

CITY OF SWAINSBORO, GEORGIA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED NOVEMBER 30, 2011

City of Swainsboro, Georgia
Annual Financial Report
For The Fiscal Year Ended November 30, 2011

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MEMBER
AMERICAN INSTITUTE OF CPAS
GEORGIA SOCIETY OF CPAS

STACIE W. AVERY
Certified Public Accountant
322 WEST MAIN STREET
SWAINSBORO, GEORGIA 30401
TELEPHONE (478) 237-7366
FAX (478) 237-8119

MAILING ADDRESS
P. O. BOX 189
SWAINSBORO, GEORGIA 30401

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council
City of Swainsboro
Swainsboro, Georgia 30401

I 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 City of Swainsboro, Georgia, as of and for the year ended November 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Swainsboro, Georgia's, management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I 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. I believe that my audit provides a reasonable basis for my opinions.

In my 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, and the aggregate remaining fund information of City of Swainsboro, Georgia as of November 30, 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*, I have also issued my report dated May 31, 2012, on my consideration of the City of Swainsboro, Georgia's internal control over financial reporting and on my 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 my 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 my 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 3 through 12 and page 46 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. I 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. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Swainsboro, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements and other supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the *U.S. Office of Management and Budget Circular A-133, Audits of State and Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Swainsboro, Georgia
May 31, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the City of Swainsboro, Georgia (the City) 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 November 30, 2011. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Highlights

- The City's assets exceeded its liabilities by \$22,236,984 (net assets) for the fiscal year reported.
- Total net assets are comprised of the following:
 - (1) Capital assets, net of related debt, of \$17,252,192 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 - (2) Net assets of \$1,272,518 are restricted by constraints imposed from outside the City such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted net assets of \$3,812,274 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 \$4,079,819 this year. This compares to the prior year ending fund balance of \$3,283,975 showing a decrease of \$795,844 during the current year. Unassigned fund balance of \$3,048,864 at November 30, 2011 shows a \$214,299 increase from the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,048,954, or 43.7% of total General Fund expenditures, as compared to 43.4% at November 30, 2010.
- Overall, the City continues to maintain a strong financial position, in spite of a somewhat depressed economy.

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. Comparative data is presented when available and feasible.

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 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 nonfinancial 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 taxes and from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, judicial, public safety, public works, health and welfare, culture and recreation and housing and development. Business-type activities include the water and sewer systems.

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

Fund Financial Statements

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

The City has two kinds of funds:

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

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

The basic governmental fund financial statements are presented on pages 15 - 18 of this report.

Individual fund information for nonmajor governmental funds is found in a later section of this report.

The *Proprietary fund* is reported in the fund financial statements and generally report services for which the City charges customers a fee. The City's 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 organization for water and sewer utilities.

The basic enterprise fund financial statements are presented on pages 19 – 22 of this report.

Notes to the Basic Financial Statements

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the basic financial statements begin on page 22 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
As of and For The Year Ended November 30, 2011

City of Swainsboro, Georgia

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's budget presentations. Budgetary comparison statements are included as "required supplementary information" for the general fund. Also included are notes to the RSI.

Supplementary Information

Combining statements for nonmajor governmental funds and budgetary comparison schedules for the nonmajor special revenue and debt service funds can be found in the supplementary information.

Financial Analysis of the City as a Whole

The City's net assets at fiscal year-end are \$22,336,984 as compared to \$21,085,487 at November 30, 2010. The following table provides a summary of the City's net assets:

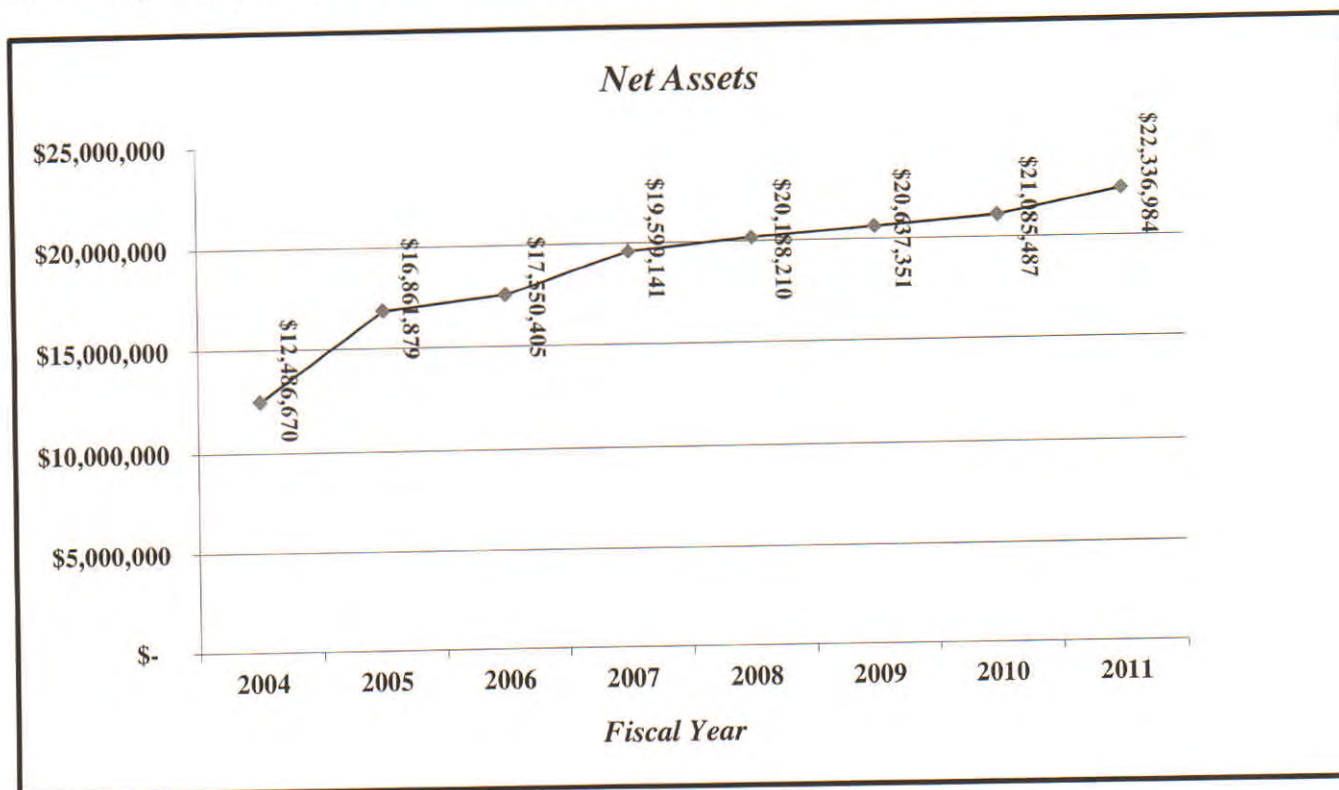
	Summary of Net Assets					
	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Assets:						
Current assets	\$ 4,630,756	\$ 4,016,211	\$ 918,282	\$ 817,430	\$ 5,549,038	\$ 4,833,641
Capital assets	9,154,803	8,860,293	16,569,846	10,853,082	25,724,649	19,713,375
Total assets	13,785,559	12,876,504	17,488,128	11,670,512	31,273,687	24,547,016
Liabilities:						
Current liabilities	404,579	370,110	5,614,247	365,274	6,018,826	735,384
Long-term liabilities	743,143	702,841	2,174,734	2,023,304	2,917,877	2,726,145
Total liabilities	1,147,722	1,072,951	7,788,981	2,388,578	8,936,703	3,461,529
Net assets:						
Invested in capital assets, net of debt	8,268,262	8,137,267	8,983,930	8,656,594	17,252,192	16,793,861
Restricted	1,005,148	-	267,370	-	1,272,518	-
Unrestricted	3,364,427	3,666,286	447,847	625,340	3,812,274	4,291,626
Total net assets	\$ 12,637,837	\$ 11,803,553	\$ 9,699,147	\$ 9,281,934	\$ 22,336,984	\$ 21,085,487

