

THE CITY OF DONALSONVILLE, GEORGIA

**Annual Financial Report
For the fiscal year ended
May 31, 2011**

CITY OF DONALSONVILLE, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED May 31, 2011

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INTRODUCTORY SECTION

CITY OF DONALSONVILLE, GEORGIA
List of Elected and Appointed Officials
May 31, 2011

Elected Officials

Mayor
Council Member – District I, Post 1
Council Member – District I, Post 2
Council Member – District I, Post 3
Council Member – District II, Post 4
Council Member – District II, Post 5
Council Member – District II, Post 6

Joe Burke
Ed Bond
Rebecca Grantham
Charles Barineau
Annie Ruth Callaway
Mike Spooner
Lindsay C. Register, Sr.

Appointed Officials

City Manager
Attorney
Municipal Court Judge
Clerk
Assistant Clerk
Police Chief
Fire Chief
Utility Clerk
City Superintendent

H.M. Shingler
Kenneth L. Hornsby
Joshua Bell
Linda Faye Gray
Denise Childree
Jimmy Holt
Travis Brooks
Shay Shingler
Don Gambrell

FINANCIAL SECTION

William R. Burke, CPA, MAcc
Rebecca B. Worsham, CPA
Margaret B. Harrell, CPA, CFE
Jajuan B. Bowen, CPA
Celeste B. Burke, CPA
John S. Buckhaultner, CPA
Dalisha C. Childree, CPA



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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council Members
City of Donalsonville, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Donalsonville, Georgia, as of and for the year ended May 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Donalsonville, Georgia's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information, and the statement of revenues, expenditures, and changes in fund balances-budget and actual for the major-general fund found on page 18 of the City of Donalsonville, Georgia, as of May 31, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2011, on our consideration of the City of Donalsonville, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6 through 11 and the Schedule of Funding Progress on page 43, 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 Donalsonville, Georgia's financial statements as a whole. The combining and individual fund statements and schedules found on pages 45-67, are presented for purposes of additional analysis and are not a required part of the financial statements. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The introductory and statistical sections, found on pages 1-2 and 68-69 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Burke, Worsham & Harrell, LLC

Burke, Worsham & Harrell, LLC

October 13, 2011



Management's Discussion and Analysis

As management of the City of Donalsonville, Georgia, we offer readers of the City of Donalsonville's financial statements this narrative overview and analysis of the financial activities of the City of Donalsonville for the fiscal year ended May 31, 2011.

Financial Highlights

- The assets of the City of Donalsonville exceeded its liabilities at the close of the most recent fiscal year by \$10,781,464. Of this amount, \$3,943,472 may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's governmental activities net assets decreased by \$142,001 and the business-type activities increased by \$801,872, for a total increase in net assets of \$659,871.
- As of the close of the current fiscal year, the City's governmental fund reported ending fund balance of \$1,718,614, an decrease of \$282,108 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$1,484,732, or 57% percent of total general fund expenditures. In the prior year, unreserved fund balance was 60% percent of total general fund expenditures.
- The City's total debt decreased by \$49,304 during the current fiscal year.
- In the City's business-type activities, operating revenues increased by \$82,254 from the prior year while operating expenses decreased by \$75,316, for a total operating income increase of \$157,570.
- The resources available for appropriation were \$62,937 less than budgeted for the general fund and our actual expenditures were \$24,303 less than budgeted.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Donalsonville's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. *The government-wide financial statements* are designed to provide readers with a broad overview of the City of Donalsonville's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City of Donalsonville's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Donalsonville that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include the general fund which includes the general government, public safety, highways and streets, sanitation, economic development, and culture and recreation, as well as a Special Revenue Fund, which accounts for the Hotel/Motel Taxes and two Capital Project Funds, which account for the Special Purpose Local Option Sales Tax revenue. The business-type activities of the City include the Water and Sewer Fund, the Gas Fund, and the Solid Waste Fund.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate Downtown Development Authority for which the City is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 13 and 14 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, government fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City has four governmental funds. The general fund is a major fund, SPLOST IV is a major Capital Project Fund, the Hotel/Motel Tax Fund is a nonmajor Special Revenue Fund, and SPLOST III is a nonmajor Capital Project Fund.

The City adopts an annual appropriated budget for its general fund and special revenue fund. Budgetary comparison statements have been provided for the general fund and the special revenue fund to demonstrate compliance with this budget.

The basic governmental funds financial statements can be found on pages 15 through 18 of this report.

Proprietary funds. The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its Water and Sewer Fund, Gas Fund and Solid Waste Fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Fund, the Gas Fund and the Solid Waste Fund. The Water and Sewer Fund and the Gas Fund are major funds and the City has elected to treat the Solid Waste Fund as a major fund also.

The basic proprietary fund financial statements can be found on pages 19 through 22 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23 through 43 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 44 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$10,781,464 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (61.3 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Donalsonville's Net Assets

	Governmental activities		Business- type activities		Total	
	2010	2011	2010	2011	2010	2011
Current and other assets	\$ 2,163,723	\$ 1,996,490	\$ 2,377,582	\$ 2,704,707	\$ 4,541,305	\$ 4,701,197
Capital assets	1,925,923	2,017,790	4,870,831	5,324,909	6,796,754	7,342,699
Total assets	4,089,646	4,014,280	7,248,413	8,029,616	11,338,059	12,043,896
Long-term liabilities outstanding	214,830	187,665	632,482	628,808	847,312	816,473
Other liabilities	161,830	255,038	207,916	190,921	369,746	445,959
Total liabilities	376,660	442,703	840,398	819,729	1,217,058	1,262,432
Net assets:						
Invested in capital assets, net of related debt	1,697,505	1,935,004	4,205,210	4,669,106	5,902,715	6,604,110
Restricted	477,356	233,882	-	-	477,356	233,882
Unrestricted	1,538,717	1,402,691	2,202,805	2,540,781	3,741,522	3,943,472
Total net assets	\$ 3,713,578	\$ 3,571,577	\$ 6,408,015	\$ 7,209,887	\$ 10,121,593	\$ 10,781,464

\$233,822 of the City's net assets are restricted. The *unrestricted net assets* of \$3,943,472 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as its business-type activities.

Governmental activities. Governmental activities decreased the City's net assets by \$142,001. Key elements of this increase are as follows:

City of Donalsonville's Changes in Net Assets

	Governmental activities		Business-type activities		Total	
	2010	2011	2010	2011	2010	2011
Revenues:						
Program revenues:						
Charges for services	\$ 777,150	\$ 708,102	\$ 995,539	\$ 1,077,793	\$ 1,772,689	\$ 1,785,895
Capital grants and contributions	81,760	402,011	364,000	100,651	445,760	502,662
Operating grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	863,866	866,034	-	-	863,866	866,034
Other taxes	1,398,348	922,436	-	-	1,398,348	922,436
Other	39,981	37,093	36,497	37,070	76,478	74,163
Total revenues	3,161,105	2,935,676	1,396,036	1,215,514	4,557,141	4,151,190
Expenses:						
General government	457,455	375,167	-	-	457,455	375,167
Public safety	1,411,835	1,377,738	-	-	1,411,835	1,377,738
Highways/streets	358,725	370,045	-	-	358,725	370,045
Sanitation	476,272	478,855	-	-	476,272	478,855
Culture and development	1,788	2,796	-	-	1,788	2,796
Economic development	25,144	23,296	-	-	25,144	23,296
Interest on long-term debt	3,936	3,116	-	-	3,936	3,116
Water/Sewer fund	-	-	603,043	559,678	603,043	559,678
Gas fund	-	-	335,511	300,628	335,511	300,628
Solid waste fund	-	-	-	-	-	-
Total expenses	2,735,155	2,631,013	938,554	860,306	3,673,709	3,491,319
Increase in net assets before transfers	425,950	304,663	457,482	355,208	883,432	659,871
Transfers	(37,375)	(446,664)	37,375	446,664	-	-
Increase in net assets	388,575	(142,001)	494,857	801,872	883,432	659,871
Net assets - 6/1/10	3,325,003	3,713,578	5,913,158	6,408,015	9,238,161	10,121,593
Net assets - 5/31/11	\$ 3,713,578	\$ 3,571,577	\$ 6,408,015	\$ 7,209,887	\$ 10,121,593	\$ 10,781,464

Business-type activities. Business-type activities increased the City's net assets by \$801,872, an increase from the prior year in the amount of \$307,015. Key elements of this increase are as follows:

- The water and sewer fund received \$100,651 in capital grants in the current year, but received no capital grants in the prior year.
- Expenses decreased by \$78,248 in the current year compared to the prior year.

Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is one of the governmental funds of the City. As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,718,614, a decrease of \$282,108 in comparison with the prior year. All of this fund balance is available for spending at the City's discretion.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water and Sewer Fund at the end of the year amounted to \$1,009,324, the Gas Fund \$1,524,418 and the Solid Waste Fund \$7,039, for a total unrestricted net assets of \$2,540,781. Other factors covering the finances of these three funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

There was no change between the original budget and the final amended budget in total revenues and appropriations.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business type activities as of May 31, 2011, amounts to \$6,604,110 (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings and systems, improvement, machinery and equipment, park facilities, roads, and highways. The total increase in the City's investment in capital assets, net of depreciation and debt, for the current fiscal year was \$701,395.

Major capital events during the year were:

- In the General Fund, there was a \$60,840 increase in capital assets for the parking lot project which was completed and transferred from construction in progress to infrastructure.
- In the Water and Sewer Fund, there was a \$163,642 increase in construction in progress for the sewer main rehabilitation project, and an increase of \$432,688 in relation to the construction in progress for the water pollution control plant.

City of Donalsonville's Capital Assets (net of depreciation)

	Governmental activities		Business-type activities		Total	
	2010	2011	2010	2011	2010	2011
Land	\$ 143,184	\$ 143,184	\$ 33,646	\$ 33,646	\$ 176,830	\$ 176,830
Buildings	194,366	181,358	450	414	194,816	181,772
Improvements other than buildings	142,929	135,125	2,629	2,447	145,558	137,572
Machinery and equipment	313,610	348,106	115,950	99,759	429,560	447,865
Infrastructure	1,131,834	1,210,017	3,919,233	3,776,368	5,051,067	4,986,385
Construction in progress	-	-	798,923	1,412,275	798,923	1,412,275
Total	\$ 1,925,923	\$ 2,017,790	\$ 4,870,831	\$ 5,324,909	\$ 6,796,754	\$ 7,342,699

Additional information on the City's capital assets can be found in Note IV. C. on pages 31-33 of this report.

Long-term debt. At the end of the current fiscal year, the City had total capital leases outstanding in the amount of \$69,171 for its governmental funds and \$2,631 outstanding in the proprietary funds. Notes payable in the governmental funds was \$13,188 and notes payable in the proprietary funds were \$653,599. Additional information on the City's long-term debt can be found in Note IV. E. & F. on pages 33 through 37 of this report.

Economic Factors and Next Year's Budgets and Rates

Cost of living in this area has risen over the past few years and the future increases are projected to be significant.

The City's largest projects for the 2010-2011 budget year was the CDBG project for the wastewater system improvements and the sewer main rehabilitation project. There will continue to be expenditures related to both projects in the 2011-2012 budget year.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information should be addressed to the City Manager, P.O. Box 308, Donalsonville, GA 39845.

