134,542)	111,901	134,542	-	-
Beginning net assets	<u>7,480,061</u>	<u>7,291,489</u>	<u>4,556,206</u>	<u>4,436,232</u>	<u>12,036,267</u>	<u>11,727,721</u>
Ending net assets	<u>\$ 7,549,691</u>	<u>\$ 7,480,061</u>	<u>\$ 4,798,875</u>	<u>\$ 4,556,206</u>	<u>\$ 12,348,566</u>	<u>\$ 12,036,267</u>

GOVERNMENTAL REVENUES

The City is heavily reliant on taxes to support governmental activities operations. In total, taxes make up 59.3% of revenues as compared to 58.8% in fiscal year 2010. Sales taxes provided \$583,287 or 18.1% of the City's total governmental activities revenues as compared to 18.9% in fiscal year 2010. Property taxes are the largest revenue source totaling \$636,181 of revenues or 19.7% of total revenues as compared to 18.9% in fiscal year 2010.

Capital grants include \$449,302 in special purpose local option sales taxes (SPLOST) received from Candler County for capital projects. SPLOST revenue provided 13.9% of the City's total governmental revenues as compared to 15.6% in fiscal year 2010.

Also, note that program revenues covered 39.0% in fiscal year 2011, and 43.2% in fiscal year 2010 of governmental operating expenses. This means that the government's taxpayers and the City's other general governmental revenues funded the remaining 61.0% in fiscal year 2011, and 56.8% in fiscal year 2010 of the governmental activities. As this documents, the general economy and the local businesses have a major impact on the City's revenue streams.

GOVERNMENTAL FUNCTIONAL EXPENSES

The public safety function comprises 40.6% of the City's total governmental activity expenses as compared to 39.3% for fiscal year 2010. The public works function comprises 32.4% of the total governmental activity expenses as compared to 31.5% for fiscal year 2010. Of the total \$3,046,894 of governmental activity expenses, depreciation is \$372,980 or 12.2% of that total.

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

	Governmental Activities			
	2011		2010	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General government	\$ 472,501	\$ 362,301	\$ 494,575	\$ 387,151
Municipal court	12,101	12,101	8,745	8,745
Public safety	1,235,648	871,976	1,176,899	880,373
Public works	986,740	202,457	941,985	86,474
Health and welfare	10,982	10,982	11,377	(22,208)
Culture and recreation	156,094	156,094	150,076	150,076
Housing and development	163,637	163,637	197,690	197,690
Interest	9,191	9,191	11,984	11,984
Total	\$ 3,046,894	\$ 1,788,739	\$ 2,993,331	\$ 1,700,285

For fiscal year 2011 and 2010, all functions required a subsidy from general revenues except for health and welfare in fiscal year 2010. The excess for health and welfare in 2010 was the result of \$33,585 in capital grant revenue received for capital improvements.

BUSINESS-TYPE ACTIVITIES
Revenues vs. Expenses

The City's sole enterprise fund is the water and sewer system fund. The operating revenues for this fund increased by \$22,835, or 2.0%, from that of fiscal year 2010. Operating expenses decreased \$125,873 or 11.3%. Overall the change in net assets was an increase of \$242,609 as compared to an increase of \$119,974 in fiscal year 2010.

Financial Analysis of the City's Funds

Governmental Funds

Governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of \$2,302,649, as compared to \$2,156,848 at September 30, 2010. Of this year-end total, \$820,435 was unassigned indicating availability for continuing City service requirements. \$1,421,774 in fund balance is restricted for SPLOST fund capital projects.

The total ending fund balances of governmental funds show an increase in fiscal year 2011 of \$145,801 or 6.8% compared to an increase in fiscal year 2010 of \$250,562, or 13.1%.

Major Governmental Funds

General Fund - The General Fund is the City's primary operating fund and the largest source of day-to-day service delivery. The General Fund's fund balance decreased by \$90,502 or 9.3% as compared to a \$27,293 or 2.9% increase in fiscal year 2010.

At the fund reporting level, total taxes decreased \$32,710 or 1.7% from that of fiscal year 2010. Total property taxes decreased \$9,094 or 1.6% from fiscal year 2010. Local option sales taxes decreased \$44,449 or 7.1%. This decrease is a result of the current overall economic recession. Franchise taxes increased \$27,415 or 9.8%.

Intergovernmental revenue increased \$26,276 or 10.5%. Fines and forfeitures increased \$11,700 or 14.0%. Interest revenue decreased \$8,875 or 56.4% as a result of lower interest rates received on bank deposits.

Most other revenue streams were consistent with those of fiscal year 2010.

In fiscal year 2011, general fund expenditures increased \$115,487 or 4.3% from last year. The major increases relate to purchases of capital assets for public safety and public works.

The General Fund's ending unassigned fund balance of \$820,435 is considered adequate, representing the equivalent of 29.0% of annual expenditures as compared to 34.0% at September 30, 2010.

Hotel/Motel Fund - The City recognized \$46,419 in hotel/motel taxes, which was expended during the year. This amount compares to a \$50,671 amount in fiscal year 2010. These resources are paid to the City's Welcome Center. There is no fund balance at September 30, 2011.

SPLOST Fund - The amount expended in fiscal year 2011 on projects approved in this SPLOST referendum included the following:

- Equipment debt service (\$39,998)
- Water and Sewer system improvements and expansion (\$111,901)
- Drainage and street improvements and expansion (\$58,126)

The City recognized \$449,302 for our share of the Candler County's SPLOST. This amount compares to \$517,740 recognized in fiscal year 2010.

The Proprietary Fund

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

Budgetary Highlights - General Fund

Overall, the City recognized revenues equal to 85.2% of budgeted revenues in the final appropriated budget. Overall, the City recognized expenditures equal to \$536,624 less than, or 15.9%, of budgeted expenditures in the final appropriated budget.

On the revenue side of the budget, taxes came in \$107,732 lower than the amended budget and intergovernmental revenue came in \$337,266 lower. In total, General Fund revenues came in \$469,997 less than the budgeted amount.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
For the Year Ended September 30, 2011

City of Metter, Georgia

On the expenditure side, the roadways and walkways function was over spent by \$5,883 in fiscal year 2011. The public safety function budget was under spent by \$401,949 and the general government budget was under spent by \$44,729.

Fund Balance decreased by \$13,572 over the amount budgeted.

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of September 30, 2011 was \$5,358,579 and \$4,680,898 respectively, for a total of \$10,039,477. The total decrease in this net investment was 2.8% for governmental and the total increase was 1.3% for business-type activities. The overall decrease was .9% for the City as a whole. See Note 8 for additional information about changes in capital assets during the fiscal year and outstanding at the end of the year. The following table provides a summary of capital asset activity.