In the above tables, the interfund receivables and payables between governmental activities and business-type activities are not eliminated. 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. The current ratio for governmental activities is 10.9 to 1 as compared to 10.9 to 1 at November 30, 2010. The current ratio for business type activities is a negative amount as the current liabilities includes a \$5.4 million GEFA loan, which will be refinanced in fiscal year 2012.

The City reported positive balances in net assets for both governmental and business-type activities. Net assets decreased \$834,284 or 7.1% for governmental activities, and increased \$417,213 or 4.5% for business-type activities. The City's overall financial position improved during fiscal year 2011.

Note that approximately 65.4% of the governmental activities' net assets are tied up in capital. The City uses these capital assets to provide services to its citizens. However, with business type activities, the City has spent approximately 92.3% of its net assets on capital. Capital assets in the business-type activities also provide utility services, but they also generate revenues for this fund. 77.2% of the City's total net assets are included in capital assets.

The following chart reports the total net asset balances from November 30, 2004 – 2011:



Since 2004, the total net assets have increased \$9,850,314 or 78.9%.

(This page is continued on the subsequent page)

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
As of and For The Year Ended November 30, 2011

City of Swainsboro, Georgia

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

Summary of Changes in Net Assets						
	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program:						
Charges for services & fines	\$ 1,344,354	\$ 1,339,736	\$ 1,867,649	\$ 1,812,485	967,616	542,515
Operating grants	613,627	542,515	353,989	-	708,493	1,396,881
Capital grants	708,493	463,384	-	933,497		
General:						
Taxes	4,466,494	4,523,589	-	-	4,466,494	4,523,589
Other	475,323	78,425	37,563	25,405	512,886	103,830
Total revenues	7,608,291	6,947,649	2,259,201	2,771,387	6,655,489	6,566,815
Program Expenses:						
General government	534,781	515,654	-	-	534,781	515,654
Public safety	2,637,034	2,646,217	-	-	2,637,034	2,646,217
Public works	1,854,867	2,699,392	-	-	1,854,867	2,699,392
Health and welfare	19,430	21,931	-	-	19,430	21,931
Culture and recreation	970,659	687,313	-	-	970,659	687,313
Housing and development	713,158	758,972	-	-	713,158	758,972
Interest	44,078	49,282	-	-	44,078	49,282
Water and sewer	-	-	1,841,988	1,892,139	1,841,988	1,892,139
Total expenses	6,774,007	7,378,761	1,841,988	1,892,139	8,615,995	9,270,900
Excess	834,284	(431,112)	417,213	879,248	(1,960,506)	(2,704,085)
Beginning net assets	11,803,553	12,234,665	9,281,934	8,402,686	17,933,266	20,637,351
Ending net assets	\$ 12,637,837	\$ 11,803,553	\$ 9,699,147	\$ 9,281,934	\$ 15,972,760	\$ 17,933,266

GOVERNMENTAL REVENUES

The City is heavily reliant on property taxes and sales taxes to support governmental operations and capital. Property taxes provided 32.1% of the City's total governmental revenues as compared to 39.9% in fiscal year 2010. Sales taxes make up 12.2% of the City's total governmental revenues as compared to 16.2% in fiscal year 2010.

Capital grant type revenue for the public works function (\$572,336) included the following:

- The DOT TEA sidewalk project (\$197,158)
- The DOT state aid grant (\$108,574)
- The City's share of SPLOST (\$266,604)

The operating revenue for culture and recreation relates to a contribution from the County totaling \$325,620.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
As of and For The Year Ended November 30, 2011

City of Swainsboro, Georgia

User charges and fines are the second largest revenue source totaling over \$1,344,000 or 17.7% of total governmental revenues. This percentage compared to 19.2% in fiscal year 2010. Because of the City's healthy financial position, we have been able to earn \$34,121 in interest earnings to support governmental activities. Also, note that program revenues cover 39.4% of governmental operating expenses. This means that the government's taxpayers and the City's other general governmental revenues fund 60.6% of the governmental activities.

GOVERNMENTAL FUNCTIONAL EXPENSES

The public safety and the public works functions make up approximately 66.3% of the total governmental activities expenses as compared to 72.5% in fiscal year 2010. General government totals over \$530 thousand and the culture and recreation costs the City over \$970 thousand annually.

This 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

	Total Cost of Services	%	Net Cost of Services	%
General government	\$ 534,781	7.9%	\$ 249,835	6.1%
Public safety	2,637,034	38.9%	2,276,607	55.4%
Public works	1,854,867	27.4%	539,464	13.1%
Health and welfare	19,430	0.3%	(54,458)	-1.3%
Culture and recreation	970,659	14.3%	558,113	13.6%
Housing and development	713,158	10.5%	493,894	12.0%
Interest	44,078	0.7%	44,078	1.1%
Total	\$ 6,774,007	100.0%	\$ 4,107,533	100.0%

The public safety totals 55.4% of the net cost of services and public works totals 13.1% of these costs.

BUSINESS-TYPE ACTIVITIES

The major enterprise fund is the City's water and sewer system. The water and sewer charges for the water and sewer fund were \$1,793,534 or up \$81,116, or 4.7%. In fiscal year 2011, there was additional water usage, relating primarily to grass watering, as there were no water restrictions in effect.

Operating expenses decreased \$35,207 or 2% less than fiscal year 2010. Purchased services-other were down as there were fewer repair and maintenance costs in this fiscal year. Purchased professional and technical services were up \$25,430 over fiscal year 2010. The capital grants totaling \$353,989 related to a CDBG for plant upgrades.