BASIC FINANCIAL STATEMENTS

CITY OF DONALSONVILLE, GEORGIA
STATEMENT OF NET ASSETS
MAY 31, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
ASSETS				
Cash and cash equivalents	\$ 770,650	\$ 1,233,894	\$ 2,004,544	\$ -
Investments	925,024	1,249,187	2,174,211	-
Receivables (net of allowance for uncollectibles)	244,215	88,522	332,737	-
Intergovernmental receivables	54,727	62,000	116,727	-
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents	1,874	71,104	72,978	-
Capital assets (net of accumulated depreciation):				
Land	143,184	33,646	176,830	-
Closing cost	-	9,292	9,292	-
Construction in progress	-	1,412,275	1,412,275	-
Buildings	181,358	414	181,772	-
Improvements other than buildings	135,125	2,447	137,572	-
Machinery and equipment	348,106	99,759	447,865	-
Infrastructure	1,210,017	3,767,076	4,977,093	-
Total assets	4,014,280	8,029,616	12,043,896	-
LIABILITIES				
Accounts payable and other current liabilities	217,395	91,254	308,649	-
Accrued interest payable	926	1,568	2,494	-
Liabilities payable from restricted assets	1,874	71,104	72,978	-
Noncurrent liabilities:				
Due within one year	34,843	27,579	62,422	-
Due in more than one year	187,665	628,224	815,889	-
Total liabilities	442,703	819,729	1,262,432	-
NET ASSETS				
Invested in capital assets, net of related debt	1,935,004	4,669,106	6,604,110	-
Restricted for:				
Economic development	112	-	112	-
Capital outlay	233,770	-	233,770	-
Unrestricted	1,402,691	2,540,781	3,943,472	-
Total net assets	\$ 3,571,577	\$ 7,209,887	\$ 10,781,464	\$ -

CITY OF DONALSONVILLE, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2011

Functions/Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business type Activities	Total	
Primary government:								
Governmental activities:								
General government	375,167	106,459	-	\$ 402,011	\$ 133,303	\$ -	\$ 133,303	\$ -
Public safety	1,377,738	144,941	-	-	(1,232,797)	-	(1,232,797)	-
Highways and streets	370,045	-	-	-	(370,045)	-	(370,045)	-
Sanitation	478,855	456,702	-	-	(22,153)	-	(22,153)	-
Economic development	23,296	-	-	-	(23,296)	-	(23,296)	-
Culture and recreation	2,796	-	-	-	(2,796)	-	(2,796)	-
Interest on long-term debt	3,116	-	-	-	(3,116)	-	(3,116)	-
Total governmental activities	2,631,013	708,102	-	402,011	(1,520,900)	-	(1,520,900)	-
Business-type activities:								
Water & Sewer	559,678	692,587	-	100,651	-	233,560	233,560	-
Gas	300,628	385,206	-	-	-	84,578	84,578	-
Solid Waste	-	-	-	-	-	-	-	-
Total business-type activities	860,306	1,077,793	-	100,651	-	318,138	318,138	-
Total primary government	\$ 3,491,319	\$ 1,785,895	\$ -	\$ 502,662	\$ (1,520,900)	\$ 318,138	\$ (1,202,762)	\$ -
Components units:								
Downtown Development Authority	23,296	-	23,296	-	-	-	-	-
Total component units	\$ 23,296	\$ -	\$ 23,296	\$ -	\$ -	\$ -	\$ -	\$ -
General revenues:								
Property taxes					866,034	-	866,034	-
Sales and use taxes					482,361	-	482,361	-
Franchise taxes					222,924	-	222,924	-
Business taxes					217,151	-	217,151	-
Interest and penalties on taxes					7,022	-	7,022	-
Unrestricted investment earnings					29,643	37,070	66,713	-
Gain on sale of capital assets					428	-	428	-
Miscellaneous					-	-	-	-
Transfers					(446,664)	446,664	-	-
Total general revenues and transfers					1,378,899	483,734	1,862,633	-
Change in net assets					(142,001)	801,872	659,871	-
Net assets - beginning					3,713,578	6,403,015	10,121,593	-
Net assets - ending					\$ 3,571,577	\$ 7,209,887	\$ 10,781,464	\$ -

The notes to the financial statements are an integral part of this statement.

CITY OF DONALSONVILLE, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
MAY 31, 2011

	<u>Major Funds</u>		<u>Non-Major Funds</u>	
	<u>General</u>	<u>Capital Project SPLOST IV</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 520,359	\$ 101,907	\$ 148,384	\$ 770,650
Investments	925,024	-	-	925,024
Receivables (net of allowance for uncollectibles)	242,747	-	-	242,747
Intergovernmental	-	54,727	-	54,727
Restricted assets:				
Cash and cash equivalents	1,874	-	-	1,874
Total assets	\$ 1,690,004	\$ 156,634	\$ 148,384	\$ 1,995,022
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	132,158	70,857	279	203,294
Accrued expenses	14,100	-	-	14,100
Deferred revenue	57,140	-	-	57,140
Liabilities payable from restricted assets	1,874	-	-	1,874
Total liabilities	205,272	70,857	279	276,408
Fund balances:				
Unreserved, reported in:				
General fund	1,484,732	-	-	1,484,732
Reserved for:				
Economic development	-	-	112	112
Capital outlay	-	85,777	147,993	233,770
Total fund balances	1,484,732	85,777	148,105	1,718,614
Total liabilities and fund balances	\$ 1,690,004	\$ 156,634	\$ 148,384	

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.	2,017,790
Revenues that are earned, but unavailable are not reported in the funds.	1,467
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(223,434)
Other assets are not available to pay for current-period expenditures, and , therefore are deferred in the funds.	57,140
Net assets of governmental activities	\$ 3,571,577

CITY OF DONALSONVILLE, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MAY 31, 2011

	Major Funds		Nonmajor Funds	
	General	Capital Project Splost IV	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes:				
Property	\$ 850,818	\$ -	\$ -	\$ 850,818
Sales	482,361	-	-	482,361
Franchise	222,925	-	-	222,925
Business	194,359	-	22,792	217,151
Penalties and interest on taxes	7,022	-	-	7,022
Licenses and permits	13,065	-	-	13,065
Intergovernmental	50,000	352,011	-	402,011
Charges for services	458,492	-	-	458,492
Fines	144,941	-	-	144,941
Investment earnings	31,811	-	-	31,811
Miscellaneous revenues	96,841	-	-	96,841
Total revenues	2,552,635	352,011	22,792	2,927,438
EXPENDITURES				
Current:				
General government	369,089	-	-	369,089
Public safety	1,331,224	-	-	1,331,224
Highways and streets	294,147	-	-	294,147
Sanitation	453,267	-	-	453,267
Culture and recreation	634	-	-	634
Economic development	-	-	23,296	23,296
Capital outlay:				
General government	12,084	7,323	-	19,407
Public safety	18,218	36,400	-	54,618
Highways and streets	52,200	126,556	-	178,756
Sanitation	9,074	11,165	-	20,239
Park Pavillion	5,000	-	-	5,000
Debt service:				
Principal	43,749	15,825	-	59,574
Interest	3,011	1,048	-	4,059
Total expenditures	2,591,697	198,317	23,296	2,813,310
Excess (deficiency) of revenues over (under) expenditures	(39,062)	153,694	(504)	114,128
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	(446,664)	-	(446,664)
Capital leasing	-	50,000	-	50,000
Sale of capital assets	428	-	-	428
Total other financing sources and uses	428	(396,664)	-	(396,236)
Net change in fund balances	(38,634)	(242,970)	(504)	(282,108)
Fund balances - beginning	1,523,366	328,747	148,609	2,000,722
Fund balances - ending	\$ 1,484,732	\$ 85,777	\$ 148,105	\$ 1,718,614

The notes to the financial statements
are an integral part of this statement.

CITY OF DONALSONVILLE, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2011

Amounts reported for governmental activities in the statement of activities (page 14)
are different because:

Net change in fund balances-total governmental funds (page 16)	\$ (282,108)
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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 and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	91,866
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The issuance of long-term debt (e.g., leases, bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	9,574
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Expenses reported in the statement of activities that do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	30,855
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Net change in Revenues reported in statement of activities that do not provide current financial resources and are not reported as revenues in the funds	7,812
Change in net assets of governmental activities (page 14)	<div style="border-top: 1px solid black; border-bottom: 3px double black; padding: 2px 0;">\$ (142,001)</div>

CITY OF DONALSONVILLE, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
GOVERNMENTAL FUND
MAJOR - GENERAL FUND
FOR THE YEAR ENDED MAY 31, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property	\$ 861,300	\$ 861,300	\$ 850,818	\$ (10,482)
Sales	437,000	437,000	482,361	45,361
Franchise	200,500	200,500	222,925	22,425
Business	195,000	195,000	194,359	(641)
Penalties and interest on taxes	3,000	3,000	7,022	4,022
Licenses and permits	20,500	20,500	13,065	(7,435)
Intergovernmental	-	-	50,000	50,000
Charges for services	459,250	459,250	458,492	(758)
Fines	142,500	142,500	144,941	2,441
Investment earnings	20,000	20,000	31,811	11,811
Miscellaneous revenues	52,350	52,350	96,841	44,491
Total revenues	2,391,400	2,391,400	2,552,635	161,235
EXPENDITURES				
Current:				
General government:				
Council	13,200	13,200	13,460	(260)
Manager	36,700	36,700	31,127	5,573
Judicial	7,200	7,200	7,200	-
Election	1,200	1,200	-	1,200
Finance and administration	319,700	319,700	312,372	7,328
Other - unclassified	17,000	17,000	17,014	(14)
Total general government	395,000	395,000	381,173	13,827
Public Safety:				
Police	826,700	826,700	849,018	(22,318)
Probation	34,000	34,000	34,377	(377)
Fire	480,100	480,100	466,047	14,053
Total public safety	1,340,800	1,340,800	1,349,442	(8,642)
Highways and streets:				
Maintenance	340,100	340,100	346,347	(6,247)
Total highway and streets	340,100	340,100	346,347	(6,247)
Sanitation	504,100	504,100	462,341	41,759
Culture and recreation	5,000	5,000	5,634	(634)
Debt service:				
Principal	30,000	30,000	43,749	(13,749)
Interest	1,000	1,000	3,011	(2,011)
Total debt service	31,000	31,000	46,760	(15,760)
Total expenditures	2,616,000	2,616,000	2,591,697	24,303
Excess of expenditures over revenues	(224,600)	(224,600)	(39,062)	185,538
OTHER FINANCING SOURCES (USES)				
Transfers in	223,100	223,100	-	(223,100)
Transfers out	-	-	-	-
Capital leasing	-	-	-	-
Sale of capital assets	1,500	1,500	428	(1,072)
Total other financing sources and uses	224,600	224,600	428	(224,172)
Net change in fund balance	-	-	(38,634)	(38,634)
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ (38,634)	\$ (38,634)

The notes to the financial statements
are an integral part of this statement.