	Capital Assets (Amounts in Thousands)					
	Governmental Activities		Business Activities		Total Activities	
	2011	2010	2011	2010	2011	2010
Non-depreciable assets:						
Land	\$ 337,500	\$ 337,500	\$ 492,280	\$ 492,280	\$ 829,780	\$ 829,780
Construction in progress	59,836	156,044	89,403	259,580	149,239	415,624
Total non-depreciable assets	<u>397,336</u>	<u>493,544</u>	<u>581,683</u>	<u>751,860</u>	<u>979,019</u>	<u>1,245,404</u>
Depreciable assets:						
Buildings	1,939,200	1,939,200	94,767	94,767	2,033,967	2,033,967
Land improvements	558,890	558,890	-	-	558,890	558,890
Water and sewer system	-	-	7,641,356	7,242,324	7,641,356	7,242,324
Machinery and equipment	2,090,409	1,968,870	837,973	789,658	2,928,382	2,758,528
Infrastructure	9,346,825	9,191,591	-	-	9,346,825	9,191,591
Total depreciable assets	<u>13,935,324</u>	<u>13,658,551</u>	<u>8,574,096</u>	<u>8,126,749</u>	<u>22,509,420</u>	<u>21,785,300</u>
Less accumulated depreciation	<u>8,974,081</u>	<u>8,639,185</u>	<u>4,474,881</u>	<u>4,259,474</u>	<u>13,448,962</u>	<u>12,898,659</u>
Book value - depreciable assets	<u>4,961,243</u>	<u>5,019,366</u>	<u>4,099,215</u>	<u>3,867,275</u>	<u>9,060,458</u>	<u>8,886,641</u>
Percentage depreciated	<u>64%</u>	<u>63%</u>	<u>52%</u>	<u>52%</u>	<u>60%</u>	<u>59%</u>
Total book value	<u>\$ 5,358,579</u>	<u>\$ 5,512,910</u>	<u>\$ 4,680,898</u>	<u>\$ 4,619,135</u>	<u>\$ 10,039,477</u>	<u>\$ 10,132,045</u>

At September 30, 2011, the depreciable capital assets for governmental activities were 64% depreciated, compared to 63% at September 30, 2010.

With the City's business type activities, 52% of the asset values were depreciated at September 30, 2011 and 2010.

Long-term Debt

At the end of the fiscal year, the City had capital leases, USDA notes, and GEFA notes outstanding. During the fiscal year, the City retired 36.8% of the beginning outstanding capital lease obligations and 100.0% of the beginning bonds payable. The City's notes payable and USDA loans payable decreased by 11.6% and 33.7%, respectively. Total compensated absences payable increased 13.9% from the September 30, 2010 balance.

Outstanding Debt

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2009
Capital leases	\$ 66,291	\$ 94,407	\$ 27,732	\$ 54,426	\$ 94,023	\$ 148,833
Revenue bonds	-	-	-	25,000	-	25,000
Notes payable	-	-	738,179	834,627	738,179	834,627
USDA loans	81,756	123,385	-	-	81,756	123,385
Compensated absences	58,493	52,412	21,223	17,590	79,716	70,002
Total	\$ 206,540	\$ 270,204	\$ 787,134	\$ 931,643	\$ 993,674	\$ 1,201,847

See Note 9 for additional information about the City's long-term debt.

Economic Conditions Affecting the City

The City is physically located in the eastern portion of the state of Georgia, approximately 175 miles southeast of the State capitol, Atlanta, Georgia, and approximately 63 miles northwest of Savannah, the first planned city in the state. Metter is the county seat in Candler County, and its population makes up approximately 40% of the County's population. The County's land area is 247 square miles with 15.7 persons per square mile. The city of Metter is 7.39 square miles. This compares favorably with the State of Georgia's rate of 141.4 persons per square mile. Services are the largest employment sectors providing 33.7% of the jobs. Statewide, the service industry provides 25.6% of the jobs.

As of December 2011, Candler County's unemployment rate averaged 10.1% (Georgia Department of Labor), compared to the state's average of 9.7% for the year (GDOL).

The City's population is 4,100 (U.S. Bureau of Census). Since the City relies primarily on property and sales taxes for its operating revenue, changes in the economy definitely affect these revenue streams. Since sales taxes are, an "elastic revenue stream", in a sluggish economy, the sales tax revenues are reduced immediately. Property taxes are considered "inelastic" in the short-term; this revenue stream is more stable. Fortunately, for the City, because of its revenue stream makeup, it is able to survive financially in a slow economy.

Contacting the City's Financial Management

This financial report is designed to provide a general overview of the City's finances, comply with finance-related laws and regulations, and demonstrate the City's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the City Manager at City Hall at 49 South Rountree, Post Office Box 74, Metter, Georgia, 30439, or call (912) 685-2527.

CITY OF METTER, GEORGIA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 1,738,360	\$ 868,161	\$ 2,606,521	-
Certificates of deposit	232,595	60,076	292,671	-
Receivables:				
Taxes	128,778	-	128,778	-
Accounts	24,778	98,949	123,727	-
Intergovernmental	339,202	-	339,202	-
Interest	6,779	-	6,779	-
Other	3,204	-	3,204	-
Internal balances	41,769	(41,769)	-	-
Total Current Assets	2,515,465	985,417	3,500,882	-
Capital Assets:				
Nondepreciable capital assets	397,336	581,683	979,019	-
Depreciable capital assets, net	4,961,243	4,099,215	9,060,458	-
Total Capital Assets	5,358,579	4,680,898	10,039,477	-
Total Assets	7,874,044	5,666,315	13,540,359	-
LIABILITIES				
Current Liabilities:				
Accounts payable	102,632	515	103,147	-
Accrued payroll	1,720	-	1,720	-
Accrued interest payable	-	3,106	3,106	-
Customer deposits	-	76,685	76,685	-
Notes payable	43,439	74,209	117,648	-
Capital leases payable	57,057	27,732	84,789	-
Other	13,461	-	13,461	-
Total Current Liabilities	218,309	182,247	400,556	-
Long-Term Liabilities:				
Compensated absences	58,493	21,223	79,716	-
Notes payable (net of current portion)	38,317	663,970	702,287	-
Capital leases payable (net of current portion)	9,234	-	9,234	-
Total Long-Term Liabilities	106,044	685,193	791,237	-
Total Liabilities	324,353	867,440	1,191,793	-
NET ASSETS				
Invested in capital assets, net of related debt	5,210,532	3,914,987	9,125,519	-
Restricted for capital projects	1,421,774	-	1,421,774	-
Unrestricted	917,385	883,888	1,801,273	-
Total Net Assets	\$ 7,549,691	\$ 4,798,875	\$ 12,348,566	-

See accompanying notes to the basic financial statements.