Financial Analysis of the City's Funds

Governmental Funds

As discussed, 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 \$4,079,819 as compared to the fiscal year amount of \$3,283,975. Of this year-end total, \$3,048,864 is unassigned indicating availability for continuing City service requirements. Fund balance includes \$1,001,165 restricted for capital outlay and \$3,983 restricted for debt service. Fund balance includes assets not available for current expenditure of \$25,807, which is tied up in inventory.

The total ending fund balances of governmental funds show an increase of just \$795,844 or an increase of 24.2% from the prior year.

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 \$230,368 in fiscal year 2011. In fiscal year 2010, the fund balance decreased over \$70 thousand.

Total revenues increased \$466,079 or 7.1% over that of fiscal year 2010.

Property taxes increased \$394,504 or 18.4% from that of fiscal year 2010, due to a small increase in the tax digest and an increase in vehicles sold. General fund sales taxes were down \$200,696 or 17.8%, still showing signs of a depressed economy. The insurance premium tax increased \$93,859.

Intergovernmental revenues were up \$49,615. Federal revenue was below the 2010 amount due to timing differences with revenue recognition. State and local revenue increased \$199,563, due to financial assistance provided by the County to support recreation, the airport and the animal shelter.

Revenues for garbage collections were \$37,652 below the 2010 amount, due primarily to more recycling and the closing of some City businesses.

Fines increased \$23,936 or 12.1%. Charges for services were \$52,458 or 5.9% under the fiscal year 2010. Most other revenue streams were consistent with that of fiscal year 2010. Rents revenue increased \$37,223 because the City rented an owned building to the Georgia Department of Education.

Total expenditures increased \$439,765 or just 6.7% over the fiscal year 2010 total.

The general government function is up \$19,367 or 3.8% above the fiscal year 2010 amount. Expenditures for the public safety function increased \$291,712 or 11.6% over fiscal year 2010. Police personal services for police decreased \$95,731 or 7.5%, primarily because a grant absorbed part of these salaries. Police operating costs increased \$49,781 or 15.3% because of increased fuel costs and some additional grant costs charged to this account.

Public works costs increased \$69,304 or 3.5% over fiscal year 2010. Sanitation and recycling operating costs decreased \$108,314 or 16.2% because less garbage was collected in fiscal year 2011.

Health and welfare expenditures were decreased \$2,501 from fiscal year 2010. Housing and development costs increased \$154,301, which related to the airport operations. Repairs and maintenance costs, fuel costs and engineering costs all increased substantially over fiscal year 2010,

The expenditures for the other functions were approximately equal to the fiscal year 2010 amount.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
As of and For The Year Ended November 30, 2011

City of Swainsboro, Georgia

The general fund's ending unassigned fund balance increased \$214,299 or 7.6% over the November 30, 2010 balance. This balance is considered adequate, representing the equivalent of 43.7% of annual expenditures, as compared to 43.4% last year.

SPLOST Fund – In fiscal year 2011, this fund reported over 637,000, of which \$266,604 was SPLOST taxes received from the County. The County spent just \$51,394. The ending fund balance totals approximately over \$1 million.

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, additional analysis is not necessary.

Budgetary Highlights

The General Fund – During fiscal year 2011, the City Council did not amend the general fund budget.

The City recognized \$586,626 more than anticipated total revenues, primarily in the intergovernmental classification, as some grants were not budgeted. Tax revenue was \$67,664 above the budget, primarily due to property taxes as discussed above.

Intergovernmental revenues were over budget by \$323,954 and fines exceeded the budget by \$97,238.

In total, the City realized 109.2% of the estimated revenues, primarily because of the above-mentioned intergovernmental revenue.

The expenditure side, the general government function was over expended \$20,216. The public safety budget was over spent by \$422,040 or 17.7%. The public works function expenditures exceeded the budget by \$190,417.

Within the housing and development function, airport costs exceeded the budget by \$200,240. The total budget was overspent by \$829,489 or 13.5%.

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 November 30, 2011, was \$9,154,803 and \$16,569,845 respectively. The increase in net investment was 3.3% for governmental activities and a 34.2% increase for business-type activities. See Note 3-F for additional information about changes in capital assets during the fiscal year and outstanding at the end of the year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
As of and For The Year Ended November 30, 2011

City of Swainsboro, Georgia

The following table provides a summary of capital asset activity.

	Capital Assets					
	Governmental Activities		Business Activities		Total	
	2011	2010	2011	2010	2011	2010
Non-depreciable assets:						
Land	\$ 1,077,250	\$ 1,077,250	\$ 520,300	\$ 520,300	\$ 1,597,550	\$ 1,597,550
Construction in progress	-	-	6,401,954	622,639	6,401,954	622,639
Total non-depreciable assets:	1,077,250	1,077,250	6,922,254	1,142,939	7,999,504	2,220,189
Depreciable assets:						
Buildings	6,168,769	6,168,769	31,319	31,319	6,200,088	6,200,088
Utility plant	-	-	16,391,360	16,090,430	16,391,360	16,090,430
Machinery and equipment	2,689,921	2,374,961	811,103	811,103	3,501,024	3,186,064
Infrastructure	3,808,710	3,387,899	-	-	3,808,710	3,387,899
Total depreciable assets	12,667,400	11,931,629	17,233,782	16,932,852	29,901,182	28,864,481
Less accumulated depreciation	4,589,847	4,148,586	7,586,191	7,222,709	12,176,038	11,371,295
Book value - depreciable assets	8,077,553	7,783,043	9,647,591	9,710,143	17,725,144	17,493,186
Percentage depreciated	36%	35%	44%	43%	41%	39%
Book value - all assets	\$ 9,154,803	\$ 8,860,293	\$ 16,569,845	\$ 10,853,082	\$ 25,724,648	\$ 19,713,375

At November 30, 2011, the depreciable capital assets for governmental activities were 36% depreciated. This compares to 35% at the November 30, 2010 percentage. This comparison indicates that the City is replacing its assets at the same rate as they are depreciating which is a positive indicator.

With the City's business type activities, 44% of the asset values were depreciated at November 30, 2011, which compares to 43% at November 30, 2010.

In the business type activities, the majority of the costs in the construction in progress account relates to a new water treatment plant. The increase in the infrastructure relates to a new water tank.

Long-term Debt

At the end of this fiscal year, the City reported \$465,000 of outstanding revenue bonds relating to improvements made to the Swainsboro Municipal Golf Course. The water and sewer fund reported \$7,585,916 in revenue notes relating to extension of the water and sewer system.

During the year, the City retired \$80,000 or 14.7% of the beginning outstanding governmental activities revenue bonds. In this fiscal year, the City entered into two new GEFA notes, totaling \$5,563,275.