CITY OF DONALSONVILLE, GEORGIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
MAY 31, 2011

	Business-type Activities-Enterprise Funds			
	Major Funds			TOTAL
	Water and Sewer Fund	Gas Fund	Solid Waste Fund	
ASSETS				
Current assets:				
Cash and cash equivalent	\$ 500,311	\$ 726,494	\$ 7,089	\$ 1,233,894
Investments	468,049	781,138	-	1,249,187
Interest receivable	1,789	3,318	-	5,107
Accounts receivable (net of allowance for uncollectibles)	62,301	20,910	-	83,211
Other receivables	200	4	-	204
Intergovernmental receivable	-	-	62,000	62,000
Total current assets	1,032,650	1,531,864	69,089	2,633,603
Noncurrent assets:				
Restricted cash, cash equivalents, and investments:				
Customer deposits	53,279	17,825	-	71,104
Total restricted assets	53,279	17,825	-	71,104
Capital assets:				
Land	33,646	-	-	33,646
Buildings	24,924	-	-	24,924
Closing cost	10,000	-	-	10,000
Construction in progress	1,412,275	-	-	1,412,275
Improvements other than buildings	8,083	800	-	8,883
Machinery and equipment	291,751	130,816	-	422,567
Infrastructure	5,913,374	418,133	-	6,331,507
Less accumulated depreciation and amortization	(2,479,642)	(439,251)	-	(2,918,893)
Total capital assets (net of accumulated depreciation)	5,214,411	110,498	-	5,324,909
Total noncurrent assets	5,267,690	128,323	-	5,396,013
Total assets	6,300,340	1,660,187	69,089	8,029,616

CITY OF DONALSONVILLE, GEORGIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
MAY 31, 2011

	Business-type Activities-Enterprise Funds			
	Major Funds			
	Water and Sewer Fund	Gas Fund	Solid Waste Fund	TOTAL
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 20,410	\$ 7,246	\$ 50	\$ 27,706
Accrued expenses	1,352	196	62,000	63,548
Accrued interest payable	1,564	4	-	1,568
Capital leases payable - current	1,619	585	-	2,204
Notes payable - current	25,375	-	-	25,375
Total current liabilities	50,320	8,031	62,050	120,401
Noncurrent liabilities payable from restricted assets:				
Customer deposits payable	53,279	17,825	-	71,104
Total noncurrent liabilities payable from from restricted assets	53,279	17,825	-	71,104
Noncurrent liabilities:				
Capital leases payable	-	-	-	-
Notes payable	628,224	-	-	628,224
Total noncurrent liabilities	628,224	-	-	628,224
Total liabilities	731,823	25,856	62,050	819,729
NET ASSETS				
Invested in capital assets, net of related debt	4,559,193	109,913	-	4,669,106
Restricted	-	-	-	-
Unrestricted	1,009,324	1,524,418	7,039	2,540,781
Total net assets	\$ 5,568,517	\$ 1,634,331	\$ 7,039	\$ 7,209,887
Total liabilities & net assets	\$ 6,300,340	\$ 1,660,187	\$ 69,089	\$ 8,029,616

CITY OF DONALSONVILLE, GEORGIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED MAY 31, 2011

	Business-type Activities-Enterprise Funds			
	Major Funds			
	Water and Sewer Fund	Gas Fund	Solid Waste Fund	TOTAL
Operating revenues:				
Charges for sales and services:				
Water sales	\$ 334,978	\$ -	\$ -	\$ 334,978
Sewer sales	285,265	-	-	285,265
Tap fees	28,650	200	-	28,850
Gas sales	-	385,006	-	385,006
Other services	43,694	-	-	43,694
Total operating revenues	692,587	385,206	-	1,077,793
Operating expenses:				
Costs of sales and services	210,803	251,292	-	462,095
Administration	182,949	28,797	-	211,746
Depreciation	145,141	19,132	-	164,273
Total operating expenses	538,893	299,221	-	838,114
Operating income	153,694	85,985	-	239,679
Nonoperating revenues (expenses):				
Government grants- CDBG	100,651	-	-	100,651
Government grants- GEFA	-	-	-	-
Investment earnings	14,813	22,257	-	37,070
Interest expense	(20,785)	(1,407)	-	(22,192)
Total nonoperating revenue (expense)	94,679	20,850	-	115,529
Income before contributions and transfers	248,373	106,835	-	355,208
Transfers in	446,664	-	-	446,664
Transfers out	-	-	-	-
Change in net assets	695,037	106,835	-	801,872
Total net assets - beginning	4,873,480	1,527,496	7,039	6,408,015
Total net assets - ending	\$ 5,568,517	\$ 1,634,331	\$ 7,039	\$ 7,209,887

CITY OF DONALSONVILLE, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED MAY 31, 2011

	Business-type Activities-Enterprise Funds			
	Major Funds			
	Water and Sewer Fund	Gas Fund	Solid Waste Fund	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 682,823	\$ 384,880	\$ -	1,067,703
Receipts from reimbursement of costs	-	-	22,883	22,883
Payments to suppliers	(217,862)	(255,746)	(22,547)	(496,155)
Payments to employees	(184,935)	(30,351)	-	(215,286)
Net cash provided (used) by operating activities	280,026	98,783	336	379,145
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Payments to other funds	-	-	-	-
Proceeds from grants	100,651	-	-	100,651
Negative cash balance implicitly financed	-	-	-	-
Net cash provided by noncapital and related financing activities	100,651	-	-	100,651
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(618,352)	-	-	(618,352)
Payments from other funds	446,664	-	-	446,664
Proceeds from new debt	-	-	-	-
Principal paid on capital debt	(7,545)	(2,273)	-	(9,818)
Interest paid on capital debt	(20,785)	(1,407)	-	(22,192)
Net cash used by capital and related financing activities	(200,018)	(3,680)	-	(203,698)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	(11,881)	(19,728)	-	(31,609)
Interest and dividends received	14,813	22,257	-	37,070
Net cash provided by investing activities	2,932	2,529	-	5,461
Net increase (decrease) in cash and cash equivalents	183,591	97,632	336	281,559
Cash and cash equivalents - beginning of year	369,999	646,687	6,753	1,023,439
Cash and cash equivalents - ending of year (Including \$53,279 and \$17,825 for restricted cash in the water/sewer and gas funds respectively.)	\$ 553,590	\$ 744,319	\$ 7,089	\$ 1,304,998
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income	\$ 153,694	\$ 85,985	\$ -	\$ 239,679
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	145,141	19,132	-	164,273
(Increase) decrease in accounts receivable	(11,765)	(282)	(2,064)	(14,111)
(Increase) decrease in other receivable	43	112	-	155
Increase (decrease) in customer deposits	1,958	(155)	-	1,803
Increase (decrease) in accounts payable	(6,535)	(4,455)	2,400	(8,590)
Increase (decrease) in accrued expenses	(2,510)	(1,554)	-	(4,064)
Total adjustments	126,332	12,798	336	139,466
Net cash provided (used) by operating activities	\$ 280,026	\$ 98,783	\$ 336	\$ 379,145

CITY OF DONALSONVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
May 31, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The City of Donalsonville is a municipal corporation governed by an elected mayor and six-member council and provides the following services: public safety, highways and streets, culture and recreation, public improvements and general and administrative services. In addition, the City operates public utilities (water, sewer, natural gas and sanitation).

As required by generally accepted accounting principles, these financial statements present the City and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Discretely Presented Component Units. The Downtown Development Authority of Donalsonville assists local merchants with low interest loans for renovations of downtown properties. The authority consists of a board of seven directors appointed by the City Council. The authority is dependent upon the City at this time for revenue, and the City contributes one-half of the motel and hotel tax collected. The authority is presented as a governmental fund type. Separate financial statements may be obtained by contacting: Downtown Development Authority, P.O. Box 308, Donalsonville, Georgia 39845.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

The City does not allocate indirect costs.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting and financing statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

CITY OF DONALSONVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
May 31, 2011

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

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

The *SPLOST IV fund* is the government's major capital project fund. This fund accounts for all SPLOST revenue and the accompanying capital outlay.

The government reports the following major proprietary funds:

The water and sewer fund operates the water distribution system, the sewer treatment plant, sewage pumping stations and collection systems, and the sanitation collection within the City.

The gas fund operates the distribution of natural gas to the City residents.

The solid waste fund does not meet the qualifications for a major fund, but management elected to treat it as a major fund, as it is the only remaining proprietary fund. This Fund accounts for the expenses associated with the closure of a landfill and the revenues received from the city and county for these expenses per their agreement.

The government reports the following nonmajor governmental funds:

The *hotel/motel tax fund* is the government's only special revenue fund. This fund accounts for all hotel/motel tax revenue received and the accompanying expenditures.

The *SPLOST III fund* is the government's nonmajor capital project fund. This fund accounts for capital assets purchased by Seminole County for the City of Donalsonville using SPLOST funds or transfers of the City's portion.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

CITY OF DONALSONVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
May 31, 2011

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function, gas function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. The fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, liabilities and net assets or equity

1. Deposits and investments

The City of Donalsonville's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The City has authorized its governing officials to maintain deposit investments with financial institutions. There were no legal or contractual violations in regard to these investments during the year.

Investments are stated at cost or amortized cost.

2. Receivables and payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of allowance for uncollectibles. Trade accounts receivable in excess of 120 days comprise the trade accounts receivable allowance for uncollectibles.

Property taxes attach as an enforceable lien on property as of January 1. Property taxes are levied as of the first day of October each year and are payable by December 20. Property taxes are recognized in income in October upon completion of the tax digest. At May 31, 2011, uncollected property taxes amounted to \$93,873. The City estimates that substantially all of the remaining balances will be received in

CITY OF DONALSONVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
May 31, 2011

the subsequent period. After December 20, applicable property will be subject to liens, penalty and interest.

3. Inventories and prepaid items

Expendable supplies are recorded as expenditures at the time items are purchased. The City does not record inventories of supplies on the books.

4. Restricted assets

The City of Donalsonville's restricted assets are cash. They consist of customer deposits and confiscated funds held for the use of the Police Department.

5. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City had historical cost records of its infrastructure, thereby allowing us to record infrastructure acquired prior to implementing Statement 34. Capital assets are defined by the government as assets with a useful life of more than one year. The city has not set a capitalization threshold amount, and the determination of whether to capitalize is made by management. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the primary government are depreciated using the straight line method over the following estimated useful lines:

<u>Assets</u>	<u>Years</u>
Buildings	40 years
Building improvements	20 years
Public domain infrastructure	50 years
System infrastructure	30 years
Machinery and equipment	3 to 20 years
Trucks and tractors	4 to 10 years
Office equipment	5 to 15 years

6. Compensated absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide and proprietary funds financial statements.

7. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and

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discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriations or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

9. Comparative data/reclassifications

Comparative total data for the prior year have not been presented.

II. Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this (\$223,434) difference are as follows:

Capital leases payable	(\$45,624)
Notes payable	(37,162)
Accrued interest	(926)
Accrued vacation	(114,922)
Post-closure payable	<u>(24,800)</u>
Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities	<u><u>(\$223,434)</u></u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “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 and reported as depreciation expense.” The details of this (\$91,866) difference are as follows:

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Capital outlay	\$278,020
Depreciation expense	<u>(186,154)</u>
Net adjust to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$91,866</u>

Another element of that reconciliation states that "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$9,574 difference are as follows:

Debt issued or incurred:	
Capital lease financing	\$(50,000)
Principal repayments:	
Capital lease payments	<u>59,754</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 9,574</u>

Another element of that reconciliation states that "Some expenses 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." The details of the (\$30,855) difference are as follows:

Compensated absences	\$30,872
Post-closure costs	(960)
Accrued interest	<u>943</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$30,855</u>

Another element of that reconciliation states that "Net change in revenues reported in the statement of activities that do not provide current resources and, therefore, are not reported as revenues in the funds." The details of the \$7,812 difference are as follows:

Deferred revenue- current year	\$57,140
Accrued interest	1,468
Deferred revenue & accrued interest- prior year	<u>(50,796)</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 7,812</u>

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds and proprietary funds. The City's annual budget is prepared based on anticipated revenues and appropriated expenditures. Revenue anticipations, generally conservative, are designed to help insure fiscal responsibility and maintain a balanced budget. Sums sufficient to provide for debt service may not be diverted to any other purpose by the Mayor and the Council. The budget is prepared

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by fund and department. The legal level of budgetary control is the department level. Transfers between departments require approval of governing council.

According to the Charter and Code of the City, the City Manager has the responsibility for developing both the annual budget and capital budget for the city, which is done in conjunction with input and assistance from the City Clerk. These two budgets are developed separately, and then combined into one budget document, with the budgets for capital expenditures being incorporated as line items in the budget for each general government department.

The budget process begins shortly after the results for the third quarter of the fiscal year are determined, usually in early March. Budget proposals or development forms are issued to department heads for those departments where the budget is developed outside City Hall, along with budget results for the department for the first three quarters of the year. The department heads then compare the performance numbers for their respective departments for the then current fiscal year, along with the results of the last quarter of the previous fiscal year to their annual budget expenditures, and from that comparison they structure their budgets and make projections of budget and capital needs for the next fiscal year. When they have completed their projections, they return the budget development forms to the City Manager's office at City Hall.

The City Manager is, during this same period of time, completing the budget development forms for those sections of the budget that are developed within City Hall, such as revenues and general government expenditures, using comparative numbers and information from a budget development file maintained in City Hall where pertinent data is filed as it is gathered throughout the year. The City Manager must also compute the requirements for all sections of the budget dealing with lease/purchase and capital outlays or expenditures.

