

CITY OF METTER, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2009

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Metter, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Metter, Georgia, as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Metter, Georgia's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Metter, Georgia as of September 30, 2009, and the respective changes in financial position, and cash flows, where applicable, thereof, and the respective budgetary comparison for the General Fund and Hotel/Motel Tax Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2010, on our consideration of the City of Metter, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 4 through 11 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Metter, Georgia's basic financial statements. The schedule of projects paid by special purpose local option sales tax proceeds is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Thigpen, Lanier, Westerfield & Deal

January 20, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the City of Metter, Georgia's (the City's) annual financial report, the City's management is pleased to provide this narrative discussion and analysis of the financial activities of the City for the fiscal year ended September 30, 2009. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Highlights

- The City had total net assets (assets exceeded liabilities) of \$11,727,721 at 2009 fiscal year-end.
- Total net assets are comprised of the following:
 - (1) Capital assets, net of related debt, of \$8,857,524 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 - (2) Net assets of \$962,202 are restricted by constraints imposed from outside the City such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted net assets of \$1,907,995 represent the portion available to maintain the City's continuing obligations to citizens and creditors.
- The City's governmental funds reported total ending fund balance of \$1,906,286, compared to \$1,365,184 in fiscal year 2008. This is a \$541,102 (or 39.6%) increase.
- At the end of the current fiscal year, unreserved, undesignated fund balance for the General Fund was \$883,360, or 34.6% of total General Fund expenditures.

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

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

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

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

The government-wide financial statements are presented on pages 12 & 13 of this report.

Fund Financial Statements

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

The City has two kinds of funds:

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

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

The basic governmental fund financial statements are presented on pages 14-20 of this report.

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

The basic enterprise fund financial statements are presented on pages 21-23 of this report.

Notes to the Basic Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin on page 24 of this report.

Financial Analysis of the City as a Whole

The City's net assets at fiscal year end 2009 were \$11,727,721, compared to the fiscal year 2008 figure of \$11,217,613. The following table provides a summary of the City's net assets:

Summary of Net Assets

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Assets:						
Current assets	\$ 2,036,394	\$ 1,504,422	\$ 1,034,243	\$ 1,028,759	\$ 3,070,637	\$ 2,533,181
Capital assets	<u>5,643,433</u>	<u>5,693,123</u>	<u>4,545,673</u>	<u>4,794,336</u>	<u>10,189,106</u>	<u>10,487,459</u>
Total assets	<u>7,679,827</u>	<u>7,197,545</u>	<u>5,579,916</u>	<u>5,823,095</u>	<u>13,259,743</u>	<u>13,020,640</u>
Liabilities:						
Current liabilities	140,888	175,737	235,947	246,994	376,835	422,731
Long-term liabilities	<u>247,450</u>	<u>319,873</u>	<u>907,737</u>	<u>1,060,423</u>	<u>1,155,187</u>	<u>1,380,296</u>
Total liabilities	<u>388,338</u>	<u>495,610</u>	<u>1,143,684</u>	<u>1,307,417</u>	<u>1,532,022</u>	<u>1,803,027</u>
Net assets:						
Investment in capital assets, net of debt	5,360,015	5,320,305	3,497,509	3,577,762	8,857,524	8,898,067
Restricted	962,202	5,758	-	19,320	962,202	25,078
Unrestricted	<u>969,272</u>	<u>1,375,872</u>	<u>938,723</u>	<u>918,596</u>	<u>1,907,995</u>	<u>2,294,468</u>
Total net assets	<u>\$ 7,291,489</u>	<u>\$ 6,701,935</u>	<u>\$ 4,436,232</u>	<u>\$ 4,515,678</u>	<u>\$ 11,727,721</u>	<u>\$ 11,217,613</u>

The City continues to maintain a high current ratio. The current ratio compares current assets to current liabilities, and is an indication of the ability to pay current obligations. For fiscal year 2009, the current ratio for governmental activities is 14.5 and 4.4 for business type activities. For fiscal year 2008, the current ratio for governmental activities was 8.6, and for business type activities 4.2. For the City, overall, the current ratio for fiscal year 2009 is 8.1, compared to 6.0 for fiscal year 2008. These ratios are very strong.

The City reported positive balances in net assets for both governmental and business-type activities. Net assets increased by \$589,554 for governmental activities, and decreased by \$79,446 for business-type activities. The City's overall financial position increased \$510,108 during fiscal year 2009.

Note that 73.5% of the governmental activities' net assets were invested in capital assets. The City uses these capital assets to provide services to its citizens. On the business type activities, the City has spent 78.8% of its net assets on capital assets. Capital assets in the business type activities provide utility services, which generate revenues for this fund. Expansion of these systems is necessary for the continued growth of the City and for its financial position, as this utility system generates considerable revenue for all the City's operations. 79.3% of the City's total net assets were included in capital assets.

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

	Summary of Net Assets					
	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program:						
Charges for services	\$ 516,867	\$ 512,498	\$ 1,083,871	\$ 1,149,348	\$ 1,600,738	\$ 1,661,846
Operating grants	197,373	198,343	-	-	197,373	198,343
Capital grants and contributions	733,064	1,145,850	-	151,438	733,064	1,297,288
General:						
Taxes	1,957,508	1,968,908	-	-	1,957,508	1,968,908
Other	76,976	127,500	12,514	22,938	89,490	150,438
Total revenues	<u>3,481,788</u>	<u>3,953,099</u>	<u>1,096,385</u>	<u>1,323,724</u>	<u>4,578,173</u>	<u>5,276,823</u>
Program Expenses:						
General government	477,953	479,681	-	-	477,953	479,681
Judicial	8,028	8,698	-	-	8,028	8,698
Public safety	1,132,867	1,263,995	-	-	1,132,867	1,263,995
Public works	926,110	1,426,759	-	-	926,110	1,426,759
Health and welfare	9,219	10,035	-	-	9,219	10,035
Culture and recreation	151,884	167,783	-	-	151,884	167,783
Housing and development	167,730	302,307	-	-	167,730	302,307
Interest	15,618	28,769	-	-	15,618	28,769
Water and sewer	-	-	1,178,656	1,143,886	1,178,656	1,143,886
Total expenses	<u>2,889,409</u>	<u>3,688,027</u>	<u>1,178,656</u>	<u>1,143,886</u>	<u>4,068,065</u>	<u>4,831,913</u>
Excess (deficiency)	592,379	265,072	(82,271)	179,838	510,108	444,910
Transfers	(2,825)	-	2,825	-	-	-
Beginning net assets	<u>6,701,935</u>	<u>6,436,863</u>	<u>4,515,678</u>	<u>4,335,840</u>	<u>11,217,613</u>	<u>10,772,703</u>
Ending net assets	<u>\$ 7,291,489</u>	<u>\$ 6,701,935</u>	<u>\$ 4,436,232</u>	<u>\$ 4,515,678</u>	<u>\$11,727,721</u>	<u>\$11,217,613</u>