CITY OF METTER, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Program/Function	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Primary Government								
Governmental Activities:								
General government	\$ 472,501	\$ 92,662	\$ 10,638	\$ 6,900	\$ (362,301)	-	\$ (362,301)	-
Municipal court	12,101	-	-	-	(12,101)	-	(12,101)	-
Public safety	1,235,648	97,619	266,053	-	(871,976)	-	(871,976)	-
Public works	986,740	337,955	-	446,328	(202,457)	-	(202,457)	-
Health and welfare	10,982	-	-	-	(10,982)	-	(10,982)	-
Culture and recreation	156,094	-	-	-	(156,094)	-	(156,094)	-
Housing and development	163,637	-	-	-	(163,637)	-	(163,637)	-
Interest	9,191	-	-	-	(9,191)	-	(9,191)	-
Total Governmental Activities	3,046,894	528,236	276,691	453,228	(1,788,739)	-	(1,788,739)	-
Business-Type Activities:								
Water and sewer	1,032,449	1,143,265	-	-	-	\$ 110,816	110,816	-
Total Primary Government	\$ 4,079,343	1,671,501	\$ 276,691	\$ 453,228	(1,788,739)	110,816	(1,677,923)	-
Component Unit								
Downtown Development Authority of Metter	-	-	-	-	-	-	-	-
General Revenues								
Property taxes levied for:								
General purposes					636,181	-	636,181	-
Sales taxes					583,287	-	583,287	-
Insurance premium tax					193,714	-	193,714	-
Franchise taxes					307,023	-	307,023	-
Hotel/motel taxes					46,419	-	46,419	-
Other taxes					149,220	-	149,220	-
Gain on disposal of capital assets					5,973	18,500	24,473	-
Interest earned					6,855	1,452	8,307	-
Miscellaneous					41,598	-	41,598	-
Total General Revenues					1,970,270	19,952	1,990,222	-
Transfers					(111,901)	111,901	-	-
Total General Revenues and Transfers					1,858,369	131,853	1,990,222	-
Change in Net Assets					69,630	242,669	312,299	-
Net Assets, Beginning of Year					7,480,061	4,556,206	12,036,267	-
Net Assets, End of Year					\$ 7,549,691	\$ 4,798,875	\$ 12,348,566	-

See accompanying notes to the basic financial statements.

CITY OF METTER, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

	General	Hotel/Motel	SPLOST	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 339,415	-	\$ 1,398,945	\$ 1,738,360
Certificates of deposit	232,595	-	-	232,595
Receivables:				
Taxes	125,169	\$ 3,609	-	128,778
Accounts	24,778	-	-	24,778
Intergovernmental	316,373	-	22,829	339,202
Interest	6,779	-	-	6,779
Other	3,204	-	-	3,204
Interfund	41,769	-	-	41,769
TOTAL ASSETS	\$ 1,090,082	\$ 3,609	\$ 1,421,774	\$ 2,515,465
LIABILITIES				
Accounts payable	\$ 99,023	\$ 3,609	-	\$ 102,632
Accrued payroll	1,720	-	-	1,720
Deferred revenue	95,003	-	-	95,003
Other	13,461	-	-	13,461
Total liabilities	209,207	3,609	-	212,816
FUND BALANCE				
Assigned for special projects	60,440	-	-	60,440
Restricted for capital projects	-	-	\$ 1,421,774	1,421,774
Unassigned	820,435	-	-	820,435
Total fund balance	880,875	-	1,421,774	2,302,649
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,090,082	\$ 3,609	\$ 1,421,774	\$ 2,515,465

See accompanying notes to the basic financial statements.

CITY OF METTER, GEORGIA
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

Total Governmental Fund Balances		\$ 2,302,649
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:		
Cost	\$ 14,332,660	
Less accumulated depreciation	<u>(8,974,081)</u>	5,358,579
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds:		
Property taxes		95,003
Liabilities, including notes payable, capital leases and compensated absences are not due and payable in the current period and therefore are not reported in the funds but are reported on the statement of net assets:		
Capital leases	\$ (66,291)	
Notes payable	(81,756)	
Compensated absences	<u>(58,493)</u>	<u>(206,540)</u>
Net Assets Of Governmental Activities		<u><u>\$ 7,549,691</u></u>

See accompanying notes to the basic financial statements.

CITY OF METTER, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	General	Hotel/Motel	SPLOST	Total Governmental Funds
REVENUES				
Taxes	\$ 1,854,929	\$ 46,419	-	\$ 1,901,348
Licenses and permits	91,540	-	-	91,540
Charges for services	341,697	-	-	341,697
Intergovernmental	276,691	-	\$ 449,302	725,993
Fines and forfeitures	94,999	-	-	94,999
Interest	6,855	-	3,926	10,781
Miscellaneous	41,598	-	-	41,598
Total revenues	<u>2,708,309</u>	<u>46,419</u>	<u>453,228</u>	<u>3,207,956</u>
EXPENDITURES				
Current:				
General government	455,317	-	-	455,317
Municipal court	12,101	-	-	12,101
Public safety	1,175,486	-	-	1,175,486
Public works	860,977	-	-	860,977
Health and welfare	9,876	-	-	9,876
Culture and recreation	132,190	-	-	132,190
Housing and development	120,092	46,419	-	166,511
Capital outlay:				
General government	-	-	6,900	6,900
Public works	-	-	58,126	58,126
Health and welfare	-	-	-	-
Debt service				
Principal	62,204	-	35,176	97,380
Interest	4,369	-	4,822	9,191
Total expenditures	<u>2,832,612</u>	<u>46,419</u>	<u>105,024</u>	<u>2,984,055</u>
EXCESS OF REVENUES OVER EXPENDITURES	(124,303)	-	348,204	223,901
OTHER FINANCING SOURCES (USES)				
Proceeds from capital lease	27,635	-	-	27,635
Sale of capital assets	6,166	-	-	6,166
Transfers out	-	-	(111,901)	(111,901)
Total other financing sources (uses)	<u>33,801</u>	<u>-</u>	<u>(111,901)</u>	<u>(78,100)</u>
NET CHANGE IN FUND BALANCE	(90,502)	-	236,303	145,801
FUND BALANCE, BEGINNING OF YEAR	<u>971,377</u>	<u>-</u>	<u>1,185,471</u>	<u>2,156,848</u>
FUND BALANCE, END OF YEAR	<u>\$ 880,875</u>	<u>\$ -</u>	<u>\$ 1,421,774</u>	<u>\$ 2,302,649</u>

See accompanying notes to the basic financial statements.

CITY OF METTER, GEORGIA
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Net Change In Fund Balance - Governmental Funds		\$ 145,801	
Amounts reported for governmental activities in the statement of activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlays differed from depreciation expense in the current period.			
	Depreciation expense	\$ (372,980)	
	Capital outlays	<u>218,842</u>	(154,138)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.			
	Property taxes:		
	Deferred at 9/30/11	95,003	
	Deferred at 9/30/10	<u>(80,507)</u>	14,496
Governmental funds do not report the cost of disposed capital assets but the cost is reported on the statement of activities.			
			(193)
Other financing sources for the inception of capital leases and proceeds from notes payable are reported on the fund level operating statement but are reported as a liability on the government-wide financial statements.			
			(27,635)
Repayment of capital lease and note payable principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.			
			97,380
Compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.			
	Liability at 9/30/11	(58,493)	
	Liability at 9/30/10	<u>52,412</u>	<u>(6,081)</u>
Change In Net Assets of Governmental Activities		\$ 69,630	

See accompanying notes to the basic financial statements.