When the budget development forms for all departments have been turned in to, or completed by City Hall, they are combined into a draft budget document. At this point in the process, usually in early April, budget meetings are held with each department head to discuss their projected budget needs. This step is often completed when the budget development forms are returned. If it is determined during these meetings that adjustments need to be made to any line item in the budget, those adjustments are made and total projected budget expenditures are recalculated and compared with projected revenues to determine the projected ad valorem tax requirements. The projected ad valorem tax requirement is entered as a line item in the revenue section of the general fund budget. The completed document becomes the first draft of a proposed City budget for the next fiscal year.

When the proposed budget for the next fiscal year is completed, it is reproduced in quantity and distributed to the Mayor and Council for their review and study. Next, the first public hearing for the proposed budget is scheduled to review the budget and receive public input into the budgeting process. This is usually done in mid-to-late April. After this hearing is held, and input is received from both the public and the Mayor and Council, further refinements and helpful suggestions are incorporated and the second draft budget document is produced and distributed to the Mayor and Council. Of course, copies of the budget at each stage of the budget process are available for public review at City Hall at all times. Next, a final budget hearing is scheduled and advertised. When possible, this hearing is held in conjunction with the regularly scheduled meeting of the Mayor and Council in May. At this hearing, any final public input is received, and final refinements or changes to the budget are made by the Mayor and Council, after which the budget is adopted as the official budget for the City for the upcoming fiscal year which begins on June 1st of each year. Any changes to the budget thereafter must be adopted as amendments to the official city budget.

Encumbrance accounting is employed in governmental funds. Encumbrances recognize purchase orders, contracts, and other commitments for expenditures not fully expended at year end. The City's outstanding encumbrances do not constitute expenditures or liabilities. The commitments will be re-appropriated and honored during the subsequent year.

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B. Excess of expenditures over appropriations

For the year ended May 31, 2011, expenditures exceeded appropriations in the following areas: The over-expenditures were funded by available fund balances.

Public Safety	8,642
Highways & Streets	6,247
Culture & Recreation	634
Debt Service	15,760

C. Deficit fund equity

All funds operated by the City of Donalsonville had positive balances as of May 31, 2011.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

At year end, the City of Donalsonville's carrying amount of deposits was \$4,250,494 and the bank balance was \$4,227,521. All deposits are entirely insured or collateralized. Of the bank balance, \$750,000 was covered by federal depository insurance or by collateral held by the City's agent in the City's name. The remaining balance of \$3,477,521 was collateralized with securities held by the pledging financial institution's trust department or agent in the City's name, and \$0.00 was collateralized with securities held by the pledging financial institution's trust department or agent but not in the government's name.

The following ties the carrying amounts to the Statement of Net Assets:

Cash & cash equivalents	\$ 2,004,544
Investments	2,174,211
Restricted cash	72,978
Total Statement of Net Assets	<u>\$ 4,251,733</u>
Less:	
Cash on hand	(1,239)
Total carrying amount	<u><u>\$ 4,250,494</u></u>

B. Receivables

Receivables as of year end for the government's individual major and nonmajor funds and major business-type funds, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental		Business-type			
	General Fund	SPLOST IV Fund	Water/Sewer Fund	Gas Fund	Solid Waste Fund	Total
Receivables:						
Interest	\$ -	\$ -	\$ 1,789	\$ 3,318	\$ -	\$ 5,107
Taxes	189,065	-	-	-	-	189,065
Accounts	48,269	-	62,301	20,910	-	131,480
Intergovernmental	-	54,727	-	-	62,000	116,727
Other	5,413	-	200	4	-	5,617
Gross receivables	<u>242,747</u>	<u>54,727</u>	<u>64,290</u>	<u>24,232</u>	<u>62,000</u>	<u>447,996</u>
Net total receivables	<u><u>\$ 242,747</u></u>	<u><u>\$ 54,727</u></u>	<u><u>\$ 64,290</u></u>	<u><u>\$ 24,232</u></u>	<u><u>\$ 62,000</u></u>	<u><u>\$ 447,996</u></u>

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Receivables of the General Fund, Water and Sewer Fund and the Gas Fund are reported net of uncollectible amounts. Total uncollectible amounts related to receivables of the current period are as follows:

Uncollectibles related to water and sewer sales	\$ 7,102
Uncollectibles related to gas sales	997
Uncollectibles related to sanitation fees, general fund	4,361
Total uncollectibles for the current fiscal year	<u>\$ 12,460</u>

C. Capital assets

Capital assets for the year ended May 31, 2011 were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 143,184	\$ -	\$ -	\$ 143,184
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	<u>143,184</u>	<u>-</u>	<u>-</u>	<u>143,184</u>
Capital assets, being depreciated:				
Buildings	511,488	2,460	-	513,948
Improvements other than buildings	221,112	-	-	221,112
Machinery and equipment	1,896,154	58,757	-	1,954,911
Infrastructure	1,794,125	137,396	-	1,931,521
Total capital assets being depreciated	<u>4,422,879</u>	<u>198,613</u>	<u>-</u>	<u>4,621,492</u>
Less accumulated depreciation for:				
Buildings	(317,122)	(15,469)	-	(332,591)
Improvements other than buildings	(78,183)	(7,804)	-	(85,987)
Machinery and equipment	(1,582,544)	(103,669)	79,408	(1,606,805)
Infrastructure	(662,291)	(59,212)	-	(721,503)
Total accumulated depreciation	<u>(2,640,140)</u>	<u>(186,154)</u>	<u>79,408</u>	<u>(2,746,886)</u>
Total capital assets, being depreciated, net	<u>1,782,739</u>	<u>12,459</u>	<u>79,408</u>	<u>1,874,606</u>
Governmental activities capital assets, net	<u>\$ 1,925,923</u>	<u>\$ 12,459</u>	<u>\$ 79,408</u>	<u>\$ 2,017,790</u>

CITY OF DONALSONVILLE, GEORGIA
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	Beginning Balance	Increases	Decreases / Transfers	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 33,646	\$ -	\$ -	\$ 33,646
Construction in progress	798,923	613,352	-	1,412,275
Total capital assets, not being depreciated	<u>832,569</u>	<u>613,352</u>	<u>-</u>	<u>1,445,921</u>
Capital assets, being depreciated:				
Buildings	24,924	-	-	24,924
Improvements other than buildings	8,883	-	-	8,883
Machinery and equipment	428,632	18,995	(25,060)	422,567
Infrastructure	6,456,089	-	(114,582)	6,341,507
Total capital assets being depreciated	<u>6,918,528</u>	<u>18,995</u>	<u>(139,642)</u>	<u>6,797,881</u>
Less accumulated depreciation for:				
Buildings	(24,474)	(36)	-	(24,510)
Closing cost	(208)	(500)	-	(708)
Improvements other than buildings	(6,254)	-	-	(6,254)
Machinery and equipment	(312,682)	(36,528)	11,065	(338,145)
Infrastructure	(2,536,648)	(127,212)	114,584	(2,549,276)
Total accumulated depreciation	<u>(2,880,266)</u>	<u>(164,276)</u>	<u>125,649</u>	<u>(2,918,893)</u>
Total capital assets, being depreciated, net	<u>4,038,262</u>	<u>(145,281)</u>	<u>(13,993)</u>	<u>3,878,988</u>
Business-type activities capital assets, net	<u>\$ 4,870,831</u>	<u>\$ 468,071</u>	<u>\$ (13,993)</u>	<u>\$ 5,324,909</u>

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

Governmental activities:

General government	\$ 24,573
Public safety	57,889
Highways and streets, including depreciation of general infrastructure assets	76,244
Sanitation	25,286
Culture and recreation	2,162
Total depreciation expense-governmental activities	<u>\$ 186,154</u>

Business-type activities:

Water/Sewer Fund	145,141
Gas Fund	19,135
Total depreciation expense-business-type activities	<u>\$ 164,276</u>

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Discretely presented component units

The Downtown Development Authority has no capital asset activity.

Discretely Presented Component Unit	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated: Improvements other than buildings	\$ -	\$ -	\$ -	\$ -
Less accumulated depreciation for: Improvements other than buildings	-	-	-	-
Total capital assets, being depreciated, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

D. Interfund receivables, payables and transfers

There were no interfund balances or payables as of May 31, 2011. There were interfund transfers between the Water and Sewer Fund, Splost IV, and the General Fund. Splost IV transferred the purchase of capital assets to the Water and Sewer Fund. This activity was as follows:

	Transfer In	Transfer Out
General Fund	\$ -	\$ -
Capital Project Fund:		
Splost IV	-	446,664
Proprietary Fund:		
Water and Sewer	446,664	-
	<u>\$ 446,664</u>	<u>\$ 446,664</u>

E. Leases

Operating Leases

The City of Donalsonville had no operating leases during the year ended May 31, 2011.

Capital Leases

The City of Donalsonville has four (4) lease agreements as lessee for financing the acquisition of a John Deere Backhoe, a 2008 Ford F 150, a 2005 Tymco Street Sweeper, and John Deere Track Loader. The John Deere Backhoe is recorded in the general fund and proprietary fund at 28% and 72%, respectively. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date.

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The assets acquired through capital leases for various funds are as follows:

Governmental Activities

One (1) Year 2008 John Deere Backhoe

The following is a schedule of the future minimum lease payments under the capital lease, and the present value of the minimum lease payments.

<u>Fiscal Year</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2012	1,457	1,449	8
Total	<u>\$ 1,457</u>	<u>\$ 1,449</u>	<u>\$ 8</u>

One (1) Year 2005 Tymco Street Sweeper

The following is a schedule of the future minimum lease payments under the capital lease, and the present value of the minimum lease payments.

<u>Fiscal Year</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2012	13,175	12,193	982
2013	13,175	12,673	502
Total	<u>\$ 26,350</u>	<u>\$ 24,866</u>	<u>\$ 1,484</u>

One (1) Year 2008 Ford F 150

The following is a schedule of the future minimum lease payments under the capital lease, and the present value of the minimum lease payments.

<u>Fiscal Year</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2012	6,305	6,120	185
Total	<u>\$ 6,305</u>	<u>\$ 6,120</u>	<u>\$ 185</u>

One (1) Year John Deere 655C Track Loader

The following is a schedule of the future minimum lease payments under the capital lease, and the present value of the minimum lease payments.

<u>Fiscal Year</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2012	13,239	11,976	1,264
2013	13,239	12,383	856
2014	13,239	12,804	434
Total	<u>\$ 39,717</u>	<u>\$ 37,163</u>	<u>\$ 2,554</u>

Total capital leases – governmental activities

\$69,598

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Business-type Activities

One (1) Year 2008 John Deere Backhoe

The following is a schedule of the future minimum lease payments under the capital lease, and the present value of the minimum lease payments.

<u>Fiscal Year</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2012	2,233	2,204	29
Total	<u>\$ 2,233</u>	<u>\$ 2,204</u>	<u>\$ 29</u>

Total capital leases – business-type activities \$ 2,204

Total assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>	<u>Water/Sewer Fund Activities</u>	<u>Gas Fund Activities</u>
Asset:			
Machinery and equipment	\$ 322,000	\$ 49,885	\$ 8,680
Less: accumulated depreciation	(123,422)	(10,633)	(3,038)
Total	<u>\$ 198,578</u>	<u>\$ 39,252</u>	<u>\$ 5,642</u>

F. Long-term debt

General Obligation Bonds

The city has no outstanding bonds at year ended May 31, 2011.

Notes payable

The City of Donalsonville has four (4) notes payable. One is by resolution of the City Council to the United States Department of Agriculture, and three are by resolution of the City Council to the Georgia Environmental Facilities Authority

Governmental Activities

Note one is dated January 14, 2010 in the principal amount of \$16,175 used for the purchase of two Crown Victorias. The note bears an interest rate of 4.00% and is payable in 5 yearly installments of \$3,634.