GOVERNMENTAL REVENUES

The City is heavily reliant on taxes to support governmental activities operations. In total, taxes make up 56.2% of revenues as compared to 49.8% in fiscal year 2008. Sales taxes provided \$639,684 or 18.4% of the City's total governmental activities revenues as compared to 17.7% in fiscal year 2008. Property taxes are the second largest revenue source totaling \$591,603 of revenues or 17.0% of total revenues as compared to 14.8% in fiscal year 2008.

Capital grants include \$519,899 in special purpose local option sales taxes (SPLOST) received from Candler County for capital projects. SPLOST revenue provided 14.9% of the City's total governmental revenues as compared to 14.8% in fiscal year 2008. Also, the City received a CDBG capital grant of \$141,490.

Also, note that program revenues covered 50.1% in fiscal year 2009, and 50.3% in fiscal year 2008 of governmental operating expenses. This means that the government's taxpayers and the City's other general governmental revenues funded the remaining 49.9% in fiscal year 2009, and 49.7% in fiscal year 2008 of the governmental activities. As this documents, the general economy and the local businesses have a major impact on the City's revenue streams.

GOVERNMENTAL FUNCTIONAL EXPENSES

The public safety function comprises 39.2% of the City's total governmental activity expenses as compared to 34.3% for fiscal year 2008. The public works function comprises 32.1% of the total governmental activity expenses as compared to 38.7% for fiscal year 2008. Of the total \$2,889,409 of governmental activity expenses, depreciation is 12.9% of that total.

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

	Governmental Activities			
	2009		2008	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General government	\$ 477,953	\$ 371,997	\$ 479,681	\$ 361,984
Municipal court	8,028	8,028	8,698	8,698
Public safety	1,132,867	848,425	1,263,995	937,940
Public works	926,110	(130,796)	1,426,759	80,304
Health and welfare	9,219	9,219	10,035	10,035
Culture and recreation	151,884	151,884	167,783	125,630
Housing and development	167,730	167,730	302,307	277,976
Interest	15,618	15,618	28,769	28,769
Total	\$ 2,889,409	\$ 1,442,105	\$ 3,688,027	\$ 1,831,336

For fiscal year 2009 and 2008, all functions required a subsidy from general revenues except for public works in fiscal year 2009. The excess for public works is the result of \$519,899 in SPLOST capital grant revenue received from Candler County that is to be spent on capital projects.

BUSINESS-TYPE ACTIVITIES
Revenues vs. Expenses

The City's sole enterprise fund is the water and sewer system fund. The operating revenues for this fund decreased by \$65,477, or 5.7%, from that of fiscal year 2008. Operating expenses increased only \$34,770 or 3.0%. Overall the change in net assets was a decrease of \$79,446 as compared with an increase of \$179,838 in fiscal year 2008.

Financial Analysis of the City's Funds

Governmental Funds

Governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of \$1,906,286, as compared to \$1,365,184 at September 30, 2008. Of this year-end total, \$1,845,562 was unreserved and undesignated indicating availability for continuing City service requirements. However, \$962,202 will be expended on approved SPLOST projects.

The total ending fund balances of governmental funds show an increase in fiscal year 2009 of \$541,102 or 39.6% compared to an increase in fiscal year 2008 of \$70,683, or 5.5%. This fiscal year 2009 increase is primarily the result of revenues exceeding expenditures and transfers out by \$385,018 for the SPLOST fund.

Major Governmental Funds

General Fund - The General Fund is the City's primary operating fund and the largest source of day-to-day service delivery. The General Fund's fund balance increased by \$183,084 or 24.1% as compared to a \$10,012 or 1.3% decrease in fiscal year 2008.

At the fund reporting level, total taxes decreased \$12,530 or .7% from that of fiscal year 2008. Total property taxes for this fiscal year and the last fiscal year were almost the same. Local option sales taxes decreased \$60,449 or 8.6%. This decrease is a result of the current overall economic recession. Franchise taxes increased \$35,240 or 14.2%. All other tax amounts were similar to those of fiscal year 2008.

Intergovernmental revenue decreased \$164,351 or 37.9%. This decrease compares to a \$477,334 decrease in fiscal year 2008.

Most other revenue streams were consistent with those of fiscal year 2008.

In fiscal year 2009, general fund expenditures decreased \$689,522 or 21.2% from last year. The major decreases relate to:

- Public safety – a decrease relating to the purchase of capital assets including a rescue truck (\$307,153), computers for the police station (\$24,019) and two patrol cars (\$67,162) in the prior fiscal year.
- Public works – a decrease resulting from less spent on projects such as walking trails, sidewalk repairs, and other road projects.
- Housing and development – the City's share of the airport expansion decreased \$24,331 and the payments to the airport authority decreased by \$111,663.

The General Fund's ending unreserved, undesignated fund balance of \$883,360 is considered adequate, representing the equivalent of 34.6% of annual expenditures as compared to 23.4% at September 30, 2008.

Hotel/Motel Fund – The City recognized \$53,401 in hotel/motel taxes, which was expended during the year. This amount compares to a \$61,270 amount in fiscal year 2008. These resources are paid to the City's Welcome Center. There is no fund balance at September 30, 2009.

CDBG Block Grant Fund – The City received grant funds totaling \$141,490 from the Georgia Department of Community Affairs for flood and drainage systems and street improvements.

SPLOST Fund – The amount expended in fiscal year 2009 on projects approved in this SPLOST referendum follow:

- Equipment acquisition (\$70,542)
- Sewer system improvements and expansion (\$2,825)
- Drainage and street improvements and expansion (\$101,056)

The City recognized \$519,899 for our share of the Candler County's SPLOST. This amount compares to \$584,990 recognized in fiscal year 2008.

The Proprietary Fund

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

Budgetary Highlights – General Fund

Overall, the City recognized revenues equal to 95.6% of budgeted revenues in the final appropriated budget. Overall, the City recognized expenditures equal to \$405,490 less than, or 13.7%, of budgeted expenditures in the final appropriated budget.