CITY OF METTER, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Taxes	\$ 1,961,697	\$ 1,962,661	\$ 1,854,929	\$ (107,732)
Licenses and permits	108,975	108,975	91,540	(17,435)
Charges for services	337,610	337,610	341,697	4,087
Intergovernmental	578,056	613,957	276,691	(337,266)
Fines and forfeitures	80,400	80,773	94,999	14,226
Interest	9,500	9,500	6,855	(2,645)
Miscellaneous	64,693	64,830	41,598	(23,232)
Total revenues	<u>3,140,931</u>	<u>3,178,306</u>	<u>2,708,309</u>	<u>(469,997)</u>
EXPENDITURES				
Current:				
General government:				
Governing body	47,091	47,091	38,631	8,460
Financial administration	452,955	452,955	416,686	36,269
Total general government	<u>500,046</u>	<u>500,046</u>	<u>455,317</u>	<u>44,729</u>
Municipal court	<u>9,000</u>	<u>12,101</u>	<u>12,101</u>	<u>-</u>
Public safety:				
Police	993,757	1,015,188	917,168	98,020
Fire	505,124	505,124	210,742	294,382
Animal control	57,123	57,123	47,576	9,547
Total public safety	<u>1,556,004</u>	<u>1,577,435</u>	<u>1,175,486</u>	<u>401,949</u>
Public works:				
Roadways and walkways	652,648	652,648	658,531	(5,883)
Sanitation	159,084	163,383	149,126	14,257
Maintenance and shop	64,980	64,980	53,320	11,660
Total public works	<u>876,712</u>	<u>881,011</u>	<u>860,977</u>	<u>20,034</u>
Health and welfare:				
Mosquito control	500	500	16	484
Community center	5,000	5,000	3,259	1,741
Public education	5,500	6,601	6,601	-
Total health and welfare	<u>11,000</u>	<u>12,101</u>	<u>9,876</u>	<u>2,225</u>
Culture and recreation:				
Recreation	85,050	92,493	89,746	2,747
Libraries	42,444	42,444	42,444	-
Total culture and recreation	<u>127,494</u>	<u>134,937</u>	<u>132,190</u>	<u>2,747</u>
Housing and development:				
Building inspections	2,650	2,650	1,173	1,477
Economic development	81,244	81,244	76,828	4,416
Tourism	7,140	7,140	6,682	458
Downtown development	17,587	17,587	12,274	5,313
Airport	23,135	23,135	23,135	-
Total housing and development	<u>\$ 131,756</u>	<u>\$ 131,756</u>	<u>\$ 120,092</u>	<u>\$ 11,664</u>

See accompanying notes to the basic financial statements.

CITY OF METTER, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Debt service:				
Principal	\$ 112,385	\$ 112,385	\$ 62,204	\$ 50,181
Interest	7,464	7,464	4,369	3,095
Total debt service	<u>119,849</u>	<u>119,849</u>	<u>66,573</u>	<u>53,276</u>
 Total expenditures	 <u>3,331,861</u>	 <u>3,369,236</u>	 <u>2,832,612</u>	 <u>536,624</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	 <u>(190,930)</u>	 <u>(190,930)</u>	 <u>(124,303)</u>	 <u>66,627</u>
 OTHER FINANCING SOURCES (USES)				
Sale of capital assets	6,000	6,000	6,166	166
Proceeds from capital leases	<u>108,000</u>	<u>108,000</u>	<u>27,635</u>	<u>(80,365)</u>
Total other financing sources (uses)	<u>114,000</u>	<u>114,000</u>	<u>33,801</u>	<u>(80,199)</u>
 NET CHANGE IN FUND BALANCE	 <u><u>(76,930)</u></u>	 <u><u>(76,930)</u></u>	 <u>(90,502)</u>	 <u>\$ (13,572)</u>
 FUND BALANCE, OCTOBER 1, 2010			 <u>971,377</u>	
 FUND BALANCE, SEPTEMBER 30, 2011			 <u><u>\$ 880,875</u></u>	

See accompanying notes to the basic financial statements.

CITY OF METTER, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - HOTEL/MOTEL TAX SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Hotel/Motel tax	\$ 48,000	\$ 46,419	\$ (1,581)
EXPENDITURES			
Current:			
Housing and development - Tourism	48,000	46,419	1,581
NET CHANGE IN FUND BALANCE	\$ -	-	\$ -
FUND BALANCE, OCTOBER 1, 2010		-	
FUND BALANCE, SEPTEMBER 30, 2011		\$ -	

See accompanying notes to the basic financial statements.

CITY OF METTER, GEORGIA
STATEMENT OF NET ASSETS
PROPRIETARY FUND - WATER AND SEWER SYSTEM FUND
SEPTEMBER 30, 2011

ASSETS	
Current Assets	
Cash and cash equivalents	\$ 868,161
Certificates of deposit	60,076
Accounts receivable	98,949
Total Current Assets	1,027,186
Capital Assets	
Land	492,280
Construction in progress	89,403
Water and sewer system	7,641,356
Buildings	94,767
Machinery and equipment	837,973
Less accumulated depreciation	(4,474,881)
Total Capital Assets	4,680,898
Total Assets	5,708,084
LIABILITIES	
Current Liabilities	
Accounts payable	515
Accrued interest payable	3,106
Customer deposits	76,685
Notes payable	74,209
Capital leases payable	27,732
Interfund payable	41,769
Total Current Liabilities	224,016
Long-Term Liabilities	
Compensated absences payable	21,223
Notes payable (net of current portion)	663,970
Total Long-Term Liabilities	685,193
Total Liabilities	909,209
NET ASSETS	
Invested in capital assets, net of related debt	3,914,987
Unrestricted	883,888
Total Net Assets	\$ 4,798,875

See accompanying notes to the basic financial statements.

CITY OF METTER, GEORGIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND - WATER AND SEWER SYSTEM FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

OPERATING REVENUES	
Water and sewer sales	\$ 1,016,097
Penalties	24,642
Connection fees	32,865
Hay sales	55,470
Other	14,191
Total operating revenues	1,143,265
 OPERATING EXPENSES	
Salaries	368,809
Employee benefits	99,021
Professional and technical services	19,648
Purchased services	235,893
Materials and supplies	53,988
Depreciation	215,407
Total operating expenses	992,766
 OPERATING INCOME	 150,499
 NON-OPERATING REVENUE (EXPENSE)	
Interest income	1,452
Interest expense	(39,683)
Gain on disposal of capital assets	18,500
Total non-operating revenue (expense)	(19,731)
 INCOME BEFORE TRANSFERS	 130,768
 TRANSFERS IN	 111,901
 CHANGE IN NET ASSETS	 242,669
 NET ASSETS, OCTOBER 1, 2010	 4,556,206
 NET ASSETS, SEPTEMBER 30, 2011	 \$ 4,798,875

See accompanying notes to the basic financial statements.

CITY OF METTER, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND - WATER AND SEWER SYSTEM FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 1,147,988
Cash payments to employees for services	(467,830)
Cash payments for goods and services	(370,409)
Net cash provided by operating activities	309,749
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(277,170)
Transfers from SPLOST fund	111,901
Proceeds from disposal of capital assets	18,500
Interest paid	(41,062)
Principal paid on long-term debt	(148,142)
Net cash used by capital and related financing activities	(335,973)
 CASH FLOWS FROM INVESTING ACTIVITIES	
Increase in certificates of deposit	(23,000)
Interest received	1,452
Net cash used by investing activities	(21,548)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(47,772)
CASH AND CASH EQUIVALENTS, OCTOBER 1, 2010	915,933
CASH AND CASH EQUIVALENTS, SEPTEMBER 30, 2011	\$ 868,161
 RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 150,499
Adjustments:	
Depreciation	215,407
(Increase) decrease in operating assets:	
Accounts receivable	2,509
Increase (decrease) in operating liabilities:	
Accounts payable	(31,349)
Compensated absences payable	3,633
Interfund payable	(33,164)
Customer deposits	2,214
Net cash provided by operating activities	\$ 309,749

See accompanying notes to the basic financial statements.