Annual debt requirements to maturity on Note one, including \$1,346 of interest, are as follows:

<u>Fiscal Year</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2012	3,634	3,106	528
2013	3,634	3,230	404
2014	3,634	3,360	274
2015	3,634	3,492	140
Total	<u>\$ 14,536</u>	<u>\$ 13,188</u>	<u>\$ 1,346</u>

Total notes payable – governmental activities \$13,188

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Business-type Activities

Note one is dated July 31, 2005 in the principal amount of \$346,809 used for the construction of a water tower. The note bears an interest rate of 3.82% and is payable in 240 monthly installments of \$1,143.

Annual debt requirements to maturity on Note one, including \$157,662 of interest, are as follows:

<u>Fiscal Year</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2012	13,717	2,014	11,703
2013	13,717	2,136	11,581
2014	13,717	2,197	11,520
2015	13,717	2,283	11,434
2016	13,717	2,351	11,367
2017-2021	68,586	13,334	55,252
2022-2026	170,485	125,679	44,805
Total	<u>\$ 307,656</u>	<u>\$ 149,994</u>	<u>\$ 157,662</u>

Note two is dated March 8, 2006 in the principal amount of \$383,895 and is being used for improvements to the City's sewer system. The note bears an interest rate of 2.82% and is payable in 240 monthly installments of \$2,106.

Annual debt requirements to maturity on Note one, including \$93,523 of interest, are as follows:

<u>Fiscal Year</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2012	25,273	15,555	9,718
2013	25,273	16,008	9,265
2014	25,273	16,476	8,797
2015	25,273	16,957	8,316
2016	25,273	17,452	7,821
2017-2021	126,365	95,201	31,164
2022-2026	126,365	109,927	16,438
2027-2029	58,958	56,954	2,004
Total	<u>\$ 438,053</u>	<u>\$ 344,530</u>	<u>\$ 93,523</u>

Note three was originally dated March 8, 2010 and then converted on June 1, 2011 to an amortizing loan in the principal amount of \$159,074, and is being used for rehabilitation to the City's sewer main system. The note bears an interest rate of 3.00% and is payable in 180 monthly payments of \$1,099.

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<u>Fiscal Year</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2012	12,084	7,806	4,277
2013	13,182	8,764	4,418
2014	13,182	9,031	4,152
2015	13,182	9,306	3,877
2016	13,182	9,589	3,594
2017-2021	65,912	52,499	13,413
2022-2026	65,912	60,984	4,926
2027	1,098	1,096	2
Total	<u>\$ 197,734</u>	<u>\$ 159,075</u>	<u>\$ 38,659</u>

Total notes payable – business-type activities \$653,599

Changes in long-term liabilities

During the year ended May 31, 2011, the following changes occurred in liabilities reported in the general long-term debt account group:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Compensated absences					
Note I.C. 6	\$ 145,794		\$ (30,872)	\$ 114,922	\$ -
Capital leases	76,185	50,000	(56,587)	69,598	31,737
Notes payable	16,175	-	(2,987)	13,188	3,106
Post closure costs					
Note I.C. 10	23,840	960	-	24,800	-
Governmental activities Long-term liabilities	<u>\$ 261,994</u>	<u>\$ 50,960</u>	<u>\$ (90,446)</u>	<u>\$ 222,508</u>	<u>\$ 34,843</u>
Business-type activities:					
Lease payable	\$ 12,864	\$ -	\$ (10,660)	\$ 2,204	\$ 2,204
Notes payable	652,757	23,705	(22,863)	653,599	25,375
Business-type activities Long-term liabilities	<u>\$ 665,621</u>	<u>\$ 23,705</u>	<u>\$ (33,523)</u>	<u>\$ 655,803</u>	<u>\$ 27,579</u>

Compensated absences and post closure costs of the City's governmental funds will generally be liquidated by the general fund. Long-term liabilities of the business-type activities will generally be paid from the fund that incurred the liability.

G. Restricted asset

There is no reservation of retained earnings.

The balances of the City's restricted asset accounts are as follows:

Customer deposit	\$71,104
Police department	<u>1,874</u>
Total restricted assets	<u>\$72,978</u>

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V. OTHER INFORMATION

A. Risk Management

The City of Donalsonville is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency Property and Liability Insurance Fund.

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

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

Coverages are as follows:

COVERAGE DESCRIPTION – PROPERTY:

Buildings and Contents (Blanket)	\$7,125,997
Automobile Physical Damage	Per Application on file with GIRMA

COVERAGE DESCRIPTION – CASUALTY:

Comprehensive General Liability	\$1,000,000
Law Enforcement Liability	\$1,000,000
Automobile Liability	\$1,000,000
Errors and Omissions (Public Officials) Liability	\$1,000,000
Employee Benefits Liability	\$1,000,000

COVERAGE DESCRIPTION – CRIME:

Blanket Bond	\$500,000
Depositors Forgery	\$500,000
Money and Securities – Loss Inside & Outside the Premises	\$500,000

DEDUCTIBLE:

All coverages are subject to a per occurrence deductible of	\$1,000
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COVERAGE EXCEPTIONS:

None

COVERAGES SUBJECT TO A RETROACTIVE DATE: (unless stated otherwise in the Coverage Exceptions)

Public Officials Liability	12/01/87
Employee Benefits Liability	12/01/87
Pollution Liability	12/01/87

Chapter 85 of Title 36 of the Official Code of Georgia Annotated authorizes Georgia municipalities to form interlocal risk management agencies. The Georgia Interlocal Risk Management Agency (GIRMA) is a municipal interlocal risk management agency to function as an unincorporated nonprofit instrumentality of its member municipalities – GIRMA establishes and administers one or more group self-insurance funds and a risk

CITY OF DONALSONVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
May 31, 2011

management service to prevent or lessen the incidence and severity of casualty and property losses occurring in the operation of municipal government. GIRMA is to defend and protect in accordance with the member government contract and related coverage descriptions any member of GIRMA against liability or loss.

The City of Donalsonville must participate at all times in at least one fund which is established by GIRMA. Other responsibilities of the City are as follows:

- To pay all contributions, assessments or other sums due to GIRMA at such times and in such amounts as shall be established by GIRMA.
- To select a person to serve as a Member representative.
- To allow GIRMA and its agent's reasonable access to all facilities of the City and all records, including but not limited to financial records, which relate to the purposes of GIRMA.
- To allow attorneys appointed by GIRMA to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the Fund or Funds established by GIRMA.
- To assist and cooperate in the defense and settlement of claims against the City.
- To furnish full cooperation to GIRMA's attorneys, claims adjusters, Service Company, and any agent, employee, officer or independent contractor of GIRMA relating to the purposes of GIRMA.
- To follow all loss reduction and prevention procedures established by GIRMA.
- To furnish to GIRMA such budget, operating and underwriting information as may be requested.
- To report as promptly as possible, and in accordance with any Coverage Descriptions issued, all incidents which could result in GIRMA or any Fund established by GIRMA being required to pay a claim for loss to municipal property or injuries to persons or property when such loss or injury is within the scope of the protection of a Fund or Funds in which the City participates.

The City of Donalsonville retains the first \$1,000 of each risk of loss in the form of a deductible. The City files all claims with GIRMA. GIRMA bills the City for any risk of loss up to the \$1,000 deductible.

The basis for estimating the liabilities for unpaid claims is "IBNR" established by an actuary.

During the year ended May 31, 2011, the City paid no (0) claims (up to the \$1,000 deductible) totaling \$0. The City has not compiled a record of the claims paid up to the \$1,000 deductible for the prior years. The City is not aware of any claims which the City is liable for (up to the \$1,000) which were outstanding and unpaid at May 31, 2011. No provisions have been made in the financial statements for the year ended May 31, 2011 for any estimate of potential unpaid claims.

The City of Donalsonville provides worker's compensation for its employees through the Southeastern US Insurance Inc.

The City of Donalsonville also provides health insurance coverage for its employees through the Georgia Municipal Employees Benefit System (GMEBS).

CITY OF DONALSONVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
May 31, 2011

B. Related Party Transaction

The City does business with Espy Gray's Recapping and City Motor Company which are all related parties. The City has no outstanding contracts with any related parties.

C. Subsequent Events

There are no significant subsequent events that the City is aware of as of the date of the audit report.

D. Contingent Liabilities

The City is working with the Department of Natural Resources involving new parameters for the waste water treatment system and plant. The City did not have to pay any fines in the current fiscal year, but the City manager foresees the payment of more fines in the future due to the amount of time that it is taking the engineers to complete the design phase.

E. Joint Ventures

The City is currently involved in a joint venture with Seminole County, Georgia for the operation of the Donalsonville-Seminole County Airport. The airport is financially independent of the City and County, and the governments do not retain an equity interest in the airport. All real estate is owned equally by the City and County governments, with the City's respective portion included in its capital assets. A copy of the joint venture's separate financial statements can be obtained from:

Denise Childree, Secretary/Treasurer
P.O. Box 308
Donalsonville, Georgia

Under Georgia law, the County, in conjunction with other cities and counties in the eight-county west central Georgia area, is a member of the Southwest Georgia Regional Commission (SWGARC) and is required to pay annual dues thereto. During its year ended May 31, 2011, the city paid \$2,719 in such dues. Membership in SWGARC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the SWGARC in Georgia. The SWGARC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of SWGARC. Separate financial statements may be obtained from:

Southwest Georgia Regional Commission
P.O. Box 346
Camilla, Georgia 31730-0346

F. Employee retirement systems and pension plans

Plan description. The City maintains an agent multiple employee defined benefit pension plan with the Georgia Municipal Employees Benefit System (GMEBS). The Plan provides retirement, disability, and death benefits to plan members and beneficiaries. Participation in the plan was approved by resolution of the City Council. The benefits provided by the plan, as well as the obligation to contribute to the plan, can

CITY OF DONALSONVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
May 31, 2011

only be amended by the approval of the City Council. Employees are not required to contribute to the plan. The Plan is not included in the City's financial statement. A financial report is available by contacting Towers Perrin, Atlanta, Georgia.

The City also participates in the State of Georgia Police Officer's Annuity Program. The City makes no contribution to this plan. Contributions are collected by the City as an agent for this fund through its municipal court system. This plan is administered through the State and is not included in the City's financial statements.

Funding Policy. The funding policy for the plan is to contribute an amount equal to the recommended contribution each year. The recommended contribution meets the guidelines for calculating an annual required contribution set forth in paragraphs 9 – 10 of GASB statement 27. These contributions are determined under the projected unit credit actuarial cost method. The annual recommended contribution is the sum of the normal cost and the level dollar amortization of the unfunded actuarial liability. The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 1981 and current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods, if applicable, are closed for this plan year. The remaining amortization period varies for the bases, with a net effective amortization period of 10 years. The current rate of contribution for the City is 20.86% of annual covered payroll. Annual covered payroll for May 31, 2011 was \$892,544.

Annual Pension Cost. The City's annual pension administrative cost of \$9,840 was determined as part of the July 1, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included:

Valuation Date:	July 1, 2011
Actuarial Cost Method:	Projected Unit Credit Cost
Assets Valuation Method:	See paragraph below
Amortization Method:	Closed level dollar for remaining unfunded liability
Remaning Amortization Period:	10 years
Actuarial Assumptions:	
-assumed rate of return on assets	7.75% per year
-expected future salary increases	4.0% - 6.0% based on age
-expected inflation	3.50% per year
-merit of seniority	not applicable

The asset valuation method used to determine the actuarial value of assets is the sum of the actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 50% of market value for 2009, 44% of market value for 2010, 37% of market value for 2011, 32% of market value for 2010, 26% of market value for 2013, and 20% of market value for 2014 and later years.

The City's contribution for the current year was \$132,575.

The significant actuarial assumptions used to complete the actuarial accrued liability and the annual recommended contribution of the plan meet the Actuarial Standard of Practice No. 4, Measuring Pension Obligations, establishing generally accepted actuarial principles and practices.