On the revenue side of the budget, intergovernmental revenue came in \$107,091 lower than the amended budget. In total, General Fund revenues came in \$127,457 less than the budgeted amount.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
For the Year Ended September 30, 2009

City of Metter, Georgia

On the expenditure side, no functions were overspent in fiscal year 2009. The public safety function budget was under spent by \$143,974 and the public works budget was under spent by \$177,340.

Fund Balance was budgeted to decrease by \$32,949. However, fund balance actually increased by \$183,084.

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of September 30, 2009 was \$5,643,433 and \$4,545,673 respectively, for a total of \$10,189,106. The total decrease in this net investment was .9% for governmental and 5.2% for business-type activities. The overall decrease was 2.8% for the City as a whole. See Note 7 for additional information about changes in capital assets during the fiscal year and outstanding at the end of the year. The following table provides a summary of capital asset activity.

Capital Assets
(Amounts in Thousands)

	Governmental Activities		Business Activities		Total Activities	
	2009	2008	2009	2008	2009	2008
Non-depreciable assets:						
Land	\$ 567,500	\$ 567,500	\$ 492,280	\$ 492,280	\$ 1,059,780	\$ 1,059,780
Construction in progress	47,340	393,790	2,825	-	50,165	393,790
Total non-depreciable assets	614,840	961,290	495,105	492,280	1,109,945	1,453,570
Depreciable assets:						
Buildings	1,681,025	1,681,025	94,767	94,767	1,775,792	1,775,792
Land improvements	558,890	558,890	-	-	558,890	558,890
Water and sewer system	-	-	7,226,899	7,226,899	7,226,899	7,226,899
Machinery and equipment	2,132,087	2,101,543	974,594	974,594	3,106,681	3,076,137
Infrastructure	9,163,945	8,524,012	-	-	9,163,945	8,524,012
Total depreciable assets	13,535,947	12,865,470	8,296,260	8,296,260	21,832,207	21,161,730
Less accumulated depreciation	8,507,354	8,133,637	4,245,692	3,994,204	12,753,046	12,127,841
Book value - depreciable assets	5,028,593	4,731,833	4,050,568	4,302,056	9,079,161	9,033,889
Percentage depreciated	63%	63%	51%	48%	58%	57%
Total book value	\$ 5,643,433	\$ 5,693,123	\$ 4,545,673	\$ 4,794,336	\$ 10,189,106	\$ 10,487,459

At September 30, 2009 and 2008, the depreciable capital assets for governmental activities were 63% depreciated.

With the City's business type activities, 51% of the asset values were depreciated at September 30, 2009, compared to 48% at September 30, 2008.

Long-term Debt

At the end of the fiscal year, the City had capital leases, bonds, USDA notes, and GEFA notes outstanding. During the fiscal year, the City retired 35.2% of the beginning outstanding capital lease obligations and 33.3% of the beginning bonds payable. The City's notes payable and USDA loans payable decreased by 9.2% and 19.0%, respectively. Total compensated absences payable increased 8.4% from the September 30, 2008 balance.

	Governmental Activities		Business-type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Capital leases	\$ 120,141	\$ 171,314	\$ 63,606	\$ 112,073	\$ 183,747	\$ 283,387
Revenue bonds	-	-	50,000	75,000	50,000	75,000
Notes payable	-	-	934,558	1,029,501	934,558	1,029,501
USDA loans	163,277	201,504	-	-	163,277	201,504
Compensated absences	42,411	36,454	10,409	12,259	52,820	48,713
Total	\$ 325,829	\$ 409,272	\$ 1,058,573	\$ 1,228,833	\$ 1,384,402	\$ 1,638,105

See Note 8 for additional information about the City's long-term debt.

Economic Conditions Affecting the City

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

As of November 2009, Candler County's unemployment rate averaged 8.7% (US. Bureau of Labor Statistics), compared to the state's average of 10.3% for the year (GDOL). During 1999, 26.1% of the country's population lived below the poverty level, compared with Georgia's rate of 13% and the national rate of 12.4%. Candler County is recognized by the Georgia Department of Community Affairs (DCA) as a Tier 1 County, which are considered the most distressed counties in the State and are eligible for the largest job tax credits of \$3,500 per job.

The City's population is 4,345 (2008 estimates). Since the City relies primarily on property and sales taxes for its operating revenue, changes in the economy definitely affect these revenue streams. Since sales taxes are, an "elastic revenue stream", in a sluggish economy, the sales tax revenues are reduced immediately. Property taxes are considered "inelastic" in the short-term; this revenue stream is more stable. Fortunately, for the City, because of its revenue stream makeup, it is able to survive financially in a slow economy.

Contacting the City's Financial Management

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

CITY OF METTER, GEORGIA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2009

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 1,228,008	\$ 907,371	\$ 2,135,379	-
Certificates of deposit	202,769	35,136	237,905	-
Receivables:				
Taxes	102,727	-	102,727	-
Accounts	23,257	91,736	114,993	-
Intergovernmental	448,756	-	448,756	-
Interest	5,574	-	5,574	-
Other	3,208	-	3,208	-
Prepaid insurance	22,095	-	22,095	-
Capital Assets:				
Nondepreciable capital assets	614,840	495,105	1,109,945	-
Depreciable capital assets, net	5,028,593	4,050,568	9,079,161	-
Total Assets	<u>7,679,827</u>	<u>5,579,916</u>	<u>13,259,743</u>	<u>-</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	36,751	515	37,266	-
Accrued payroll	18,451	6,237	24,688	-
Accrued interest payable	-	5,556	5,556	-
Customer deposits	-	72,803	72,803	-
Revenue bonds payable	-	25,000	25,000	-
Notes payable	39,892	99,931	139,823	-
Capital leases payable	38,487	25,905	64,392	-
Other	7,307	-	7,307	-
Total Current Liabilities	<u>140,888</u>	<u>235,947</u>	<u>376,835</u>	<u>-</u>
Long-Term Liabilities:				
Compensated absences	42,411	10,409	52,820	-
Revenue bonds payable (net of current portion)	-	25,000	25,000	-
Notes payable (net of current portion)	123,385	834,627	958,012	-
Capital leases payable (net of current portion)	81,654	37,701	119,355	-
Total Long-Term Liabilities	<u>247,450</u>	<u>907,737</u>	<u>1,155,187</u>	<u>-</u>
Total Liabilities	<u>388,338</u>	<u>1,143,684</u>	<u>1,532,022</u>	<u>-</u>
NET ASSETS				
Invested in capital assets, net of related debt	5,360,015	3,497,509	8,857,524	-
Restricted for capital projects	962,202	-	962,202	-
Unrestricted	969,272	938,723	1,907,995	-
Total Net Assets	<u>\$ 7,291,489</u>	<u>\$ 4,436,232</u>	<u>\$ 11,727,721</u>	<u>-</u>

See accompanying notes to the basic financial statements.