CITY OF METTER, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

The City of Metter (the “City”) was incorporated in 1903. The City operates under a Council/Manager form of government and provides the following services: public safety, streets, sanitation, recreation, and general administrative services. In addition, the City operates a water and sewer system.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

1-A. Reporting Entity

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

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

The component unit column included on the government-wide financial statements identifies the financial data of the City’s discretely presented component unit. It is reported separately to emphasize that it is legally separate from the City.

The City’s only component unit is the Downtown Development Authority of Metter (the Authority). The primary purpose of the Authority is to promote industry and trade in the downtown area. The City provides its primary funding. There are no separate financial statements prepared for the Authority.

Candler County Industrial Development Authority, Candler County Recreation Commission, Metter-Candler County Airport Authority, and Metter Housing Authority are related organizations in that the City appoints all or some of the members of the authorities/commission but does not have financial responsibility for them.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1-B. Basis of Presentation

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

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. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes, grants, and the City's general revenues, from business-type activities, generally financed in whole or part with service charges to external customers.

The statement of net assets presents the financial position of the governmental and business-type activities of the City.

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

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

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

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

Major individual governmental funds are reported in separate columns.

CITY OF METTER, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Hotel/Motel Tax Fund – This special revenue fund primarily accounts for the collection and disbursement of hotel/motel tax proceeds.

SPLOST Fund – This capital projects fund accounts for the special purpose local option sales tax received from Candler County to be used for various capital improvements.

Proprietary Funds – Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. The proprietary funds are classified as enterprise funds and internal service funds. The City’s only enterprise fund is the water and sewer system fund which accounts for the water and sewer provided to the City’s constituents. The water and sewer system fund is reported as a major fund in the financial statements.

1-C. Measurement Focus

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

1-D. Basis of Accounting

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

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

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

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

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

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

CITY OF METTER, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Deferred revenue is reported at the fund financial reporting level but reclassified as “*unearned revenue*” on the government-wide statement of net assets, where applicable.

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

1-E. Assets, Liabilities and Net Assets

Cash, Cash Equivalents, and Investments

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

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

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

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

Receivables

All trade and property tax receivables are reported net of an allowance for uncollectibles, where applicable.

Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “due from/to other funds”. These amounts are eliminated in the governmental and business-type activities columns on the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are reclassified and presented as internal balances on this statement. These amounts are ultimately eliminated from the total column on the statement of net assets.

CITY OF METTER, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Consumable Inventories

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond September 30, 2011, are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is nonspendable, as this amount is not available for general appropriation.

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of five thousand dollars. The City’s infrastructure consists of street, bridges, and water and sewer lines. Infrastructure acquired after 1971 has been capitalized by the City. Improvements to capital assets are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are expensed. Interest incurred during construction of capital assets utilized by the enterprise fund is capitalized.

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

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings and improvements	15-50 years	30 years
Land improvements	15-20 years	-
Machinery and equipment	5-15 years	5-10 years
Infrastructure	15-40 years	-
Water and sewer system	-	5-40 years

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

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

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

Accrued Liabilities and Long-term Obligations

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

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

Bond Premiums, Discounts and Issuance Costs

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

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

Fund Equity

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

- Committed
- Assigned
- Unassigned

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

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the City, these revenues are charges for water and sewer services. Operating expenses are necessary costs incurred to provide the water and sewer services and include administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
Contributions of Capital

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

Interfund Activity

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

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

Estimates

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

Subsequent Events

Management has evaluated subsequent events through January 17, 2012, the date that the financial statements were available for issue. No subsequent events were noted.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY
Budgetary Information

The City adopts an annual operating budget for the general fund and each special revenue fund. A project budget is adopted for each capital projects fund. The budget resolution reflects the total of each department's appropriation in each fund.

All budgets are adopted on a basis consistent with GAAP.

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

All unexpended annual appropriations lapse at year-end.

CITY OF METTER, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)
Excess of Expenditures of Appropriations

For the year ended September 30, 2011, expenditures exceeded appropriations by \$5,883 for the roadways and walkways department within the general fund which was funded by under expenditures in other departments.

NOTE 3 – DEPOSITS

At September 30, 2011, the carrying amount of the City’s deposits (checking and certificates of deposit) was \$2,899,192 and the bank balance was \$3,023,906. Of the bank balance, \$1,137,481 was covered by federal depository insurance and \$1,886,425 was collateralized with securities held by the pledging financial institution’s trust department or agent in the City’s name.

NOTE 4 – RECEIVABLES

Receivables at September 30, 2011, consisted primarily of taxes, interest, accounts (billings for user charges), and intergovernmental receivables arising from grants.

Receivables and payables are recorded on the City’s financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and in the case of receivables, collectability. The allowances for uncollectibles netted against receivables at September 30, 2011 consisted of \$30,452 and \$18,240 for the general fund and water and sewer system fund, respectively.

NOTE 5 – PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. Property taxes are billed on or about October 20th of each year and are payable within sixty days. The County bills and collects property taxes for the City. Property tax revenues at the fund reporting level are recognized when levied to the extent that they result in current receivables (i.e., collectible in 60 days). For the year ended September 30, 2011, property taxes were levied on October 7, 2010, and were due on January 20, 2011.

NOTE 6 - INTERFUND BALANCES AND TRANSFERS

The composition of interfund balances as of September 30, 2011 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water and Sewer System Fund	<u>\$ 41,769</u>

Interfund balances at September 30, 2011 represent reimbursable expenses. The City expects to repay all interfund balances within one year.

Interfund transfers for the year ended September 30, 2011 consisted of \$111,901 in transfers from the SPLOST fund to the water and sewer system fund for contractor fees, engineering fees and equipment.