CITY OF DONALSONVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
May 31, 2011

Nine-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC) Obligation</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension</u>
5/31/2003	5,933	100%	0
5/31/2004	6,009	100%	0
5/31/2005	6,175	100%	0
5/31/2006	9,077	100%	0
5/31/2007	9,473	100%	0
5/31/2008	9,467	100%	0
5/31/2009	9,388	100%	0
5/31/2010	9,695	100%	0
5/31/2011	9,840	100%	0

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>(Surplus) Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a percentage of covered payroll [(b-a)/c]</u>
7/1/2011	2,089,726	2,863,400	773,674	73.0%	892,544	86.7%

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

G. Community Development Block Grant

The City received a community development block grant in the amount of \$150,918 dated October 11, 2007 for the demolition and clearance of a vacant dilapidated building. During the fiscal year ended May 31, 2011, the project was completed and the balance of funds totaling \$35,526 were unobligated. Grant revenues and expenditures were audited in accordance with standards applicable to financial audits contained in *Government Audit Standards*, issued by the Comptroller General of the United States.

The City received a community development block grant in the amount of \$500,000 dated September 25, 2009 for water system improvements. During the fiscal year ended May 31, 2011, there were expenditures of \$102,651. Grant revenues and expenditures were audited in accordance with standards applicable to financial audits contained in *Government Audit Standards*, issued by the Comptroller General of the United States.

H. Closure and Postclosure Care Cost

State and federal laws and regulations require the City to place a final cover on its solid waste landfill and to perform certain maintenance and monitoring functions at the site for a period of five years. This 5-year period is an exception to the 30-year period for monitoring landfills granted to those sites which are not contaminating groundwater and which cease to accept solid waste as of April 8, 1994. The City qualified for this exception. Although closure and postclosure care costs will be paid after the date that the landfill stopped accepting waste, the City reports a portion of these costs as an operating expense in this fiscal year, and the balance of the current estimated closure and postclosure costs are recorded as a liability in the Solid Waste Fund, an Enterprise Fund of the City. Estimates must be used and these estimates may

CITY OF DONALSONVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
May 31, 2011

change on account of a variety of factors including inflation or deflation, technology, or applicable laws or regulations.

The City and Seminole County, Georgia have an agreement in which the County contributes 60% of the closure and post-closure cost. An intergovernmental receivable is recorded for 60% of the current estimated cost.

The current estimated closure and post-closure cost at May 31, 2011 for the governmental fund is \$24,800. No capacity remains to calculate the annual accrual due to the closure of the landfill.

I. Motel/Hotel Tax

The City of Donalsonville collected 5% motel taxes and is in compliance with OCGA 48-13-51. The City collected \$22,792 in taxes and expended \$23,296 for economic development, which is 102% of taxes collected.

**CITY OF DONALSONVILLE, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION**

**GEORGIA MUNICIPAL EMPLOYEES BENEFIT
RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS
May 31, 2011**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	(Surplus) Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of covered payroll [(b-a)/c]
5/1/1997	1,055,787	1,063,829	8,042	99.2%	590,983	1.4%
5/1/1998	1,140,733	1,125,256	(15,477)	101.4%	683,275	-2.3%
5/1/1999	1,444,749	1,179,956	(264,793)	122.4%	699,879	-37.8%
5/1/2000	1,538,952	1,213,938	(325,014)	126.8%	744,745	-43.6%
5/1/2001	1,600,356	1,355,105	(245,251)	118.1%	785,588	-31.2%
5/1/2002	1,667,800	1,459,460	(208,340)	114.3%	764,460	-27.3%
5/1/2003	1,696,898	1,578,367	(118,531)	107.5%	783,793	-15.1%
5/1/2004	1,768,947	1,700,100	(68,847)	104.0%	794,117	-8.7%
5/1/2005	1,858,452	1,829,141	(29,311)	101.6%	826,157	-3.5%
5/1/2006	1,964,731	2,067,492	102,761	95.0%	869,531	11.8%
5/1/2007	2,093,845	2,254,944	161,099	92.9%	932,545	17.3%
5/1/2008	2,233,980	2,433,050	199,070	91.8%	900,150	22.1%
5/1/2009	1,530,812	2,579,407	1,048,595	59.3%	994,559	105.4%
7/1/2010	2,009,034	2,764,220	755,186	72.7%	874,890	86.3%
7/1/2011	2,089,726	2,863,400	773,674	73.0%	892,544	86.7%

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

CITY OF DONALSONVILLE, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUE BY SOURCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED MAY 31, 2011

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
Revenues:				
Taxes:				
General property taxes				
Real property	781,800	\$ 781,800	\$ 775,264	\$ (6,536)
Personal property				
Motor vehicle	72,000	72,000	71,732	(268)
Mobile home	3,500	3,500	3,512	12
Real estate transfers	-	-	5,237	5,237
Intangible	4,000	4,000	310	(3,690)
Franchise				
Electric	165,000	165,000	184,188	19,188
Cable	20,000	20,000	23,787	3,787
Telephone	15,000	15,000	14,950	(50)
Other	500	500	-	(500)
Total general property taxes	1,061,800	1,061,800	1,078,980	17,180
General sales and use taxes				
Local option sales and use	350,000	350,000	395,906	45,906
Total general sales and use taxes	350,000	350,000	395,906	45,906
Selective sales and use taxes				
Alcoholic beverage excise	87,000	87,000	86,455	(545)
Total selective sales and use taxes	87,000	87,000	86,455	(545)
Business taxes				
Business and occupation	40,000	40,000	43,845	3,845
Insurance	155,000	155,000	150,514	(4,486)
Total business taxes	195,000	195,000	194,359	(641)
Penalties and interest on delinquent taxes				
General property - real	3,000	3,000	7,022	4,022
Total penalties and interest on delinquent taxes	3,000	3,000	7,022	4,022
Total taxes	1,696,800	1,696,800	1,762,722	65,922
Licenses and permits:				
Business licenses and permits				
General business licenses	18,000	18,000	11,512	(6,488)
Alcoholic beverage licenses	-	-	200	200
Total business licenses and permits	18,000	18,000	11,712	(6,288)
Non-business licenses and permits				
Building structures and equipment	2,500	2,500	1,353	(1,147)
Total non-business licenses and permits	2,500	2,500	1,353	(1,147)
Total licenses and permits	20,500	20,500	13,065	(7,435)

CITY OF DONALSONVILLE, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUE BY SOURCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED MAY 31, 2011

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
Intergovernmental revenues:				
State government grants- CDBG	-	-	-	-
State government grants- JAG	-	-	-	-
Federal government grants- USDA	-	-	50,000	50,000
Salary reimbursement - manager	-	-	-	-
Total intergovernmental revenues	-	-	50,000	50,000
Charges for services:				
General government				
Election fees	250	250	-	(250)
Public safety				
School crossing guard	4,000	4,000	1,790	(2,210)
Fire calls	-	-	-	-
Utilities				
Sanitation fees	455,000	455,000	456,702	1,702
Total charges for services	459,250	459,250	458,492	(758)
Fines and forfeitures:				
Fines	90,000	90,000	62,820	(27,180)
Board fees	300	300	1,275	975
Court costs	1,200	1,200	-	(1,200)
Restitution	1,000	1,000	-	(1,000)
Probation	50,000	50,000	80,846	30,846
Total fines and forfeitures	142,500	142,500	144,941	2,441
Investment income:				
Interest revenue	20,000	20,000	31,811	11,811
Total investment income	20,000	20,000	31,811	11,811
Miscellaneous revenue:				
Rents	51,850	51,850	54,308	2,458
Other	500	500	37,296	36,796
Contributions and donations	-	-	-	-
Total miscellaneous revenue	52,350	52,350	91,604	39,254
Other financing sources:				
Interfund transfers				
Operating transfers in				
Gas fund	45,700	45,700	-	(45,700)
Reserve	177,400	177,400	-	(177,400)
Total operating transfers in	223,100	223,100	-	(223,100)
Sale of general fixed assets	1,500	1,500	428	(1,072)
Capital leases	-	-	-	-
Total other financing sources	1,500	1,500	428	(1,072)
Total revenues and other financing sources	\$ 2,616,000	\$ 2,616,000	\$ 2,553,063	\$ (62,937)

CITY OF DONALSONVILLE, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES BY DEPARTMENT - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED MAY 31, 2011

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
General government				
Legislative				
Mayor and council	13,200	13,200	13,460	(260)
Executive				
City manager salary	26,000	26,000	21,030	4,970
City manager benefits	3,500	3,500	2,897	603
City manager travel	7,200	7,200	7,200	-
Elections	1,200	1,200	-	1,200
General administration				
Advertising	500	500	-	500
Bad debt expense	-	-	-	-
Bookkeeping fees	4,500	4,500	3,520	980
Chamber of Commerce	15,000	15,000	15,000	-
Christmas lights	2,000	2,000	1,112	888
City park	500	500	772	(272)
Computer support	3,000	3,000	1,253	1,747
Outside services	-	-	-	-
Dues and subscriptions	10,000	10,000	8,961	1,039
Insect fogging	8,000	8,000	2,680	5,320
Janitorial	3,500	3,500	2,860	640
Library support	300	300	-	300
Materials and supplies	6,500	6,500	10,493	(3,993)
Miscellaneous	3,000	3,000	997	2,003
Postage	4,000	4,000	2,589	1,411
Printing	1,500	1,500	1,856	(356)
Professional services	-	-	-	-
Rent expense	-	-	-	-
S.W. GA R.D.C.	3,500	3,500	2,719	781
Salaries	48,800	48,800	44,560	4,240
Seminole rescue	300	300	-	300
Telephone	3,600	3,600	3,663	(63)
Travel	25,000	25,000	28,871	(3,871)
Law				
Attorney salary	2,400	2,400	2,400	-
Legal fees	2,000	2,000	730	1,270
Human resources				
Health insurance costs	6,500	6,500	6,422	78
Retirement costs	132,500	132,500	132,575	(75)
Social security costs	4,000	4,000	3,578	422
Unemployment costs	1,000	1,000	4,330	(3,330)
Risk management				
Insurance	9,300	9,300	6,897	2,403
Internal audit				
Audit fees	12,000	12,000	11,450	550

CITY OF DONALSONVILLE, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES BY DEPARTMENT - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED MAY 31, 2011

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
General government continued				
General government buildings and plant				
Heat, lights and water	8,500	8,500	9,230	(730)
Repairs building and equipment	5,500	5,500	7,404	(1,904)
Repairs building - rental property	3,000	3,000	380	2,620
Capital outlay	6,500	6,500	12,084	(5,584)
Total general government	387,800	387,800	373,973	13,827
Judicial				
Professional services	7,200	7,200	7,200	-
Total judicial	7,200	7,200	7,200	-
Public safety				
Police department				
Police administration				
Gas and oil	36,000	36,000	45,426	(9,426)
Insurance	25,100	25,100	35,788	(10,688)
Materials and supplies	15,000	15,000	22,307	(7,307)
Miscellaneous	3,000	3,000	3,002	(2)
Postage	400	400	245	155
Printing	500	500	-	500
Telephone	5,000	5,000	6,150	(1,150)
Uniforms	7,000	7,000	4,668	2,332
Salaries	515,000	515,000	505,177	9,823
Employee benefits	111,700	111,700	97,835	13,865
Other Services	-	-	586	(586)
Crime control and investigation				
Employee testing	1,000	1,000	348	652
Drug task force	6,000	6,000	5,564	436
DUI test charges	500	500	460	40
Jailer services	41,000	41,000	47,043	(6,043)
Medical	8,000	8,000	15,553	(7,553)
Prisoner meals	6,000	6,000	17,131	(11,131)
Traffic control				
Power - traffic signs	1,100	1,100	1,149	(49)
Police training				
Travel and school	5,000	5,000	4,970	30
Police stations and buildings				
Heat, lights and water	2,400	2,400	2,279	121
Repairs building and equipment	20,000	20,000	19,973	27
CGSE lines	3,500	3,500	-	3,500
Capital outlay	13,500	13,500	13,364	136
Total police department	826,700	826,700	849,018	(22,318)

CITY OF DONALSONVILLE, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES BY DEPARTMENT - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED MAY 31, 2011