CITY OF METTER, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2009

Program/Function	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Primary Government								
Governmental Activities:								
General government	\$ 477,953	\$ 95,246	\$ 10,710	-	\$ (371,997)	-	\$ (371,997)	-
Municipal court	8,028	-	-	-	(8,028)	-	(8,028)	-
Public safety	1,132,867	82,179	186,663	\$ 15,600	(848,425)	-	(848,425)	-
Public works	926,110	339,442	-	717,464	130,796	-	130,796	-
Health and welfare	9,219	-	-	-	(9,219)	-	(9,219)	-
Culture and recreation	151,884	-	-	-	(151,884)	-	(151,884)	-
Housing and development	167,730	-	-	-	(167,730)	-	(167,730)	-
Interest	15,618	-	-	-	(15,618)	-	(15,618)	-
Total Governmental Activities	2,889,409	516,867	197,373	733,064	(1,442,105)	-	(1,442,105)	-
Business-Type Activities:								
Water and sewer	1,178,656	1,083,871	-	-	-	\$ (94,785)	(94,785)	-
Total Primary Government	\$ 4,068,065	\$ 1,600,738	\$ 197,373	\$ 733,064	(1,442,105)	(94,785)	(1,536,890)	-
Component Unit								
Downtown Development Authority of Metter								
	-	-	-	-	-	-	-	-
General Revenues								
Property taxes levied for:								
General purposes					602,050	-	602,050	-
Sales taxes					639,684	-	639,684	-
Insurance premium tax					215,065	-	215,065	-
Franchise taxes					283,861	-	283,861	-
Hotel/motel taxes					53,401	-	53,401	-
Other taxes					163,447	-	163,447	-
Interest earned					31,885	12,514	44,399	-
Miscellaneous					45,091	-	45,091	-
Total General Revenues					2,034,484	12,514	2,046,998	-
Transfers					(2,825)	2,825	-	-
Total General Revenues and Transfers					2,031,659	15,339	2,046,998	-
Change in Net Assets					589,554	(79,446)	510,108	-
Net Assets Beginning of Year					6,701,935	4,515,678	11,217,613	-
Net Assets End of Year					\$ 7,291,489	\$ 4,436,232	\$11,727,721	-

See accompanying notes to the basic financial statements.

CITY OF METTER, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2009

	General	Hotel/Motel	CDBG	SPLOST	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 378,081	-	-	\$ 849,927	\$ 1,228,008
Certificates of deposit	202,769	-	-	-	202,769
Receivables:					
Taxes	102,727	-	-	-	102,727
Accounts	23,257	-	-	-	23,257
Intergovernmental	336,481	-	-	112,275	448,756
Interest	5,574	-	-	-	5,574
Other	3,208	-	-	-	3,208
Prepaid insurance	22,095	-	-	-	22,095
TOTAL ASSETS	\$ 1,074,192	-	-	\$ 962,202	\$ 2,036,394
LIABILITIES					
Accounts payable	\$ 36,751	-	-	-	\$ 36,751
Accrued payroll	18,451	-	-	-	18,451
Deferred revenue	67,599	-	-	-	67,599
Other	7,307	-	-	-	7,307
Total liabilities	130,108	-	-	-	130,108
FUND BALANCE					
Reserved for prepaid insurance	22,095	-	-	-	22,095
Unreserved, designated for special projects	38,629	-	-	-	38,629
Unreserved, undesignated	883,360	-	-	\$ 962,202	1,845,562
Total fund balance	944,084	-	-	962,202	1,906,286
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,074,192	-	-	\$ 962,202	\$ 2,036,394

See accompanying notes to the basic financial statements.

CITY OF METTER, GEORGIA
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2009

Total Governmental Fund Balances \$ 1,906,286

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

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

	Cost	\$ 14,150,787	
	Less accumulated depreciation	<u>(8,507,354)</u>	5,643,433

Other long-term assets are not available to pay for current
period expenditures and therefore are deferred in the funds:

	Property taxes		67,599
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Liabilities, including notes payable, capital leases and compensated
absences are not due and payable in the current period and therefore
are not reported in the funds but are reported on the statement of net
assets:

	Capital leases	\$ (120,141)	
	Notes payable	(163,277)	
	Compensated absences	<u>(42,411)</u>	<u>(325,829)</u>

Net Assets Of Governmental Activities \$ 7,291,489

See accompanying notes to the basic financial statements.

CITY OF METTER, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	General	Hotel/Motel	CDBG	SPLOST	Total Governmental Funds
REVENUES					
Taxes	\$ 1,889,408	\$ 53,401	-	-	\$ 1,942,809
Licenses and permits	95,246	-	-	-	95,246
Charges for services	339,442	-	-	-	339,442
Intergovernmental	269,048	-	\$ 141,490	\$ 519,899	930,437
Fines and forfeitures	82,179	-	-	-	82,179
Interest	19,343	-	-	12,542	31,885
Miscellaneous	45,091	-	-	-	45,091
Total revenues	<u>2,739,757</u>	<u>53,401</u>	<u>141,490</u>	<u>532,441</u>	<u>3,467,089</u>
EXPENDITURES					
Current:					
General government	462,050	-	-	-	462,050
Municipal court	8,028	-	-	-	8,028
Public safety	1,038,966	-	-	-	1,038,966
Public works	735,058	-	-	-	735,058
Health and welfare	9,219	-	-	-	9,219
Culture and recreation	124,593	-	-	-	124,593
Housing and development	113,739	53,401	-	-	167,140
Capital outlay:					
Public safety	-	-	-	30,544	30,544
Public works	-	-	141,490	101,056	242,546
Debt service					
Principal	57,110	-	-	32,290	89,400
Interest	7,910	-	-	7,708	15,618
Total expenditures	<u>2,556,673</u>	<u>53,401</u>	<u>141,490</u>	<u>171,598</u>	<u>2,923,162</u>
EXCESS OF REVENUES OVER EXPENDITURES	183,084	-	-	360,843	543,927
OTHER FINANCING SOURCES (USES)					
Transfers out	-	-	-	(2,825)	(2,825)
NET CHANGE IN FUND BALANCE	183,084	-	-	358,018	541,102
FUND BALANCE, BEGINNING OF YEAR	761,000	-	-	604,184	1,365,184
FUND BALANCE, END OF YEAR	<u>\$ 944,084</u>	<u>-</u>	<u>-</u>	<u>\$ 962,202</u>	<u>\$ 1,906,286</u>

See accompanying notes to the basic financial statements.