CITY OF METTER, GEORGIA
NOTES TO FINANCIAL STATEMENTS

NOTE 7 – FUND BALANCES – GOVERNMENTAL FUNDS

As of September 30, 2011, fund balances are composed of the following:

	General Fund	SPLOST Fund	Total Governmental Funds
Restricted:			
Capital projects	-	\$ 1,421,774	\$ 1,421,774
Assigned:			
Animal shelter	\$ 28,310	-	28,310
Fire department	10,820	-	10,820
Sanitation department	21,310	-	21,310
Unassigned	820,435	-	820,435
Total fund balances	<u>\$ 880,875</u>	<u>\$ 1,421,774</u>	<u>\$ 2,302,649</u>

NOTE 8– CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2011 was as follows:

	Balance 10/1/2010	Additions	Deductions	Balance 9/30/2011
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 337,500	-	-	\$ 337,500
Construction in progress	156,044	\$ 4,814	\$ 101,022	59,836
Total capital assets not being depreciated	<u>493,544</u>	<u>4,814</u>	<u>101,022</u>	<u>397,336</u>
Other capital assets being depreciated:				
Buildings and improvements	1,939,200	-	-	1,939,200
Land improvements	558,890	-	-	558,890
Machinery and equipment	1,968,870	\$ 162,898	41,359	2,090,409
Infrastructure	9,191,591	155,234	-	9,346,825
Total capital assets being depreciated	<u>13,658,551</u>	<u>318,132</u>	<u>41,359</u>	<u>13,935,324</u>
Total capital assets	<u>14,152,095</u>	<u>322,946</u>	<u>142,381</u>	<u>14,332,660</u>
Accumulated depreciation:				
Buildings and improvements	683,580	36,766	-	720,346
Land improvements	512,293	10,759	-	523,052
Machinery and equipment	1,483,588	120,323	38,084	1,565,827
Infrastructure	5,959,724	205,132	-	6,164,856
Total accumulated depreciation	<u>8,639,185</u>	<u>372,980</u>	<u>38,084</u>	<u>8,974,081</u>
Governmental activities capital assets, net	<u>\$ 5,512,910</u>	<u>\$ (50,034)</u>	<u>\$ 104,297</u>	<u>\$ 5,358,579</u>

CITY OF METTER, GEORGIA
NOTES TO FINANCIAL STATEMENTS

NOTE 8 – CAPITAL ASSETS (Continued)
 Governmental activities depreciation expense:

General government	\$ 10,781
Public safety	95,804
Public works	241,385
Health and welfare	1,106
Culture and recreation	<u>23,904</u>
Total governmental activities depreciation expense	<u>\$ 372,980</u>

The following table presents the changes in capital assets for the City's enterprise fund:

	<u>Balance</u> <u>10/1/2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>9/30/2011</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 492,280	-	-	\$ 492,280
Construction in progress	<u>259,580</u>	<u>\$ 77,578</u>	<u>\$ 247,755</u>	<u>89,403</u>
Total capital assets not being depreciated	<u>751,860</u>	<u>77,578</u>	<u>247,755</u>	<u>581,683</u>
Other capital assets being depreciated:				
Water and sewer system	7,242,324	399,032	-	7,641,356
Buildings	94,767	-	-	94,767
Machinery and equipment	<u>789,658</u>	<u>48,315</u>	-	<u>837,973</u>
Total capital assets being depreciated	<u>8,126,749</u>	<u>447,347</u>	<u>-</u>	<u>8,574,096</u>
Total capital assets	<u>8,878,609</u>	<u>524,925</u>	<u>247,755</u>	<u>9,155,779</u>
Accumulated depreciation:				
Water and sewer system	3,474,172	182,314	-	3,656,486
Buildings	64,880	2,099	-	66,979
Machinery and equipment	<u>720,422</u>	<u>30,994</u>	-	<u>751,416</u>
Total accumulated depreciation	<u>4,259,474</u>	<u>215,407</u>	<u>-</u>	<u>4,474,881</u>
Business-type activities capital assets, net	<u>\$ 4,619,135</u>	<u>\$309,518</u>	<u>\$ 247,755</u>	<u>\$ 4,680,898</u>

CITY OF METTER, GEORGIA
NOTES TO FINANCIAL STATEMENTS

NOTE 9 – LONG-TERM DEBT

Notes Payable – The City has entered into a number of notes with the Georgia Environmental Finance Authority (GEFA) and the United States Department of Agriculture (USDA) Rural Development with balances at September 30, 2011, as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
GEFA (97-L26WJ), payable in quarterly installments of \$19,472 including interest at 4.75% through June 1, 2021	-	\$ 604,993
GEFA (2004-L22WQ), payable in monthly installments of \$2,406 including interest at 3.82% through October 1, 2016	-	133,186
USDA Rural Development, payable in annual installments of \$39,998 including interest at 4.375% through January 25, 2013 (purchase of rescue truck)	\$ 75,032	-
USDA Rural Development, payable in annual installments of \$7,013 including interest at 4.25% through July 19, 2012 (purchase of police vehicle)	6,724	-
	<u>\$ 81,756</u>	<u>\$ 738,179</u>

Annual debt service requirements to amortize all notes payable outstanding at September 30, 2011 are as follows:

Year	<u>Governmental Activities</u>			<u>Business - Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 43,439	\$ 3,572	\$ 47,011	\$ 74,230	\$ 32,525	\$ 106,755
2013	38,317	1,676	39,993	77,598	29,157	106,755
2014	-	-	-	81,108	25,647	106,755
2015	-	-	-	84,783	20,241	105,024
2016	-	-	-	88,624	18,131	106,755
2017-2021	-	-	-	331,836	40,514	372,350
Total	<u>\$ 81,756</u>	<u>\$ 5,248</u>	<u>\$ 87,004</u>	<u>\$ 738,179</u>	<u>\$ 166,215</u>	<u>\$ 904,394</u>

CITY OF METTER, GEORGIA
NOTES TO FINANCIAL STATEMENTS

NOTE 9 – LONG-TERM DEBT (Continued)

Capital Leases – Georgia Municipal Association (GMA) – The City has entered into lease agreements with GMA to purchase two fire trucks costing \$363,157 and two other vehicles costing \$47,057 for governmental activities. The City has entered into agreements with GMA to purchase pipe for sewer extensions costing \$120,000 and one vehicle costing \$25,473 for business-type activities.

The capital leases require annual payments including interest as follows:

Year	Governmental Activities			Business - Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 57,057	\$ 2,502	\$ 59,559	\$ 27,732	\$ 1,078	\$ 28,810
2013	9,234	305	9,539	-	-	-
Total	\$ 66,291	\$ 2,807	\$ 69,098	\$ 27,732	\$ 1,078	\$ 28,810

NOTE 10 – CHANGES IN LONG-TERM DEBT

	Outstanding 10/1/2010	Additions	Reductions	Outstanding 9/30/2011	Amounts Due in One Year
Governmental Activities					
Capital leases	\$ 94,407	\$ 27,635	\$ 55,751	\$ 66,291	\$ 57,057
USDA loans	123,385	-	41,629	81,756	43,439
Compensated absences	52,412	6,081	-	58,493	-
Total Governmental Activities	<u>\$ 270,204</u>	<u>\$ 33,716</u>	<u>\$ 97,380</u>	<u>\$ 206,540</u>	<u>\$ 100,496</u>
Business-Type Activities					
Water and sewer revenue bonds	\$ 25,000	-	\$ 25,000	-	-
Notes payable	834,627	-	96,448	\$ 738,179	\$ 74,209
Capital leases	54,426	-	26,694	27,732	27,732
Compensated absences	17,590	3,633	-	21,223	-
Total Business-Type Activities	<u>\$ 931,643</u>	<u>\$ 3,633</u>	<u>\$ 148,142</u>	<u>\$ 787,134</u>	<u>\$ 101,941</u>

The capital lease obligations for governmental funds will be paid from the General Fund and for business-type activities from the Water and Sewer System Fund. The USDA loans will be paid from the General Fund and the SPLOST Fund. The compensated absences liability for governmental funds will be paid from the General Fund and for business-type activities from the Water and Sewer System Fund. Principal and interest payments related to notes payable for the City's Water and Sewer System are financed from income derived from the operation of the Water and Sewer System.