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
Probation Department				
Probation administration				
Salaries	34,000	34,000	31,936	2,064
Employee benefits	-	-	2,441	(2,441)
Total probation department	34,000	34,000	34,377	(377)
Fire Department				
Fire administration				
Freight	200	200	60	140
Telephone	4,000	4,000	3,794	206
Gas and oil	4,500	4,500	5,678	(1,178)
Insurance	18,100	18,100	17,804	296
Linen service	200	200	771	(571)
Materials and supplies	10,000	10,000	8,970	1,030
Miscellaneous	1,000	1,000	1,163	(163)
Salaries	310,000	310,000	305,176	4,824
Employee benefits	81,000	81,000	79,141	1,859
Uniforms	6,000	6,000	3,288	2,712
Fire fighting				
Fire extinguisher and supplies	100	100	-	100
Fire hydrant rental	4,500	4,500	3,617	883
VFD participation	1,000	1,000	1,000	-
Fire training				
Travel and school	4,500	4,500	1,921	2,579
Medical services				
Medical	1,000	1,000	-	1,000
Heat, lights and water	11,000	11,000	13,210	(2,210)
Repairs building and equipment	12,000	12,000	15,600	(3,600)
Capital outlay	11,000	11,000	4,854	6,146
Total fire department	480,100	480,100	466,047	14,053
Total public safety	1,340,800	1,340,800	1,349,442	(8,642)
Public works				
Street department				
Street administration				
Equipment Rental	4,000	4,000	-	4,000
Freight	300	300	30	270
Gas and oil	16,000	16,000	13,806	2,194
Heat, lights and water	6,000	6,000	1,087	4,913
Insurance	18,100	18,100	19,445	(1,345)
Machine hire	1,000	1,000	-	1,000
Materials and supplies	10,000	10,000	1,255	8,745
Miscellaneous	1,000	1,000	-	1,000
Rent expense	-	-	-	-
Repairs and maintenance - buildings	20,000	20,000	23,684	(3,684)
Repairs and maintenance - other	15,000	15,000	12,504	2,496
Salaries	135,500	135,500	122,011	13,489
Employee benefits	30,700	30,700	29,799	901

CITY OF DONALSONVILLE, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES BY DEPARTMENT - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED MAY 31, 2011

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
Roadways and walkways				
Repairs	4,000	4,000	-	4,000
Exterior lighting	58,000	58,000	68,018	(10,018)
Flood control	3,000	3,000	200	2,800
Street signs	1,500	1,500	2,308	(808)
Tree service	3,000	3,000	-	3,000
Capital outlay	13,000	13,000	52,200	(39,200)
Total street department	340,100	340,100	346,347	(6,247)
Sanitation department				
Sanitation administration				
Salaries	210,000	210,000	209,096	904
Employee benefits	51,100	51,100	60,722	(9,622)
Heat, lights and water	500	500	-	500
Repairs and maintenance	21,000	21,000	24,726	(3,726)
Miscellaneous	1,000	1,000	-	1,000
Materials and supplies	3,500	3,500	3,285	215
Telephone	400	400	-	400
Insurance	38,100	38,100	18,425	19,675
Gas and oil	25,000	25,000	31,923	(6,923)
Machine hire	500	500	-	500
Engineering fees	500	500	-	500
Postage	500	500	1,345	(845)
Sewage collection and disposal				
Postclosure costs	26,000	26,000	10,286	15,714
Tipping fees to Seminole County	108,000	108,000	93,459	14,541
Capital outlay	18,000	18,000	9,074	8,926
Total sanitation department	504,100	504,100	462,341	41,759
Total public works	844,200	844,200	808,688	35,512
Culture/Recreation				
Recreation				
Recreation administration				
Material and supplies	1,000	1,000	321	679
Exterior lighting	1,000	1,000	-	1,000
Repair building and equipment	700	700	50	650
Participation recreation				
Recreation support	1,000	1,000	263	737
Capital outlay	1,300	1,300	5,000	(3,700)
Total culture/recreation	5,000	5,000	5,634	(634)
Debt service				
Principal	30,000	30,000	43,749	(13,749)
Interest	1,000	1,000	3,011	(2,011)
Total debt service	31,000	31,000	46,760	(15,760)
Other financing uses				
Operating transfers out				
Water/Sewer fund	-	-	-	-
Total other financing uses	-	-	-	-
Total expenditures	2,616,000	2,616,000	2,591,697	24,303

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Hotel/Motel Taxes- This fund is used to account for the monies received in taxes from the local hotels and motels. These taxes are used for economic development.

Capital Project Funds

Capital project funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

SPLOST III- This fund is used for the collection of Special Purpose Local Option Sales Tax. These taxes are used for capital project expenditures.

CITY OF DONALSONVILLE, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
May 31, 2011

	Special Revenue Funds		Capital Project Funds		Total Nonmajor Governmental Funds
	Hotel/Motel Tax Fund	Total	SPLOST III Fund	Total	
ASSETS					
Current assets:					
Cash and cash equivalent	\$ 391	\$ 391	\$ 147,993	\$ 147,993	\$ 148,384
Accounts receivable (net of allowance for uncollectibles)	-	-	-	-	-
Due from other funds	-	-	-	-	-
Total current assets	391	391	147,993	147,993	148,384
Total assets	391	391	147,993	147,993	148,384
LIABILITIES					
Current liabilities:					
Accounts payable	279	279	-	-	279
Due to other funds	-	-	-	-	-
Total current liabilities	279	279	-	-	279
FUND BALANCE					
Reserved for:					
Economic development	112	112	-	-	112
Capital outlay	-	-	147,993	147,993	147,993
Total fund balance	112	112	147,993	147,993	148,105
Total liabilities and fund balance	\$ 391	\$ 391	\$ 147,993	\$ 147,993	\$ 148,384

CITY OF DONALSONVILLE, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
May 31, 2011

	Special Revenue Fund		Capital Project Fund		Total
	Hotel/Motel Tax Fund	Total	SPLOST III Fund	Total	Nonmajor Governmental Funds
Revenues:					
Hotel/Motel tax	\$ 22,792	\$ 22,792	\$ -	\$ -	\$ 22,792
Intergovernmental revenues	-	-	-	-	-
Miscellaneous revenues	-	-	-	-	-
Total revenues	22,792	22,792	-	-	22,792
Expenditures:					
Economic development	23,296	23,296	-	-	23,296
Capital outlay	-	-	-	-	-
Total expenditures	23,296	23,296	-	-	23,296
Excess of revenues over (under) expenditures	(504)	(504)	-	-	(504)
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balances	(504)	(504)	-	-	(504)
Fund balance- beginning	616	616	147,993	147,993	148,609
Fund balance- ending	\$ 112	\$ 112	\$ 147,993	\$ 147,993	\$ 148,105

CITY OF DONALSONVILLE, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
NONMAJOR - SPECIAL REVENUE FUND
HOTEL/MOTEL TAX FUND
FOR THE YEAR ENDED MAY 31, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Hotel/Motel taxes	\$ -	\$ 24,000	\$ 22,792	\$ (1,208)
Total revenues	-	24,000	22,792	(1,208)
EXPENDITURES				
Current:				
Economic development	-	24,000	23,296	704
Total expenditures	-	24,000	23,296	704
Excess of expenditures over revenues	-	-	(504)	(504)
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	-	-
Total other financing sources and uses	-	-	-	-
Net change in fund balance	-	-	(504)	(504)
Fund balances - beginning	-	-	616	616
Fund balances - ending	\$ -	\$ -	\$ 112	\$ 112

CITY OF DONALSONVILLE, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED
WITH SPECIAL SALES TAX PROCEEDS
May 31, 2011

Special Purpose Local Option Sales Tax #3

<u>Project No.</u>	<u>Project Description</u>	<u>Original Estimated Costs</u>	<u>Current Estimated Cost</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>	<u>Percentage of Completion</u>
1	Police Dept Vehicles	100,000	82,556	82,556	-	82,556	100.00%
2	Industrial Park Improvements	350,000	410,054	262,061	-	262,061	63.91%
	Totals	<u>\$ 450,000</u>	<u>\$ 492,610</u>	<u>\$ 344,617</u>	<u>\$ -</u>	<u>\$ 344,617</u>	

Special Purpose Local Option Sales Tax #4

<u>Project No.</u>	<u>Project Description</u>	<u>Original Estimated Costs</u>	<u>Current Estimated Cost</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>	<u>Percentage of Completion</u>
1	General government	125,000	125,000	1,094	7,323	8,417	6.73%
2	Police department	190,000	190,000	11,997	35,915	47,912	25.22%
3	Fire department	275,000	275,000	34,247	4,120	38,367	13.95%
4	Sanitation department	285,000	285,000	5,855	11,165	17,020	5.97%
5	Street improvements	513,000	513,000	1,700	139,795	141,495	27.58%
7	Water & Sewer improvements	600,000	600,000	37,275	446,663	483,938	80.66%
6	Capital structures- fire station	250,000	250,000	-	-	-	0.00%
	Totals	<u>\$ 2,238,000</u>	<u>\$ 2,238,000</u>	<u>\$ 92,168</u>	<u>\$ 644,981</u>	<u>\$ 737,149</u>	

GRANT SCHEDULES

CITY OF DONALSONVILLE, GEORGIA
COMMUNITY DEVELOPMENT BLOCK GRANT
GRANT NO. 09p-x-125-2-5123
SCHEDULE OF SOURCE AND APPLICATION OF FUNDS
FOR THE FISCAL YEAR ENDED MAY 31, 2011

Program funds allocated	\$ 500,000
Less funds drawn down by recipient through May 31, 2010	<u>(14,000)</u>
Funds still available from HUD, June 1, 2010	486,000
Less funds drawn down by recipient through May 31, 2011	<u>(100,651)</u>
Funds still available from HUD, June 1, 2011	<u><u>385,349</u></u>
 Total program funds held by recipient available for disposition June 1, 2010	 2,000
Total program funds drawn down by recipient	100,651
Less expenses paid with program funds	<u>(102,651)</u>
 Total program funds held by recipient available for disposition May 31, 2011	 <u><u>\$ -</u></u>

CITY OF DONALSONVILLE, GEORGIA
COMMUNITY DEVELOPMENT BLOCK GRANT
GRANT NO. 09p-x-125-2-5123
PROJECT COST SCHEDULE
FOR THE FISCAL YEAR ENDED MAY 31, 2011

<u>Activity</u>	<u>Approved Budget</u>	<u>Current Expenditures</u>	<u>Accumulated Expenditures To Date</u>	<u>Unexpended Budget</u>
P-03J-01 Water system improvements	470,000	87,651	87,651	382,349
A-21A-00 Administration	30,000	15,000	27,000	3,000
	<u>\$ 500,000</u>	<u>\$ 102,651</u>	<u>\$ 114,651</u>	<u>\$ 385,349</u>

**CAPITAL ASSETS
USED IN THE OPERATION
OF GOVERNMENTAL FUNDS**

CITY OF DONALSONVILLE, GEORGIA
CAPITAL ASSETS USED IN OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULES BY SOURCE
MAY 31, 2011

	<u>May 31, 2011</u>
Governmental funds capital assets:	
Land	143,184
Construction in progress	-
Buildings	513,948
Improvements other than buildings	221,112
Machinery and equipment	1,954,911
Infrastructure	1,931,521
Total governmental funds capital assets	<u>\$ 4,764,676</u>
Investments in governmental funds capital assets by source:	
General fund	\$ 4,548,877
Donations	215,799
Total governmental funds capital assets	<u>\$ 4,764,676</u>

CITY OF DONALSONVILLE, GEORGIA
CAPITAL ASSETS USED IN OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
MAY 31, 2011