CITY OF METTER, GEORGIA
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2009

Net Change In Fund Balance - Governmental Funds \$ 541,102

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlays differed from depreciation expense in the current period.

	Depreciation expense	\$ (373,717)	
	Capital outlays	324,027	(49,690)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.

	Property taxes:		
	Deferred at 9/30/09	67,599	
	Deferred at 9/30/08	(52,900)	14,699

Repayment of capital lease and note payable principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 89,400

Compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

	Liability at 9/30/09	(42,411)	
	Liability at 9/30/08	36,454	(5,957)

Change In Net Assets of Governmental Activities \$ 589,554

CITY OF METTER, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Taxes	\$ 1,889,728	\$ 1,889,728	\$ 1,889,408	\$ (320)
Licenses and permits	102,450	102,450	95,246	(7,204)
Charges for services	325,050	325,050	339,442	14,392
Intergovernmental	328,139	376,139	269,048	(107,091)
Fines and forfeitures	107,100	107,100	82,179	(24,921)
Interest	20,000	20,000	19,343	(657)
Miscellaneous	46,747	46,747	45,091	(1,656)
Total revenues	<u>2,819,214</u>	<u>2,867,214</u>	<u>2,739,757</u>	<u>(127,457)</u>
EXPENDITURES				
Current:				
General government:				
Governing body	48,378	48,378	48,378	-
Financial administration	456,282	456,282	413,672	42,610
Total general government	<u>504,660</u>	<u>504,660</u>	<u>462,050</u>	<u>42,610</u>
Municipal court	<u>9,300</u>	<u>9,300</u>	<u>8,028</u>	<u>1,272</u>
Public safety:				
Police	875,668	921,268	829,484	91,784
Fire	204,155	206,555	167,022	39,533
Animal control	55,117	55,117	42,460	12,657
Total public safety	<u>1,134,940</u>	<u>1,182,940</u>	<u>1,038,966</u>	<u>143,974</u>
Public works:				
Roadways and walkways	689,205	689,205	541,619	147,586
Sanitation	164,026	164,026	146,041	17,985
Maintenance and shop	59,167	59,167	47,398	11,769
Total public works	<u>912,398</u>	<u>912,398</u>	<u>735,058</u>	<u>177,340</u>
Health and welfare:				
Mosquito control	1,000	1,000	-	1,000
Community center	15,000	15,000	3,719	11,281
Public education	5,500	5,500	5,500	-
Total health and welfare	<u>21,500</u>	<u>21,500</u>	<u>9,219</u>	<u>12,281</u>
Culture and recreation:				
Recreation	85,050	85,050	84,000	1,050
Libraries	41,489	41,489	40,593	896
Total culture and recreation	<u>126,539</u>	<u>126,539</u>	<u>124,593</u>	<u>1,946</u>
Housing and development:				
Building inspections	3,300	3,300	1,101	2,199
Economic development	80,013	80,013	79,913	100
Tourism	3,500	3,500	2,227	1,273
Downtown development	21,709	21,709	17,802	3,907
Airport	12,700	12,700	12,696	4
Total housing and development	<u>121,222</u>	<u>121,222</u>	<u>113,739</u>	<u>7,483</u>

See accompanying notes to the basic financial statements.

CITY OF METTER, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Debt service:				
Principal	\$ 75,500	\$ 75,500	\$ 57,110	\$ 18,390
Interest	8,104	8,104	7,910	194
Total debt service	<u>83,604</u>	<u>83,604</u>	<u>65,020</u>	<u>18,584</u>
 Total expenditures	 <u>2,914,163</u>	 <u>2,962,163</u>	 <u>2,556,673</u>	 <u>405,490</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	 <u>(94,949)</u>	 <u>(94,949)</u>	 <u>183,084</u>	 <u>278,033</u>
 OTHER FINANCING SOURCES (USES)				
Sale of capital assets	1,000	1,000	-	(1,000)
Proceeds from capital leases	61,000	61,000	-	(61,000)
Total other financing sources (uses)	<u>62,000</u>	<u>62,000</u>	<u>-</u>	<u>(62,000)</u>
 NET CHANGE IN FUND BALANCE	 <u>(32,949)</u>	 <u>(32,949)</u>	 <u>183,084</u>	 <u>216,033</u>
 FUND BALANCE, OCTOBER 1, 2008			 <u>761,000</u>	
 FUND BALANCE, SEPTEMBER 30, 2009			 <u>\$ 944,084</u>	

See accompanying notes to the basic financial statements.

CITY OF METTER, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - HOTEL/MOTEL TAX SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Hotel/Motel tax	\$ 55,000	\$ 53,401	\$ (1,599)
EXPENDITURES			
Current:			
Housing and development - Tourism	<u>55,000</u>	<u>53,401</u>	<u>1,599</u>
NET CHANGE IN FUND BALANCE	<u><u>-</u></u>	<u>-</u>	<u><u>-</u></u>
FUND BALANCE, OCTOBER 1, 2008		<u>-</u>	
FUND BALANCE, SEPTEMBER 30, 2009		<u><u>-</u></u>	

See accompanying notes to the basic financial statements.