NOTE 11 – EMPLOYEE RETIREMENT PLAN

The City of Metter Retirement Plan is a defined contribution plan which was adopted by resolution of the City Council and was effective January 1, 1994 to provide retirement benefit to plan members. The plan is administered by the City of Metter. The 2010 calendar year covered payroll was \$1,234,359 and the total 2010 calendar year payroll was \$1,355,528. The plan is open to all full-time employees with more than one year of service.

CITY OF METTER, GEORGIA
NOTES TO FINANCIAL STATEMENTS

NOTE 11 – EMPLOYEE RETIREMENT PLAN (Continued)

Employees are 100% vested in the City contribution after five years of service. The contribution for the year ended September 30, 2011 to the City funded plan was \$84,320 which is 6.8% of the 2010 calendar year covered payroll. Employees do not contribute to this plan and the City does not have a required contribution. Contributions are established by the City Council on an annual basis.

NOTE 12 – CONTINGENT LIABILITIES

As of September 30, 2011, there was no pending litigation that would have a material effect on the financial statements.

NOTE 13 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; workers' compensation claims; and natural disasters. The City's significant losses are covered by commercial insurance for all major programs. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 14 – JOINT VENTURE

Under Georgia law, the City, in conjunction with other cities and counties in the middle Georgia area, is a member of the Heart of Georgia Altamaha Regional Commission (RC) and is required to pay annual dues thereto. During the year ended September 30, 2011, the City paid \$4,238 in such dues. Membership in an RC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-33, which provides for the organizational structure of the RC in Georgia. The RC Board membership includes representatives from each county and municipality of the area. OCGA 50-8-39 provides that the member governments are liable for any debts or obligations of an RC. Separate financial statements may be obtained from:

Heart of Georgia Altamaha Regional Commission
5405 Oak Street
Eastman, Georgia 31023

NOTE 15 – HOTEL/MOTEL LODGING TAX

The City levies a 5% lodging tax. A summary of the transactions for the year ended September 30, 2011 follows:

Lodging tax receipts	\$ 46,419
Expenditures	<u>(46,419)</u>
	<u><u>\$ -</u></u>

All expenditures were for promotion of tourism as required by OCGA 48-13-51.

CITY OF METTER, GEORGIA
GENERAL FUND
COMPARATIVE BALANCE SHEETS

A S S E T S

	SEPTEMBER 30, 2011	SEPTEMBER 30, 2010
ASSETS		
Cash	\$ 339,415	\$ 384,865
Certificates of deposit	232,595	220,784
Receivables:		
Taxes	125,169	113,054
Accounts	24,778	25,136
Intergovernmental	316,373	327,164
Interest	6,779	3,457
Other	3,204	3,912
Interfund	41,769	74,933
	<u>\$ 1,090,082</u>	<u>\$ 1,153,305</u>
TOTAL ASSETS	\$ 1,090,082	\$ 1,153,305

L I A B I L I T I E S A N D
F U N D B A L A N C E

LIABILITIES		
Accounts payable	\$ 99,023	\$ 83,400
Accrued payroll	1,720	616
Deferred revenue	95,003	80,507
Other	13,461	17,405
Total liabilities	<u>209,207</u>	<u>181,928</u>
FUND BALANCE		
Assigned for special projects	60,440	48,629
Unassigned	820,435	922,748
Total fund balance	<u>880,875</u>	<u>971,377</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,090,082	\$ 1,153,305

CITY OF METTER, GEORGIA
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

	YEAR ENDED	
	SEPTEMBER 30, 2011	SEPTEMBER 30, 2010
REVENUES		
Taxes:		
Property	\$ 571,494	\$ 580,588
Motor vehicle	50,191	47,716
Sales	583,287	627,736
Franchise	307,023	279,608
Insurance premium	193,714	208,814
Alcoholic beverage	115,355	116,112
Other	33,865	27,065
Licenses and permits	91,540	94,926
Charges for services	341,697	346,666
Intergovernmental	276,691	250,415
Fines and forfeitures	94,999	83,299
Interest	6,855	15,730
Miscellaneous	41,598	40,915
Total revenues	2,708,309	2,719,590
EXPENDITURES		
Current:		
General government	455,317	494,869
Municipal court	12,101	8,745
Public safety	1,175,486	1,120,369
Public works	860,977	721,642
Health and welfare	9,876	41,703
Culture and recreation	132,190	125,614
Housing and development	120,092	147,149
Debt service	66,573	57,034
Total expenditures	2,832,612	2,717,125
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(124,303)	2,465
OTHER FINANCING SOURCES		
Sale of capital assets	6,166	5,406
Proceeds from capital lease	27,635	19,422
Total other financing sources	33,801	24,828
NET CHANGE IN FUND BALANCE	(90,502)	27,293
FUND BALANCE, BEGINNING OF YEAR	971,377	944,084
FUND BALANCE, END OF YEAR	\$ 880,875	\$ 971,377

CITY OF METTER, GEORGIA
HOTEL/MOTEL TAX FUND
COMPARATIVE BALANCE SHEETS

A S S E T S

	SEPTEMBER 30, 2011	SEPTEMBER 30, 2010
ASSETS		
Cash	\$ -	\$ -
Taxes receivable	3,609	-
TOTAL ASSETS	\$ 3,609	\$ -

L I A B I L I T I E S A N D
F U N D B A L A N C E

LIABILITIES		
Accounts payable	\$ 3,609	\$ -
FUND BALANCE - Restricted	-	-
TOTAL LIABILITIES AND FUND BALANCE	\$ 3,609	\$ -

CITY OF METTER, GEORGIA
HOTEL/MOTEL SPECIAL REVENUE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

	YEAR ENDED	
	SEPTEMBER 30, 2011	SEPTEMBER 30, 2010
REVENUES		
Taxes	\$ 46,419	\$ 50,671
EXPENDITURES		
Current:		
Housing and development - Tourism	46,419	50,671
NET CHANGE IN FUND BALANCE	-	-
FUND BALANCE, BEGINNING OF YEAR	-	-
FUND BALANCE, END OF YEAR	\$ -	\$ -

CITY OF METTER, GEORGIA
SPLOST CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEETS

A S S E T S

	SEPTEMBER 30, 2011	SEPTEMBER 30, 2010
ASSETS		
Cash	\$ 1,398,945	\$ 1,104,941
Intergovernmental receivable	22,829	84,653
TOTAL ASSETS	\$ 1,421,774	\$ 1,189,594

L I A B I L I T I E S A N D
F U N D B A L A N C E

LIABILITIES		
Accounts payable	-	\$ 4,123
FUND BALANCE - Restricted	\$ 1,421,774	1,185,471
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,421,774	\$ 1,189,594