Outstanding Borrowings

	Governmental Activities		Business-type Activities		Totals		% Change
	2011	2010	2011	2010	2011	2010	
Revenue bonds	\$ 465,000	\$ 545,000	\$ -	\$ -	\$ 465,000	\$ 545,000	-15%
Water & sewer notes	-	-	7,585,916	2,196,487	7,585,916	2,196,487	245%
Capital leases	421,541	178,026	-	-	421,541	178,026	137%
Compensated absences	113,454	116,299	-	-	113,454	116,299	-2%
Total	<u>\$ 999,995</u>	<u>\$ 839,325</u>	<u>\$ 7,585,916</u>	<u>\$ 2,196,487</u>	<u>\$ 8,585,911</u>	<u>\$ 3,035,812</u>	183%

The fiscal year 2011, the new capital lease in governmental activities relates to the purchase of a fire truck for \$300,000.

See Note 3-G for additional information about the City's long-term debt.

Economic Conditions Affecting the City

The City is physically located in the mid-eastern portion of the State of Georgia, 182 miles southeast of the State capitol, Atlanta, Georgia. The County's land area is 690 square miles with 31.8 persons per square mile. This compares favorable with the State of Georgia's rate of 141.4 persons per square mile. The County seat is Swainsboro, Georgia, which makes up approximately 33.5 % of the County's population. Services are the largest employment sector providing 32.3% of the jobs. Statewide, the service industry provides 25.6% of the jobs.

The City's population is estimated at 7,535. 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. With the new growth and addition of a Super Walmart, new apartment complex, new shopping center, and other additions, the tax base looks solid for the upcoming year.

The unemployment rate for the City of Swainsboro is 10.6% or a 1.5% over the 2010 rate. This rate compares to the State of Georgia's rate of 9.9% and the United States rate of 10%, both for the same period.

In November 2011, there are 9,212 employed in the County. The County's per capita personal income was \$21,474 or only 62% of the United States per capita personal income. The County's per capita personal income ranks 125th out of 159 counties.

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's Administrator at 478/237-7025 or stop by City Hall, 101 West Main Street, Swainsboro, Georgia, 30401.

City of Swainsboro, Georgia
Statement of Net Assets
November 30, 2011

	Primary Government			Downtown Development Authority Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Current Assets				
Cash and cash equivalents (Note 3A)	\$ 1,371,285	\$ 422,938	\$ 1,794,223	\$ 705
Investments	692,143	350,625	1,042,768	-
Receivables:				
Accounts	45,468	232,082	277,550	-
Taxes	2,059,840	-	2,059,840	-
Intergovernmental	81,480	-	81,480	-
Interfund	354,733	(354,733)	-	-
Inventories	25,807	-	25,807	-
Restricted assets	-	267,370	267,370	-
Total Current Assets	<u>4,630,756</u>	<u>918,282</u>	<u>5,549,038</u>	<u>705</u>
Noncurrent Assets				
Capital assets (Note 3D)				
Nondepreciable	1,077,250	6,922,255	7,999,505	-
Depreciable, net	8,077,553	9,647,591	17,725,144	-
Total Noncurrent Assets	<u>9,154,803</u>	<u>16,569,846</u>	<u>25,724,649</u>	<u>-</u>
Total Assets	<u>13,785,559</u>	<u>17,488,128</u>	<u>31,273,687</u>	<u>705</u>
Liabilities				
Current Liabilities				
Accounts payable	143,878	16,732	160,610	-
Accrued expenses	1,559	-	1,559	-
Compensated absences payable	85,091	-	85,091	-
Customer deposits	-	166,772	166,772	-
Accrued interest	2,290	19,561	21,851	-
Loan payable	-	-	-	53,358
GEFA loans payable	-	5,411,182	5,411,182	-
Capital leases payable	91,761	-	91,761	-
Revenue bonds payable	80,000	-	80,000	-
Total Current Liabilities	<u>404,579</u>	<u>5,614,247</u>	<u>6,018,826</u>	<u>53,358</u>
Long-term Liabilities: (net of current portion) (Note 3G)				
Compensated absences payable	28,363	-	28,363	-
GEFA loans payable	-	2,174,734	2,174,734	-
Capital leases payable	329,780	-	329,780	-
Revenue bonds payable	385,000	-	385,000	-
Total Long-term Liabilities	<u>743,143</u>	<u>2,174,734</u>	<u>2,917,877</u>	<u>-</u>
Total Liabilities	<u>1,147,722</u>	<u>7,788,981</u>	<u>8,936,703</u>	<u>53,358</u>
Net Assets				
Invested in capital assets, net of related debt (Note 3I)	8,268,262	8,983,930	17,252,192	-
Restricted for debt service	1,005,148	267,370	1,272,518	-
Unrestricted	3,364,427	447,847	3,812,274	(52,653)
Total Net Assets	<u>\$ 12,637,837</u>	<u>\$ 9,699,147</u>	<u>\$ 22,336,984</u>	<u>\$ (52,653)</u>

See accompanying notes to the basic financial statements

City of Swainsboro, Georgia
Statement of Activities
For the Year Ended November 30, 2011

Function/Program	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit
		Charges for Services and Sales	Operating Grants	Capital Grants	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Primary Government								
Governmental Activities								
General government	\$ 534,781	\$ 264,883	\$ 20,063	\$ -	\$ (249,835)	\$ -	\$ (249,835)	\$ -
Public safety	2,637,034	221,238	117,051	22,138	(2,276,607)	-	(2,276,607)	-
Public works	1,854,867	743,067	-	572,336	(539,464)	-	(539,464)	-
Health and welfare	19,430	-	-	73,888	54,458	-	54,458	-
Culture and recreation	970,659	46,795	325,620	40,131	(558,113)	-	(558,113)	-
Housing and development	713,158	68,371	150,893	-	(493,894)	-	(493,894)	-
Interest	44,078	-	-	-	(44,078)	-	(44,078)	-
Total Governmental Activities	6,774,007	1,344,354	613,627	708,493	(4,107,533)	-	(4,107,533)	-
Business-type Activities:								
Water and sewerage	1,841,988	1,867,649	-	353,989	-	379,650	379,650	-
Total - Primary Government	<u>\$ 8,615,995</u>	<u>\$ 3,212,003</u>	<u>\$ 613,627</u>	<u>\$ 1,062,482</u>	<u>(4,107,533)</u>	<u>379,650</u>	<u>(3,727,883)</u>	<u>-</u>
Component Unit								
Downtown Development Authority	<u>\$ 2,574</u>	<u>\$ 4,705</u>	<u>\$ 1,200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>3,331</u>
General Revenues								
Property taxes levied for general government purposes					2,440,492	-	2,440,492	-
Insurance premium tax					501,226	-	501,226	-
Franchise tax					535,981	-	535,981	-
Beer and liquor tax					927,963	-	927,963	-
Hotel/motel tax					60,832	-	60,832	-
Investment earnings					34,121	24,055	58,176	-
Miscellaneous					441,202	13,508	454,710	-
Total General Revenues					<u>4,941,817</u>	<u>37,563</u>	<u>4,979,380</u>	<u>-</u>
Change in Net Assets					834,284	417,213	1,251,497	3,331
Net Assets Beginning of Year					<u>11,803,553</u>	<u>9,281,934</u>	<u>21,085,487</u>	<u>(55,984)</u>
Net Assets End of Year					<u>\$ 12,637,837</u>	<u>\$ 9,699,147</u>	<u>\$ 22,336,984</u>	<u>\$ (52,653)</u>