CITY OF METTER, GEORGIA
STATEMENT OF NET ASSETS
PROPRIETARY FUND - WATER AND SEWER SYSTEM FUND
SEPTEMBER 30, 2009

ASSETS

Current Assets

Cash and cash equivalents	\$ 907,371
Certificates of deposit	35,136
Accounts receivable	91,736
Total Current Assets	1,034,243

Capital Assets

Land	492,280
Construction in progress	2,825
Water and sewer system	7,226,899
Buildings	94,767
Machinery and equipment	974,594
Less accumulated depreciation	(4,245,692)
Total Capital Assets	4,545,673

Total Assets	5,579,916
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LIABILITIES

Current Liabilities

Accounts payable	515
Accrued payroll	6,237
Accrued interest payable	5,556
Customer deposits	72,803
Revenue bonds payable	25,000
Notes payable	99,931
Capital leases payable	25,905
Total Current Liabilities	235,947

Long-Term Liabilities

Compensated absences payable	10,409
Revenue bonds payable (net of current portion)	25,000
Notes payable (net of current portion)	834,627
Capital leases payable (net of current portion)	37,701
Total Long-Term Liabilities	907,737

Total Liabilities	1,143,684
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NET ASSETS

Invested in capital assets, net of related debt	3,497,509
Unrestricted	938,723
Total Net Assets	\$ 4,436,232

See accompanying notes to the basic financial statements.

CITY OF METTER, GEORGIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND - WATER AND SEWER SYSTEM FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2009

OPERATING REVENUES	
Water and sewer sales	\$ 992,700
Penalties	22,846
Connection fees	30,087
Hay sales	33,065
Other	5,173
Total operating revenues	<u>1,083,871</u>
 OPERATING EXPENSES	
Salaries	387,986
Employee benefits	108,710
Professional and technical services	14,746
Purchased services	249,032
Materials and supplies	110,976
Depreciation	251,488
Total operating expenses	<u>1,122,938</u>
 OPERATING LOSS	 <u>(39,067)</u>
 NON-OPERATING REVENUE (EXPENSE)	
Interest income	12,514
Interest expense	<u>(55,718)</u>
Total non-operating revenue (expense)	<u>(43,204)</u>
 LOSS BEFORE TRANSFERS	 <u>(82,271)</u>
Transfers in	<u>2,825</u>
 CHANGE IN NET ASSETS	 <u>(79,446)</u>
 NET ASSETS, OCTOBER 1, 2008	 <u>4,515,678</u>
 NET ASSETS, SEPTEMBER 30, 2009	 <u><u>\$ 4,436,232</u></u>

See accompanying notes to the basic financial statements.

CITY OF METTER, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND - WATER AND SEWER SYSTEM FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 1,072,595
Cash payments to employees for services	(494,556)
Cash payments for goods and services	(387,706)
Net cash provided by operating activities	190,333

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition of capital assets	(2,825)
Transfers from SPLOST fund	2,825
Interest paid	(56,266)
Principal paid on long-term debt	(168,410)
Net cash used by capital and related financing activities	(224,676)

CASH FLOWS FROM INVESTING ACTIVITIES

Increase in certificates of deposit	(530)
Interest received	12,514
Net cash provided by investing activities	11,984

NET DECREASE IN CASH AND CASH EQUIVALENTS (22,359)

CASH AND CASH EQUIVALENTS, OCTOBER 1, 2008 929,730

CASH AND CASH EQUIVALENTS, SEPTEMBER 30, 2009 \$ 907,371

RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating loss	\$ (39,067)
Adjustments:	
Depreciation	251,488
(Increase) decrease in operating assets:	
Accounts receivable	(15,696)
Increase (decrease) in operating liabilities:	
Accounts payable	515
Accrued payroll	2,140
Compensated absences payable	(1,850)
Interfund payable	(11,617)
Customer deposits	4,420
Net cash provided by operating activities	\$ 190,333

See accompanying notes to the basic financial statements.

CITY OF METTER, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

1-A. Reporting Entity

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1-B. Basis of Presentation

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

Government-wide Financial Statements – The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the City as a whole. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes, grants, and the City's general revenues, from business-type activities, generally financed in whole or part with service charges to external customers.

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

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

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

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

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

Major individual governmental funds are reported in separate columns.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

CDBG Fund – This capital projects fund accounts for the capital projects funded by a Community Development Block Grant (CDBG).

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

1-C. Measurement Focus

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

1-D. Basis of Accounting

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

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

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

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

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

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

CITY OF METTER, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

1-E. Assets, Liabilities and Net Assets

Cash, Cash Equivalents, and Investments

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

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

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

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

Receivables

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

Interfund Balances

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

CITY OF METTER, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Consumable Inventories

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond September 30, 2009, are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is reserved as this amount is not available for general appropriation.

Capital Assets

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

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

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

Accrued Liabilities and Long-term Obligations

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

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

Bond Premiums, Discounts and Issuance Costs

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

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

Fund Equity

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

Fund Balance – Generally, fund balance represents the difference between the current assets and current liabilities. The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available, spendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund balance that is available for appropriation in future periods. Designations are management's intent to set aside these resources for specific services.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Operating Revenues and Expenses

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

Contributions of Capital

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

Interfund Activity

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

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

Estimates

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

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

All budgets are adopted on a basis consistent with GAAP.

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

During the year, the City Council approved budget revisions.

All unexpended annual appropriations lapse at year-end.

NOTE 3 – DEPOSITS

At September 30, 2009, the carrying amount of the City's deposits (checking and certificates of deposit) was \$2,373,284 and the bank balance was \$2,425,891. Of the bank balance, \$652,152 was covered by federal depository insurance and \$1,773,739 was collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

NOTE 4 – RECEIVABLES

Receivables at September 30, 2009, consisted primarily of taxes, interest, accounts (billings for user charges), and intergovernmental receivables arising from grants.

Receivables and payables are recorded on the City's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and in the case of receivables, collectibility. The allowances for uncollectibles netted against receivables at September 30, 2009 consisted of \$24,821 and \$15,100 for the general fund and water and sewer system fund, respectively.

NOTE 5 – PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. Property taxes are billed on or about October 20th of each year and are payable within sixty days. The County bills and collects property taxes for the City. Property tax revenues at the fund reporting level are recognized when levied to the extent that they result in current receivables (i.e., collectible in 60 days). For the year ended September 30, 2009, property taxes were levied on September 18, 2008, and were due on December 20, 2008.

CITY OF METTER, GEORGIA
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - INTERFUND BALANCES AND TRANSFERS

There were no interfund balances at September 30, 2009.

Interfund transfers for the year ended September 30, 2009 consisted of \$2,825 in transfers from the SPLOST fund to the water and sewer system fund for engineering fees.