Function and Activity	Land	Construction In Progress	Buildings	Improvements Other Than Buildings	Machinery and Equipment	Infrastructure	Total
General government:							
Finance and administration	\$ 51,933	\$ -	\$ 464,284	\$ 11,942	\$ 264,052	\$ -	\$ 792,211
Other - unclassified	42,151	-	35,695	123,588	17,504	23,660	242,598
Total general government	94,084	-	499,979	135,530	281,556	23,660	1,034,809
Public safety:							
Police	-	-	-	9,245	401,988	-	411,233
Fire	-	-	6,044	10,542	535,441	-	552,027
Total public safety	-	-	6,044	19,787	937,429	-	963,260
Highways and streets:							
Maintenance	-	-	7,925	-	380,752	-	388,677
Street system	2,500	-	-	-	-	1,907,861	1,910,361
Total highways and streets	2,500	-	7,925	-	380,752	1,907,861	2,299,038
Sanitation	600	-	-	3,095	350,174	-	353,869
Culture and recreation	46,000	-	-	62,700	5,000	-	113,700
Total governmental funds capital assets	\$ 143,184	\$ -	\$ 513,948	\$ 221,112	\$ 1,954,911	\$ 1,931,521	\$ 4,764,676

CITY OF DONALSONVILLE, GEORGIA
CAPITAL ASSETS USED IN OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
FOR THE FISCAL YEAR ENDED MAY 31, 2011

Function and Activity	Governmental Funds Capital Assets June 1, 2010	Additions	Deletions	Transfer between Departments	Governmental Funds capital Assets May 31, 2011
General government:					
Finance and administration	\$ 787,711	\$ 11,027	\$ 6,527	\$ -	\$ 792,211
Other - unclassified	242,598	-	-	-	242,598
Total general government	1,030,309	11,027	6,527	-	1,034,809
Public safety:					
Police	368,047	43,186	-	-	411,233
Fire	546,924	8,974	3,871	-	552,027
Total public safety	914,971	52,160	3,871	-	963,260
Highways and streets:					
Maintenance	336,477	52,200	-	-	388,677
Street system	1,772,965	137,396	-	-	1,910,361
Total highways and streets	2,109,442	189,596	-	-	2,299,038
Sanitation	402,641	20,238	69,010	-	353,869
Culture and recreation	108,700	5,000	-	-	113,700
Total governmental funds capital assets	\$ 4,566,063	\$ 278,021	\$ 79,408	\$ -	\$ 4,764,676

SUPPLEMENTAL INFORMATION

**CITY OF DONALSONVILLE, GEORGIA
GOVERNMENT-WIDE EXPENSES BY FUNCTION
CURRENT FISCAL YEAR**

Fiscal Year	General Government	Public Safety	Highways and Streets	Sanitation	Economic Development	Culture and Recreation	Interest on Long-term Debt	Water and Sewer	Gas	Solid Waste	Total
2005	300,241	1,047,284	323,953	438,148	24,311	2,768	190	454,408	507,710	-	3,099,013
2006	311,648	1,129,600	359,311	435,491	27,643	3,152	1,950	545,923	593,214	-	3,407,932
2007	315,953	1,186,472	325,425	430,802	24,679	2,433	5,030	555,329	421,808	-	3,267,931
2008	345,283	1,279,194	360,527	449,038	25,391	1,995	3,887	534,762	415,053	-	3,415,130
2009	343,289	1,342,750	372,948	470,757	27,509	1,968	4,764	544,662	465,337	-	3,573,984
2010	457,455	1,411,835	358,725	476,272	25,144	1,788	3,936	603,043	335,511	-	3,673,709
2011	375,167	1,377,738	370,045	478,855	23,296	2,796	3,116	559,678	300,628	-	3,491,319

CITY OF DONALSONVILLE, GEORGIA
GOVERNMENT-WIDE REVENUES
CURRENT FISCAL YEAR

Fiscal Year	Program Revenues			General Revenues					Total
	Charges for Services	Operating Grant and Contributions	Capital Grants and Contributions	Grants and Contributions			Unrestricted Investment Income	Miscellaneous	
				Not Restricted to Specific Programs					
2005	1,476,326	-	153,394	1,326,890	-	56,885	2,195	3,015,690	
2006	553,395	-	23,538	1,460,515	-	46,869	2,355	2,086,672	
2007	554,918	-	16,386	1,568,462	-	63,293	1,193	2,204,252	
2008	626,919	-	341,604	1,721,671	-	67,892	26,508	2,784,594	
2009	679,321	-	246,906	1,755,721	-	49,646	1,990	2,733,584	
2010	1,730,552	-	-	2,267,396	-	-	-	3,997,948	
2011	708,102	-	402,011	1,795,492	-	29,643	428	2,935,676	

CITY OF DONALSONVILLE, GEORGIA
STATEMENT OF REVENUES AND EXPENDITURES
GENERAL FUND

FOR THE FISCAL YEARS ENDED
MAY 31, 2011, 2010, 2009, 2008, 2007, 2006, 2005, 2004, 2003, 2002

	Fiscal Year Ended 5/31/2011	Fiscal Year Ended 5/31/2010	Fiscal Year Ended 5/31/2009	Fiscal Year Ended 5/31/2008	Fiscal Year Ended 5/31/2007	Fiscal Year Ended 5/31/2006	Fiscal Year Ended 5/31/2005	Fiscal Year Ended 5/31/2004	Fiscal Year Ended 5/31/2003	Fiscal Year Ended 5/31/2002
General Fund										
Revenues:										
Property taxes	\$ 850,818	\$ 825,870	\$ 784,211	\$ 795,695	\$ 733,764	\$ 656,228	\$ 598,134	\$ 598,906	\$ 501,905	\$ 491,026
Sales tax	482,361	476,520	473,957	493,297	493,934	450,044	409,733	409,253	287,321	287,401
Other taxes	424,306	405,155	409,956	404,935	382,653	356,146	334,494	316,096	481,285	453,082
Licenses and permits	13,065	55,364	21,026	19,079	15,373	14,753	12,249	12,653	11,388	9,094
Charges for services	458,492	460,967	457,025	417,998	367,004	358,664	364,229	346,212	326,943	366,346
Fines and forfeitures	144,941	147,220	96,258	90,156	75,341	87,693	108,468	95,484	81,711	79,651
Interest	31,811	33,781	46,079	67,892	63,293	46,869	34,626	33,265	49,190	73,459
Miscellaneous and intergovernmental	147,269	212,484	429,173	453,518	161,284	112,500	108,158	131,917	402,156	334,835
Total revenues	\$ 2,553,063	\$ 2,617,361	\$ 2,717,985	\$ 2,742,572	\$ 2,292,646	\$ 2,083,007	\$ 1,908,091	\$ 1,941,786	\$ 2,141,897	\$ 2,094,894
Expenditures:										
General government	\$ 427,933	\$ 378,936	\$ 436,587	\$ 328,876	\$ 296,127	\$ 288,943	\$ 263,600	\$ 331,015	\$ 347,269	\$ 202,832
Recreation department	634	125	306	127	358	1,076	2,843	450	364	1,484
Police department	849,018	877,205	842,886	821,009	739,498	727,300	667,942	629,174	578,489	506,829
Probation department	34,377	33,938	-	-	-	-	-	-	-	-
Fire department	466,047	480,593	477,945	450,757	414,458	376,552	348,008	312,009	304,816	309,777
Street department	346,347	277,826	617,657	777,286	253,364	308,984	302,404	320,715	682,954	208,005
Sanitation department	462,341	438,907	448,057	428,516	429,117	528,250	432,296	425,221	369,745	379,277
Housing and development	-	-	-	-	-	27,643	24,311	20,558	-	23,253
Park Pavilion	5,000	-	-	-	-	-	-	-	-	-
Total expenditures	\$ 2,591,697	\$ 2,487,500	\$ 2,523,438	\$ 2,806,571	\$ 2,132,922	\$ 2,258,748	\$ 2,041,404	\$ 2,039,142	\$ 2,283,637	\$ 1,831,457

CITY OF DONALSONVILLE, GEORGIA

MISCELLANEOUS STATISTICAL DATA

May 31, 2011

"UNAUDITED"

<u>Description</u>	<u>Data</u>
Date of incorporation	1897
Date first charter adopted	1897
Date present charter adopted	1997
Form of government:	
Type: Mayor	
Council - six (6) members	
City Manager	
Term of office:	
Mayor - four (4) year term	
Council members - four (4) year term	
Area:	4 sq miles
Community facilities	
Sewer system:	
Miles of sanitary sewers	44
Number of lift stations	6
Daily average treatment (gal)	400,000
Maximum treatment plant capacity (gal)	400,000
Number of disposal plants	1
Number of service connections	1,120
Water system:	
Miles of water mains	50
Daily average consumption (gal)	700,000
Plant capacity (gal)	2,000,000
Number of service connections	1,200
Deep wells	2
Number of fire hydrants	198
Gas system:	
Miles of gas lines	24
Daily average consumptions (MCF)	250
Plant capacity (MCF)	500
Number of service connections	305
Number of street lights	480
Miles of streets:	
Streets - paved	49

CITY OF DONALSONVILLE, GEORGIA

CURRENT RATE SCHEDULE

May 31, 2011

"UNAUDITED"

Utility rates:

Water:

Residential Equivalency Unit Fee of \$7.00

Commercial Equivalency Unit Fee of \$10.00 and up depending on consumption.

\$1.70 per thousand gallons used between 0 and 5,000 gallons.

\$1.80 per thousand gallons used between 5,001 and 10,000 gallons.

\$1.90 per thousand gallons used between 10,001 and 15,000 gallons.

\$2.00 per thousand gallons used between 15,001 and 20,000 gallons.

\$2.10 per thousand gallons used for 20,001 gallons and over.

Sewer:

Residential Equivalency Unit Fee of \$9.00

Commercial Equivalency Unit Fee of \$10.00 and up depending on consumption.

\$1.80 per thousand gallons used between 0 and 5,000 gallons.

\$1.90 per thousand gallons used between 5,001 and 10,000 gallons.

\$2.00 per thousand gallons used between 10,001 and 15,000 gallons.

\$2.10 per thousand gallons used between 15,001 and 20,000 gallons.

\$2.20 per thousand gallons used for 20,001 gallons and over

Sanitation:

\$17.75 flat rate - residential

\$24.00 - \$1,628.00 - commercial (based on \$3.85 cu/yd per pickup)

Gas:

\$2.37 minimum

\$1.30 to \$2.00 per 100 cubic feet average

Gas price based on spot market price and distributed costs

Gas price varies month-to-month based on market cost

COMPLIANCE SECTION

William R. Burke, CPA, MAcc
Rebecca B. Worsham, CPA
Margaret B. Harrell, CPA, CFE
Jujuan B. Bowen, CPA
Celeste B. Burke, CPA
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

To the Mayor and City Council
City of Donalsonville, Georgia

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Donalsonville, Georgia, as of and for the year ended May 31, 2011, which collectively comprise the City of Donalsonville, Georgia's basic financial statements and have issued our report thereon dated October 13, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Donalsonville, 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 Donalsonville, Georgia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Donalsonville, 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 certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 believe **Item: 2011-1** to be a material weakness. 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 **Item: 2011-1** described below to be significant deficiencies in internal control over financial reporting.

Item: 2011-1

Finding: Inadequate separation of duties in the Governmental and Proprietary Funds.

Cause: The City does not have enough staff to segregate the various functions.

Effect: This could result in misappropriation of assets.

Planned Corrective Action: The mayor and council take an active role in reviewing the monthly financials and other monthly checks and balances.

Response by Responsible Officials: The mayor and council are aware of this issue, but it is not economically feasible to correct.

Item: 2011-2

Finding: Expenditures exceeded the budget in four areas.

Cause: Budget was not amended during the year.

Effect: Expenditures for the year exceeded the budget.

Planned Corrective Action: The mayor and council will review the budget closer and amend if necessary.

Response by Responsible Officials: The mayor and council are aware of this issue, and will amend the budget before yearend to prevent these overages.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Donalsonville, 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*.

We noted certain matters that we reported to management of the City of Donalsonville, Georgia, in a separate letter dated October 13, 2011.

This report is intended solely for the information and use of management, City Council, the State Audit Department, 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.

Burke, Worsham & Harrell, LLC

Burke, Worsham & Harrell, LLC

October 13, 2011