See accompanying notes to the basic financial statements

City of Swainsboro, Georgia
Balance Sheet
Governmental Fund
November 30, 2011

	General	SPLOST	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 377,919	\$ 989,372	\$ 3,994	\$ 1,371,285
Investments	692,143	-	-	692,143
Receivables:				
Accounts	45,468	-	-	45,468
Taxes	2,059,840	-	-	2,059,840
Intergovernmental	81,480	-	-	81,480
Interfund	442,403	11,793	-	454,196
Inventories	25,807	-	-	25,807
Total Assets	<u>\$ 3,725,060</u>	<u>\$ 1,001,165</u>	<u>\$ 3,994</u>	<u>\$ 4,730,219</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 143,878	\$ -	\$ -	\$ 143,878
Payroll liabilities payable	1,559	-	-	1,559
Interfund payable	99,362	-	101	99,463
Deferred revenue	405,500	-	-	405,500
Total Liabilities	<u>650,299</u>	<u>-</u>	<u>101</u>	<u>650,400</u>
Fund Balances				
Nonspendable	25,807	-	-	25,807
Restricted	-	1,001,165	3,983	1,005,148
Unassigned:	3,048,954	-	(90)	3,048,864
Total Fund Balances	<u>3,074,761</u>	<u>1,001,165</u>	<u>3,893</u>	<u>4,079,819</u>
Total Liabilities and Fund Balances	<u>\$ 3,725,060</u>	<u>\$ 1,001,165</u>	<u>\$ 3,994</u>	<u>\$ 4,730,219</u>

See accompanying notes to the basic financial statements

City of Swainsboro, Georgia
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
November 30, 2011

Total Governmental Fund Balances		\$ 4,079,819
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.		
Cost of capital assets	\$ 13,744,650	
Less accumulated depreciation	<u>(4,589,847)</u>	9,154,803
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		405,500
Accrued interest is not reported on the fund financial statements but is reported on the government-wide financial statements.		(2,290)
Liabilities not due and payable in the current period and therefore are not reported in the governmental fund balance sheets but are reported on the government-wide statement of net assets.		
Compensated absences	\$ (113,454)	
Capital lease payable	(421,541)	
Revenue bonds payable	<u>(465,000)</u>	<u>(999,995)</u>
Net Assets of Governmental Activities		<u><u>\$ 12,637,837</u></u>
See accompanying notes to the basic financial statements		

City of Swainsboro, Georgia
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund
For the Year Ended November 30, 2011

	<u>General</u>	<u>SPLOST</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes	\$ 4,498,772	\$ -	\$ 60,832	\$ 4,559,604
Licenses and permits	207,989	-	-	207,989
Intergovernmental	1,055,516	266,604	-	1,322,120
Charges for services	843,816	-	17,888	861,704
Fines and forfeitures	221,238	-	-	221,238
Investment earnings	25,596	8,359	166	34,121
Miscellaneous	132,561	362,064	-	494,625
Total Revenues	<u>6,985,488</u>	<u>637,027</u>	<u>78,886</u>	<u>7,701,401</u>
Expenditures				
Current:				
General government	522,810	-	-	522,810
Public safety	2,812,634	-	-	2,812,634
Public works	2,057,593	-	-	2,057,593
Health and welfare	16,680	-	-	16,680
Culture and recreation	904,773	-	-	904,773
Housing and development	592,963	-	68,436	661,399
Capital Outlay	-	51,395	-	51,395
Debt Service:				
Principal	56,485	-	80,000	136,485
Interest	6,488	-	35,300	41,788
Total Expenditures	<u>6,970,426</u>	<u>51,395</u>	<u>183,736</u>	<u>7,205,557</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>15,062</u>	<u>585,632</u>	<u>(104,850)</u>	<u>495,844</u>
Other Financing Sources (Uses)				
Inception of capital lease	300,000	-	-	300,000
Transfers in	-	-	84,694	84,694
Transfers (out)	(84,694)	-	-	(84,694)
Total Other Financing Sources (Uses)	<u>215,306</u>	<u>-</u>	<u>84,694</u>	<u>300,000</u>
Net Change in Fund Balances	<u>230,368</u>	<u>585,632</u>	<u>(20,156)</u>	<u>795,844</u>
Fund Balances Beginning of Year	<u>2,844,393</u>	<u>415,533</u>	<u>24,049</u>	<u>3,283,975</u>
Fund Balances End of Year	<u>\$ 3,074,761</u>	<u>\$ 1,001,165</u>	<u>\$ 3,893</u>	<u>\$ 4,079,819</u>

See accompanying notes to the basic financial statements

City of Swainsboro, Georgia
Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended November 30, 2011

Net Changes In Fund Balances - Total Governmental Funds		\$ 795,844
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures on the governmental fund type operating statement. 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 depreciation expense exceeded the capital outlay capitalized in the current period.		
Depreciation expense	\$ (441,261)	
Capital outlay	<u>735,771</u>	294,510
Property tax revenues in the government-wide statement of activities do not provide current financial resources are not reported as revenues in the governmental fund operating statement.		
Liability @ 11/30/11	\$ (498,610)	
Liability @ 11/30/10	<u>405,500</u>	(93,110)
Accrued interest is reported in the government-wide statement of activities, but does not require the use of financial resources and therefore are not reported as reported as expenditures in governmental funds.		(2,290)
Repayment of general obligation debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		136,485
The inception of a capital lease is reported as an other financing source on the governmental fund type operating statement, but reclassified as capital lease payable on the government-wide statement of net assets;		(300,000)
Compensated absences are reported in the government-wide statement of activities, but do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Liability @ 11/30/11	\$ (113,454)	
Liability @ 11/30/10	<u>116,299</u>	2,845
Change In Net Assets of Governmental Activities		<u><u>\$ 834,284</u></u>
See accompanying notes to the basic financial statements		

City of Swainsboro, Georgia
Statement of Net Assets
Proprietary Fund - Water and Sewerage Fund
November 30, 2011