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2009 was as follows:

	<u>Balance</u> <u>10/1/2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>9/30/2009</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 567,500	-	-	\$ 567,500
Construction in progress	393,790	\$ 293,483	\$ 639,933	47,340
Total capital assets not being depreciated	<u>961,290</u>	<u>293,483</u>	<u>639,933</u>	<u>614,840</u>
Other capital assets being depreciated:				
Buildings and improvements	1,681,025	-	-	1,681,025
Land improvements	558,890	-	-	558,890
Machinery and equipment	2,101,543	30,544	-	2,132,087
Infrastructure	8,524,012	639,933	-	9,163,945
Total capital assets being depreciated	<u>12,865,470</u>	<u>670,477</u>	<u>-</u>	<u>13,535,947</u>
Total capital assets	<u>13,826,760</u>	<u>963,960</u>	<u>639,933</u>	<u>14,150,787</u>
Accumulated depreciation:				
Buildings and improvements	605,661	31,575	-	637,236
Land improvements	483,562	16,562	-	500,124
Machinery and equipment	1,491,965	120,511	-	1,612,476
Infrastructure	5,552,449	205,069	-	5,757,518
Total accumulated depreciation	<u>8,133,637</u>	<u>373,717</u>	<u>-</u>	<u>8,507,354</u>
Governmental activities capital assets, net	<u>\$ 5,693,123</u>	<u>\$ 590,243</u>	<u>\$ 639,933</u>	<u>\$ 5,643,433</u>

Governmental activities depreciation expense:

General government	\$ 15,333
Public safety	92,600
Public works	238,493
Culture and recreation	<u>27,291</u>
Total governmental activities depreciation expense	<u>\$ 373,717</u>

CITY OF METTER, GEORGIA
NOTES TO FINANCIAL STATEMENTS

NOTE 7 – CAPITAL ASSETS (Continued)

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

	Balance 10/1/2008	Additions	Deductions	Balance 9/30/2009
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 492,280	\$ -	\$ -	\$ 492,280
Construction in progress	-	2,825	-	2,825
Total capital assets not being depreciated	<u>492,280</u>	<u>2,825</u>	<u>-</u>	<u>495,105</u>
Other capital assets being depreciated:				
Water and sewer system	7,226,899	-	-	7,226,899
Buildings	94,767	-	-	94,767
Machinery and equipment	974,594	-	-	974,594
Total capital assets being depreciated	<u>8,296,260</u>	<u>-</u>	<u>-</u>	<u>8,296,260</u>
Total capital assets	<u>8,788,540</u>	<u>2,825</u>	<u>-</u>	<u>8,791,365</u>
Accumulated depreciation:				
Water and sewer system	3,095,316	189,380	-	3,284,696
Buildings	60,682	2,099	-	62,781
Machinery and equipment	838,206	60,009	-	898,215
Total accumulated depreciation	<u>3,994,204</u>	<u>251,488</u>	<u>-</u>	<u>4,245,692</u>
Business-type activities capital assets, net	<u>\$ 4,794,336</u>	<u>\$ (248,663)</u>	<u>-</u>	<u>\$ 4,545,673</u>

NOTE 8 – LONG-TERM DEBT

Water and Sewer Revenue Bonds – In 1971, the City issued water and sewer revenue bonds of \$580,000. The purpose of this issue was to extend the water and sewer system. The bonds have an interest rate of 5.375% and require principal payments each May 1 and interest is payable semiannually on May 1 and December 1 each year through May 1, 2011. The amount of outstanding bonds at September 30, 2009 was \$50,000. Annual debt service requirements to amortize the bonds as of September 30, 2009 are as follows:

Fiscal Year	Principal	Interest	Total
2010	\$ 25,000	\$ 2,687	\$ 27,687
2011	25,000	1,344	26,344
	<u>\$ 50,000</u>	<u>\$ 4,031</u>	<u>\$ 54,031</u>

CITY OF METTER, GEORGIA
NOTES TO FINANCIAL STATEMENTS

NOTE 8 – LONG-TERM DEBT (Continued)

Notes Payable – The City has entered into a number of notes with the Georgia Environmental Facilities Authority (GEFA) and the United States Department of Agriculture (USDA) Rural Development with balances at September 30, 2009, as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
GEFA (90-074-WQ), payable in quarterly installments of \$8,759 including interest at 6.7% through May 1, 2011	-	\$ 57,403
GEFA (97-L26WJ), payable in quarterly installments of \$19,472 including interest at 4.75% through June 1, 2021	-	698,245
GEFA (2004-L22WQ), payable in monthly installments of \$2,406 including interest at 3.82% through October 1, 2016	-	178,910
USDA Rural Development, payable in annual installments of \$39,998 including interest at 4.375% through January 25, 2013 (purchase of rescue truck)	\$ 143,910	-
USDA Rural Development, payable in annual installments of \$7,013 including interest at 4.25% through July 19, 2012 (purchase of police vehicle)	19,367	-
	<u>\$ 163,277</u>	<u>\$ 934,558</u>

Annual debt service requirements to amortize all notes payable outstanding at September 30, 2009 are as follows:

Year	<u>Governmental Activities</u>			<u>Business - Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 39,892	\$ 7,119	\$ 47,011	\$ 99,931	\$ 41,860	\$ 141,791
2011	41,629	5,382	47,011	96,442	36,590	133,032
2012	43,439	3,569	47,008	74,230	32,525	106,755
2013	38,317	1,676	39,993	77,598	29,157	106,755
2014	-	-	-	81,108	25,647	106,755
2015-2019	-	-	-	375,198	74,369	449,567
2020-2021	-	-	-	130,051	6,250	136,301
Total	<u>\$ 163,277</u>	<u>\$ 17,746</u>	<u>\$ 181,023</u>	<u>\$ 934,558</u>	<u>\$ 246,398</u>	<u>\$ 1,180,956</u>

CITY OF METTER, GEORGIA
NOTES TO FINANCIAL STATEMENTS

NOTE 8 – LONG-TERM DEBT (Continued)

Capital Leases – Georgia Municipal Association (GMA) – The City has entered into lease agreements with GMA to purchase two fire trucks costing \$363,157 for governmental activities and a truck and pipe for sewer extension costing \$144,298 for business-type activities.