CITY OF METTER, GEORGIA
SPLOST CAPITAL PROJECTS FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

	YEAR ENDED	
	SEPTEMBER 30, 2011	SEPTEMBER 30, 2010
REVENUES		
Intergovernmental	\$ 449,302	\$ 517,740
Interest	3,926	16,795
Total revenues	<u>453,228</u>	<u>534,535</u>
EXPENDITURES		
Capital outlay:		
General government	6,900	-
Public works	58,126	134,061
Health and welfare	-	2,665
Debt service:		
Principal	35,176	33,702
Interest	4,822	6,296
Total expenditures	<u>105,024</u>	<u>176,724</u>
EXCESS OF REVENUES OVER EXPENDITURES	348,204	357,811
OTHER FINANCING USES		
Transfers out	<u>(111,901)</u>	<u>(134,542)</u>
NET CHANGE IN FUND BALANCE	236,303	223,269
FUND BALANCE, BEGINNING OF YEAR	<u>1,185,471</u>	<u>962,202</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,421,774</u>	<u>\$ 1,185,471</u>

CITY OF METTER, GEORGIA
WATER AND SEWER SYSTEM FUND
COMPARATIVE STATEMENT OF NET ASSETS

	September 30, 2011	September 30, 2010
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 868,161	\$ 915,933
Certificates of deposit	60,076	37,076
Accounts receivable	98,949	101,458
Total Current Assets	1,027,186	1,054,467
Capital Assets		
Land	492,280	492,280
Construction in progress	89,403	259,580
Water and sewer system	7,641,356	7,242,324
Buildings	94,767	94,767
Machinery and equipment	837,973	789,658
Less accumulated depreciation	(4,474,881)	(4,259,474)
Total Capital Assets	4,680,898	4,619,135
Total Assets	5,708,084	5,673,602
LIABILITIES		
Current Liabilities		
Accounts payable	515	31,864
Accrued interest payable	3,106	4,485
Customer deposits	76,685	74,471
Revenue bonds payable	-	25,000
Notes payable	74,209	96,442
Capital leases payable	27,732	26,694
Interfund payable	41,769	74,933
Total Current Liabilities	224,016	333,889
Long-Term Liabilities		
Compensated absences payable	21,223	17,590
Notes payable (net of current portion)	663,970	738,185
Capital leases payable (net of current portion)	-	27,732
Total Long-Term Liabilities	685,193	783,507
Total Liabilities	909,209	1,117,396
NET ASSETS		
Invested in capital assets, net of related debt	3,914,987	3,705,082
Unrestricted	883,888	851,124
Total Net Assets	\$ 4,798,875	\$ 4,556,206

CITY OF METTER, GEORGIA
WATER AND SEWER SYSTEM FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET ASSETS

	YEAR ENDED	
	SEPTEMBER 30, 2011	SEPTEMBER 30, 2010
OPERATING REVENUES		
Water and sewer sales	\$ 1,016,097	\$ 984,286
Penalties	24,642	21,418
Connection fees	32,865	38,271
Hay sales	55,470	68,795
Other	14,191	7,660
Total operating revenues	1,143,265	1,120,430
OPERATING EXPENSES		
Salaries	368,809	388,846
Employee benefits	99,021	104,946
Professional and technical services	19,648	13,401
Purchased services	235,893	261,806
Materials and supplies	53,988	111,454
Depreciation	215,407	238,186
Total operating expenses	992,766	1,118,639
OPERATING INCOME	150,499	1,791
NON-OPERATING REVENUE (EXPENSE)		
Interest income	1,452	9,687
Interest expense	(39,683)	(47,073)
Gain on disposal of capital assets	18,500	21,027
Total non-operating revenue (expense)	(19,731)	(16,359)
INCOME (LOSS) BEFORE TRANSFERS	130,768	(14,568)
TRANSFERS IN	111,901	134,542
CHANGE IN NET ASSETS	242,669	119,974
NET ASSETS, BEGINNING OF YEAR	4,556,206	4,436,232
NET ASSETS, END OF YEAR	\$ 4,798,875	\$ 4,556,206

CITY OF METTER, GEORGIA
SCHEDULE OF PROJECTS PAID WITH SPECIAL
PURPOSE LOCAL OPTION SALES TAX PROCEEDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Original Estimated Cost	Current Estimated Cost	Expenditures			Estimated Percentage of Completion
			Prior Years	Current Year	Total	
Water system improvements	\$ 950,000	\$ 950,000	\$ 45,123	\$ 17,872	\$ 62,995	7%
Sewer system improvements	875,000	875,000	413,987	94,029	508,016	58%
Street and drainage improvements	630,000	630,000	385,816	58,126	443,942	70%
Public building projects	800,000	800,000	243,935	6,900	250,835	31%
Acquisition of new equipment	375,000	375,000	217,117	39,998	257,115	69%
Totals	<u>\$ 3,630,000</u>	<u>\$ 3,630,000</u>	<u>\$ 1,305,978</u>	<u>\$ 216,925</u>	<u>\$ 1,522,903</u>	<u>42%</u>

THIGPEN, LANIER, WESTERFIELD & DEAL

CERTIFIED PUBLIC ACCOUNTANTS
201 SOUTH ZETTEROWER AVENUE
P.O. BOX 505
STATESBORO, GEORGIA 30459
PHONE (912) 489-8756
FAX (912) 489-1243

MEMBERS
AMERICAN INSTITUTE OF CERTIFIED
PUBLIC ACCOUNTANTS
GEORGIA SOCIETY OF CERTIFIED
PUBLIC ACCOUNTANTS

MARSHALL R. THIGPEN, CPA
WILLIAM RUSSELL LANIER, CPA
JOSEPH S. WESTERFIELD, CPA
RICHARD N. DEAL, CPA
KAY S. PROCTOR, CPA
LEE ANN LANE, CPA
JENNIFER GROOMS, CPA

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

Honorable Mayor and Council
City of Metter, Georgia

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Metter, Georgia, as of and for the year ended September 30, 2011, which collectively comprise the City of Metter's basic financial statements and have issued our report thereon dated January 17, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described below, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

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

or detected and corrected on a timely basis. We consider the deficiency described below as 2011-1 to be a material weakness.

2011-1 Failure to record significant accounts payable

We noted the City failed to include in accounts payable a capital asset purchased prior to fiscal year end. Accounts payable should include invoices dated prior to fiscal year end even when payment has been deferred until after fiscal year end.

City response: We concur with this finding and we will implement procedures to make sure all accounts payable are properly recorded at fiscal year end.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described below as 2011-2 to be a significant deficiency.

2011-2 Review and approval of payroll hours for payroll processing

While reviewing a sample of five payrolls, eight mathematical errors were found for one department's timesheets. Total hours worked did not agree with the beginning and end time entered on the timesheet, resulting in either underpayment or overpayment of hours worked. Although the timesheets were approved by a supervisor, the mathematical errors were not identified and corrected. Also, a part-time employee received pay for 40 hours, which was twice the individual's normal hours. Hours should be reviewed for reasonableness by the supervisor and the person processing the payroll.

City response: We concur with this finding and we will require supervisors and the person processing payroll to pay more attention to the accuracy of hours being paid for employees.

Compliance and Other Matters

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

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

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

Thigpen, Lanier, Westerfield & Deal

January 17, 2012