Assets

Current Assets:

Cash and cash equivalents	\$ 422,938
Investments	350,625
Accounts receivable (net)	232,082
Interfund receivable	99,362
Restricted assets:	
Cash and cash equivalents	<u>267,370</u>

Total Current Assets 1,372,377

Noncurrent Assets:

Capital assets:	
Nondepreciable	6,922,255
Depreciable, net	<u>9,647,591</u>

Total Noncurrent Assets 16,569,846

Total Assets 17,942,223

Liabilities

Current Liabilities:

Accounts payable	16,732
Customer deposits payable	166,772
Interfund payable	454,095
GEFA loans payable	5,411,182
Accrued interest	<u>19,561</u>

Total Current Liabilities 6,068,342

Long-term Liabilities (net of current portion):

GEFA loans payable	<u>2,174,734</u>
--------------------	------------------

Total Liabilities 8,243,076

Net Assets

Invested in capital assets, net of related debt	8,983,930
Restricted for debt service	267,370
Unrestricted	<u>447,847</u>

Total Net Assets \$ 9,699,147

See accompanying notes to the basic financial statements

City of Swainsboro, Georgia
Statement of Revenues, Expenses
and Changes in Fund Net Assets
Proprietary Fund - Water and Sewerage Fund
For the Year Ended November 30, 2011

Operating Revenues	
Charges for services	\$ 1,793,534
Service charges	74,115
Miscellaneous	13,508
	<u>1,881,157</u>
Total Operating Revenues	<u>1,881,157</u>
Operating Expenses	
Personal services - salaries	30,173
Personal services - benefits	14,701
Purchased services - professional and technical	1,287,021
Purchased services - other	34,841
Materials and supplies	37,582
Depreciation	363,482
	<u>1,767,800</u>
Total Operating Expenses	<u>1,767,800</u>
Operating Income	<u>113,357</u>
Non-Operating Revenues (Expenses)	
Intergovernmental	-
Investment earnings	24,055
Interest and fiscal charges	(74,188)
	<u>(50,133)</u>
Total Non-Operating Revenues (Expenses)	<u>(50,133)</u>
Income Before Contributions	63,224
Contributions	<u>353,989</u>
Change in Net Assets	417,213
Net Assets Beginning of Year	<u>9,281,934</u>
Net Assets End of Year	<u>\$ 9,699,147</u>

See accompanying notes to the basic financial statements

City of Swainsboro, Georgia
Statement of Cash Flows
Proprietary Fund - Water and Sewerage Fund
For the Year Ended November 30, 2011

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities

Cash received from customers	\$ 1,843,414
Cash payments to employees for services	(44,874)
Cash payments for goods and services	<u>(1,361,352)</u>

Net Cash Provided by (Used in) Operating Activities

437,188

Cash Flows from Noncapital Financing Activities

Interfund receivable	354,733
Interfund payable	<u>(110,921)</u>

**Net Cash Provided by (Used in) Noncapital
Financing Activities**

243,812

**Cash Flows from Capital and
Related Financing Activities**

Capital grants	353,989
GEFA notes proceeds	5,563,275
Principal paid on notes and capital leases	(173,847)
Interest paid on notes and capital leases	(66,091)
Acquisition of capital assets	<u>(6,080,246)</u>

**Net Cash Provided by (Used in) Capital and Related
Financing Activities**

(402,920)

Cash Flows from Investing Activities

Purchase of investments	-
Sale of investments	251,234
Investment earnings	<u>24,055</u>

Net Cash Flows from Investing Activities

275,289

**Net Increase (Decrease) in
Cash and Cash Equivalents**

553,369

Cash and Cash Equivalents Beginning of Year

136,939

Cash and Cash Equivalents End of Year

\$ 690,308

Reconciliation to Statement of Net Assets

Cash and cash equivalents	\$ 422,938
Restricted assets	<u>267,370</u>

Total Cash and Cash Equivalents

\$ 690,308

City of Swainsboro, Georgia
Statement of Cash Flows
Proprietary Fund - Water and Sewerage Fund
For the Year Ended November 30, 2011

(continued)

Reconciliation of Operating Income to Net Cash
Provided by (Used in) Operating Activities

Operating Income (Loss)	\$ 113,357
Adjustments:	
Depreciation	363,482
(Increase) Decrease in Assets:	
Accounts receivable	(42,529)
Increase (Decrease) in Liabilities:	
Accounts payable	(1,908)
Customer deposits	4,786
Net Cash Provided by (Used in) Operating Activities	<u>\$ 437,188</u>

See accompanying notes to the basic financial statements

City of Swainsboro, Georgia
Notes to the Basic Financial Statements
For the Year Ended November 30, 2011

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City of Swainsboro, Georgia
Notes to the Basic Financial Statements
For the Year Ended November 30, 2011

The City of Swainsboro, Georgia (the "City") was incorporated in 1890. The City operates under a council-mayor form of government and provides the following services: public safety, highways and streets, culture and recreation, public improvements, sanitation, and general and administrative services. In addition, the City operates a public utility (water and wastewater).

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 has elected not to follow private-sector guidance issued after November 30, 1989.

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 following separate entity is the discretely presented component unit of the City.

The City of Swainsboro Downtown Development Authority (Development Authority) – The Development Authority is a public body, corporate and politic, and was created upon the adoption and approval of the Development Authorities Law of the State of Georgia. The Mayor and City Council appoint all members of the Development Authority. Financial statements of the Downtown Development Authority, if material, are required to be included in the City's basic financial statements as a discretely presented component unit. This is in accordance with a determination made for such entities by the Georgia Department of Audits and Accounts. Specific information relative to the Authority may be obtained at City Hall, Swainsboro, Georgia as the Development Authority does not issue a separate financial report.

Emanuel County and City of Swainsboro Development Authority and Swainsboro Housing Authority are related organizations in that the City appoints all or some of the members of the authorities/commission but does not have any financial responsibility for them.

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. The primary government and the component units are presented separately within these financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and grants and the City's general revenues, from business-type activities, generally financed in whole or in part with charges to external customers.

City of Swainsboro, Georgia
Notes to the Basic Financial Statements
For the Year Ended November 30, 2011

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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, proprietary and fiduciary funds.

The three major individual funds, the general fund, the SPLOST fund and the water and sewer system enterprise fund are reported in separate columns.

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 - Governmental 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 is the City's major governmental fund:

The General Fund - The general fund should be used to account for and report all financial resources not accounted for and reported 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 State of Georgia.

SPLOST Fund - This fund accounts for the cost of certain improvements to the following projects in the City that are financed with the 2005 Special Purpose Local Option Sales Tax (SPLOST) revenues (i.e., the City's share) including a sewer construction project, LAS and water tower, public safety building and equipment and upgrade to recreation irrigation.