The capital leases require annual payments including interest as follows:

Year	Governmental Activities			Business - Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 38,487	\$ 4,806	\$ 43,293	\$ 25,905	\$ 2,468	\$ 28,373
2011	40,027	3,266	43,293	18,482	1,504	19,986
2012	41,627	1,666	43,293	19,219	767	19,986
Total	<u>\$ 120,141</u>	<u>\$ 9,738</u>	<u>\$ 129,879</u>	<u>\$ 63,606</u>	<u>\$ 4,739</u>	<u>\$ 68,345</u>

NOTE 9 – CHANGES IN LONG-TERM DEBT

	Outstanding 10/1/2008	Additions	Reductions	Outstanding 9/30/2009	Amounts Due in One Year
Governmental Activities					
Capital leases	\$ 171,314	-	\$ 51,173	\$ 120,141	\$ 38,487
USDA loans	201,504	-	38,227	163,277	39,892
Compensated absences	36,454	\$ 5,957	-	42,411	-
Total Governmental Activities	<u>\$ 409,272</u>	<u>\$ 5,957</u>	<u>\$ 89,400</u>	<u>\$ 325,829</u>	<u>\$ 78,379</u>
Business-Type Activities					
Water and sewer revenue bonds	\$ 75,000	-	\$ 25,000	\$ 50,000	\$ 25,000
Notes payable	1,029,501	-	94,943	934,558	99,931
Capital leases	112,073	-	48,467	63,606	25,905
Compensated absences	12,259	-	1,850	10,409	-
Total Business-Type Activities	<u>\$ 1,228,833</u>	<u>-</u>	<u>\$ 170,260</u>	<u>\$ 1,058,573</u>	<u>\$ 150,836</u>

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

CITY OF METTER, GEORGIA
NOTES TO FINANCIAL STATEMENTS

NOTE 10 – EMPLOYEE RETIREMENT PLAN

The City of Metter Retirement Plan is a defined contribution plan which was adopted by resolution of the City Council and was effective January 1, 1994 to provide retirement benefit to plan members. The plan is administered by the City of Metter. The 2008 covered payroll was \$1,041,543 and the total 2008 payroll was \$1,232,595. The plan is open to all full-time employees with more than one year of service.

Employees are 100% vested in the City contribution after seven years of service. The contribution for the year ended September 30, 2009 to the City funded plan was \$85,450 which is 8.2% of the 2008 covered payroll. Employees do not contribute to this plan and the City does not have a required contribution. Contributions are established by the City Council on an annual basis.

NOTE 11 – CONTINGENT LIABILITIES

As of September 30, 2009, there was no pending litigation that would have a material effect on the financial statements.

NOTE 12 – RISK MANAGEMENT

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

NOTE 13 – JOINT VENTURE

Under Georgia law, the City, in conjunction with other cities and counties in the middle Georgia area, is a member of the Heart of Georgia Altamaha Regional Development Center (RDC) and is required to pay annual dues thereto. During the year ended September 30, 2009, the City paid \$4,184 in such dues. Membership in an RDC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34, which provides for the organizational structure of the RDC in Georgia. The RDC Board membership includes representatives from 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 an RDC. Separate financial statements may be obtained from:

Heart of Georgia Altamaha Regional Development Center
501 Oak Street
Eastman, Georgia 31023

NOTE 14 – HOTEL/MOTEL LODGING TAX

The City levies a 5% lodging tax. A summary of the transactions for the year ended September 30, 2009 follows:

Lodging tax receipts	\$	53,401
Expenditures		<u>(53,401)</u>
		<u><u>-</u></u>

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

CITY OF METTER, GEORGIA
SCHEDULE OF PROJECTS PAID WITH SPECIAL
PURPOSE LOCAL OPTION SALES TAX PROCEEDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Original Estimated Cost	Current Estimated Cost	Expenditures			Estimated Percentage of Completion
			Prior Years	Current Year	Total	
Water system improvements	\$ 950,000	\$ 950,000	\$ 25,198	-	\$ 25,198	3%
Sewer system improvements	875,000	875,000	296,545	\$ 2,825	299,370	34%
Street and drainage improvements	630,000	630,000	150,699	101,056	251,755	40%
Public building projects	800,000	800,000	241,270	-	241,270	30%
Acquisition of new equipment	375,000	375,000	106,577	70,542	177,119	47%
Totals	\$ 3,630,000	\$ 3,630,000	\$ 820,289	\$ 174,423	\$ 994,712	27%

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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*

Honorable Mayor and Council
City of Metter, Georgia

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Metter, Georgia, as of and for the year ended September 30, 2009, which collectively comprise the City of Metter, Georgia's basic financial statements and have issued our report thereon dated January 20, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Metter, Georgia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Metter's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Metter'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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Metter's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Metter's financial statements that is more than inconsequential will not be prevented

or detected by the City of Metter's internal control. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

1. Trial balance did not agree with general ledger

While performing the audit, we noted the trial balance did not agree with general ledger account totals for several accounts. This occurred as a result of not posting transactions for several days during the year. The City should implement procedures to ensure, at a minimum of once per month, that all transactions have been posted.

City response: We concur with this finding and the City Clerk will implement procedures to make sure all transactions have been properly posted.

2. Lack of segregation of duties for fines revenue

A lack of segregation of duties exists for fines revenue. One individual bears primary responsibility for setting up citations within the MDS system, accepting payments for citations and recording payments within the MDS system. Collections are taken one to two times per month to City Hall to be deposited, and no report is provided for the receipts. Also, no review is made to verify there are no skips in citation numbers entered into MDS, and no report is run at fiscal year end to support the ending cash balance. If possible, the duties of setting up citations and accepting payments should be separated. Also, deposits should be made on a more frequent basis. If duties cannot be separated, then the City should consider implementing compensating controls such as requiring daily deposits, requiring the provision of daily receipt summary reports to City Hall and requiring an independent party's review of the MDS reports to search for and investigate missing citation numbers.

City response: We concur with this finding and as part of our efforts to strengthen or improve internal control, we plan to do the following:

- (a.) The City will investigate the implementation of a system which allows City Hall staff to collect fines. This will require staff to discover if the City's IBM System 400 will interface with the Metter Police Department's (MPD) MDS System. The City Clerk will be responsible for writing and administering policies for collection and recording of such data. Until such time as this system is implemented, MPD staff will collect fines and remit fines weekly to City Hall staff.
- (b.) The Police Department also recognizes the need for delineation of some daily tasks to create a more accurate system of accountability. The Police Department will explore the possibility of having officers enter citations into the MDS database at the time they are written rather than having the Clerk of Courts perform the task.
- (c.) The Chief of Police or his designee will monitor "voided" tickets and regular tickets on a quarterly basis. He will randomly select an officer and review this information.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Metter's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

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

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

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

Thigpen, Lanier, Westerfield + Deal

January 20, 2010