City of Swainsboro, Georgia
Notes to the Basic Financial Statements
For the Year Ended November 30, 2011

Note 1 - Summary of Significant Accounting Policies (Continued)

Proprietary Fund - Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. The City's proprietary fund is classified as a major enterprise fund, which is the water and sewer fund, which provides utility services to the City's citizens.

The Water and Sewer System Fund - This fund is used for the operation of the City's water and sewer system which renders services to the residents and businesses located within the incorporated and immediately surrounding areas.

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.

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.

Like the government-wide statements, the proprietary fund type is 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 net total 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 of accounting. The proprietary fund uses the accrual basis of accounting at both reporting levels and the fiduciary fund uses the accrual basis of accounting. 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 sixty 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. (Note 3C) 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 sixty days) before it can be recognized.

City of Swainsboro, Georgia
Notes to the Basic Financial Statements
For the Year Ended November 30, 2011

Note 1 - Summary of Significant Accounting Policies (Continued)

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

Deferred Revenue/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.

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

Deferred revenues are reclassified as "unearned revenue" on the statement of net assets.

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 Fund Equity

1-E-1 Cash, Cash Equivalents, and Investments

Cash and cash equivalents include amounts in demand deposits as well as 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 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

1-E-2 Receivables

All trade and property tax receivables are reported net of an allowance for uncollectibles, where applicable. Unbilled utility charges are accrued as receivables and revenue at November 30, 2011.

1-E-3 Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/interfund payables." These amounts are eliminated in the governmental and business-type activities columns of 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.

*City of Swainsboro, Georgia
Notes to the Basic Financial Statements
For the Year Ended November 30, 2011*

Note 1 - Summary of Significant Accounting Policies (Continued)

1-E-4. 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).

On the fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure in the governmental fund types when consumed.

1-E-5 Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. 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 government fund financial statements. Capital assets utilized by the enterprise fund are reported both in the business-type activities column of the government-wide statement of net assets and in the enterprise 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 for equipment and vehicles, fifty thousand dollars for buildings, and two hundred and fifty thousand dollars for infrastructure. The City began capitalizing its infrastructure in December 2003. The City is not capitalizing their infrastructure retroactively to 1980. 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 the construction of capital assets utilized by the enterprise fund is capitalized.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

Asset Class	Estimated Lives	
	Governmental Activities	Business-type Activities
Buildings and improvements	30-50 Years	30-50 Years
Infrastructure	15-50 Years	N/A
Utility plant and lines	N/A	40 Years
Machinery and equipment	5-10 Years	N/A

1-E-6 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.

All compensated absence liabilities include salary-related payments, where applicable.

City of Swainsboro, Georgia
Notes to the Basic Financial Statements
For the Year Ended November 30, 2011

Note 1 - Summary of Significant Accounting Policies (Continued)

The total compensated absence liability is reported on the government-wide financial statements. The enterprise fund reports the total compensated liability in the individual fund at the fund reporting level. Governmental funds report the compensated absence liability at the fund reporting level only “when due.”

1-E-7 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.

1-E-8 Fund Equity

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

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

- ***Nonspendable*** – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.
- ***Restricted*** – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- ***Committed*** – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through the approval of a motion. Only, the City also may modify or rescind the commitment.
- ***Assigned*** – Fund balances are reported as assigned when amounts are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed. By motion, the City Council has authorized the Mayor or City Clerk or designee to assign fund balances.
- ***Unassigned*** - Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds. Currently, the City only reports unassigned fund balance.

City of Swainsboro, Georgia
Notes to the Basic Financial Statements
For the Year Ended November 30, 2011

Note 1 - Summary of Significant Accounting Policies (Continued)

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

- Committed
- Assigned
- Unassigned

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. This net asset 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.

1-E-9. Bond Premiums, Discounts, Issuance Costs and Bond Refunding Gains and Losses

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

At the 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 debt service expenditures.

1-E-10 Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for sanitation services. Operating expenses are necessary costs incurred to provide the water and sewerage services. All other revenues and expenses are classified as nonoperating and include interest expense, operating grants, gains and the losses on the disposition of capital assets and earnings on investments.

1-E-11 Contributions of Capital

Contributions of capital reported in proprietary fund financial statements and the government-wide financial statements arise from outside contributions of capital assets (e.g. developers), and grants or outside contributions of resources restricted to capital acquisition and construction.

1-E-12 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 the after non-operating revenues/expenses section in proprietary funds. Repayments 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.

City of Swainsboro, Georgia
Notes to the Basic Financial Statements
For the Year Ended November 30, 2011

Note 1 - Summary of Significant Accounting Policies (Continued)

1-E-13 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.

1-E-14 Comparative Data

Comparative total data for the prior year have been presented only for individual funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified to be consistent with the current year's presentation.

Note 2 – Stewardship, Compliance, and Accountability

2-A. Budgetary Information – The City adopts an annual operating budget for the general fund, each special revenue and the water and sewer system fund. The City also adopts a project length budget for the SPLOST capital projects fund.

All budgets are adopted on a basis consistent with GAAP, except the SPLOST capital projects fund, which is adopted on a project length basis, rather than an annual basis.

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 Administrator may transfer appropriations between line items within a department. Any change in total to a fund or departmental appropriation within a fund requires approval of the Mayor and City Council, as a budget amendment. The 2011 budget was not amended.

All unexpended annual appropriations lapse at year-end.

2-B. Excess of Expenditures over Appropriations

The following departments had expenditures in excess of departmental appropriations:

General fund:

Governing body	\$ 15,284
Mayor commission	972
Financial administration	3,960
Police	107,532
Fire	335,790
Public works	190,417
Culture and recreation	31,288
Housing and development	273,500

Debt service fund:

Interest and fiscal charges	500
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Note 3 - Detailed Notes on All Funds

3-A. Deposits

Custodial Credit Risk – Deposits – The custodial credit risk for deposits is the risk that, in the event of a bank failure, the City's deposits may not be recovered.

City of Swainsboro, Georgia
Notes to the Basic Financial Statements
For the Year Ended November 30, 2011

Note 3 - Detailed Notes on All Funds (Continued)

The City's bank balances of deposits as of November 30, 2011, are entirely insured or collateralized with securities held by the City's agent in the City's name.

State statutes require banks holding public funds to secure these funds by FDIC insurance, securities pledged at par value, and surety bonds at face value in combined aggregate totaling not less than 110 percent of the public funds held.

Investments – The fair value of investments of the City is as follows at November 30, 2011:

		<u>Maturity</u>
Certificates of deposit	<u>\$ 1,042,768</u>	current to one year

3-B. Receivables

Receivables at November 30, 2010, consisted of taxes, 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. At November 30, 2011, allowances for uncollectibles were reported as follows:

General fund (property taxes)	\$ 31,600
Water and sewerage fund (charges for services)	366,244

3-C. Property Taxes

The City Council levied property taxes October 20, 2010. Property taxes attach as an enforceable lien on property as of January 1, 2010. Property taxes are billed on September 22, 2011 and were payable on December 30, 2011.

(This page is continued on the subsequent page)

City of Swainsboro, Georgia
Notes to the Basic Financial Statements
For the Year Ended November 30, 2011

Note 3 - Detailed Notes on All Funds (Continued)

3-D. Capital Assets

Capital asset activity for governmental activities for the year ended November 30, 2011, was as follows:

	Balance 12/1/2010	Additions	Deductions	Balance 11/30/2011
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,077,250	\$ -	\$ -	\$ 1,077,250
Other capital assets:				
Buildings and improvements	6,168,769	-	-	6,168,769
Machinery and equipment	2,374,961	314,960	-	2,689,921
Infrastructure	3,387,899	420,811	-	3,808,710
Total other capital assets	11,931,629	735,771	-	12,667,400
Total capital assets	13,008,879	735,771	-	13,744,650
Accumulated depreciation:				
Buildings and improvements	2,053,819	157,532	-	2,211,351
Machinery and equipment	1,753,642	171,979	-	1,925,621
Infrastructure	341,125	111,750	-	452,875
Total accumulated depreciation	4,148,586	441,261	-	4,589,847
Governmental activities capital assets, net	\$ 8,860,293	\$ 294,510	\$ -	\$ 9,154,803
Governmental activities depreciation expense:				
General government		\$ 12,579		
Public safety		140,894		
Public works		98,362		
Health and welfare		2,750		
Culture and recreation		66,448		
Housing and development		120,228		
Total governmental activities depreciation expense		\$ 441,261		

City of Swainsboro, Georgia
Notes to the Basic Financial Statements
For the Year Ended November 30, 2011

Note 3 - Detailed Notes on All Funds (Continued)

Capital asset activity for business-type activities for the year ended November 30, 2011, was as follows:

	Balance 12/1/2010	Additions	Deductions	Balance 11/30/2011
Water and sewerage fund				
Nondepreciable capital assets				
Land	\$ 520,300	\$ -	\$ -	\$ 520,300
Construction in progress	622,639	5,779,316	-	6,401,955
Total nondepreciable capital assets	1,142,939	5,779,316	-	6,922,255
Other capital assets:				
Buildings	31,319	-	-	31,319
Utility plant and lines	16,090,430	300,930	-	16,391,360
Machinery and equipment	811,103	-	-	811,103
Total other capital assets	16,932,852	300,930	-	17,233,782
Total capital assets	18,075,791	6,080,246	-	24,156,037
Accumulated depreciation:				
Buildings	15,933	1,081	-	17,014
Utility plant and lines	6,459,238	337,383	-	6,796,621
Machinery and equipment	747,538	25,018	-	772,556
Total accumulated depreciation	7,222,709	363,482	-	7,586,191
Water and sewerage fund capital assets, net	<u>\$ 10,853,082</u>	<u>\$ 5,716,764</u>	<u>\$ -</u>	<u>\$ 16,569,846</u>

3-E. Interfund Balances

Interfund Balances – The general fund reported an interfund receivable from the water fund in the amount of \$64,467 at November 30, 2010. This amount relates to water fund costs paid by the general fund.

3-F. Compensated Absences

In general, employees earn annual leave at the rate of 3 days per year for the first year of service, 6 days per year for 1-4 years of service, 12 days per year for 5-9 years of service and 15 days per year for over 10 years of service. A maximum of 30 days may be carried over into an employee's next service year. Any unused, accrued leave in excess of 30 days from service year to service year will be forfeited. Upon termination, employees are paid for any accrued annual leave.

In general, employees accrue sick leave at the rate of 12 days per year. Unused sick leave is allowed to accumulate from service year to service year. Upon termination, employees forfeit all accumulated unused sick leave.

3-G. Long-Term Debt

The following is a summary of the outstanding long-term debt issues at November 30, 2011:

Governmental Activities Debt – The County reports one outstanding general obligation bond issue and one capital leases for governmental activities.

City of Swainsboro, Georgia
Notes to the Basic Financial Statements
For the Year Ended November 30, 2011

Note 3 - Detailed Notes on All Funds (Continued)

Sales Tax General Obligation Bonds, Series 1996 – On July 1, 1996, the City issued the *Georgia Sales Tax General Obligation Bonds, Series 1996* in the original aggregate principal amount of \$1,250,000 at interest rate range of 5.55% - 6.50%. The final payment is due August 1, 2016. Principal is payable annually on August 1 and interest is due semi-annually February 1 and August 1. The purpose of the bonds was to extend and improve the Swainsboro Municipal Golf Course.

These bonds are being retired from the debt service fund.

Annual debt service requirements for these general obligation bonds payable as of November 30, 2011 follow:

Year Ended November 30,	Principal	Interest	Total
2012	\$ 80,000	\$ 29,705	\$ 109,705
2013	85,000	24,665	109,665
2014	95,000	19,310	114,310
2015	100,000	13,325	113,325
2016	105,000	6,825	111,825
Total	<u>\$ 465,000</u>	<u>\$ 93,830</u>	<u>\$ 558,830</u>

Capital Leases Payable – The City has four outstanding capital leases.

2004 BB&T Bank Capital Lease - In 2004, the City entered into a capital lease for airplane hangars with BB&T bank. The financing period is 40 quarterly payments of \$4,643 (which includes interest expense) at a 4.30% interest rate. The equipment cost was \$205,000, with accumulated depreciation of \$36,729 and a book value at November 30, 2011 is \$168,271.

Annual debt service requirements to amortize this debt, as of November 30, 2011 follow:

Year	Principal	Interest	Total
2012	\$ 16,599	\$ 1,972	\$ 18,571
2013	17,325	1,246	18,571
2014	18,098	473	18,571
Total	<u>\$ 52,022</u>	<u>\$ 3,691</u>	<u>\$ 55,713</u>

2006 BB&T Bank Capital Lease - In 2006, the City entered into a capital lease for fire truck pumper with BB&T bank. The financing period is 30 quarterly payments of \$5,611 (which includes interest expense) at 4.48% interest rate. The equipment cost was \$135,000, with accumulated depreciation of \$53,250 and a book value at November 30, 2011 is \$81,750.

City of Swainsboro, Georgia
Notes to the Basic Financial Statements
For the Year Ended November 30, 2011

Note 3 - Detailed Notes on All Funds (Continued)

Annual debt service requirements to amortize this debt, as of November 30, 2011 follow:

Year	Principal	Interest	Total
2012	\$ 21,587	\$ 865	\$ 22,452
2013	5,549	62	5,611
Total	<u>\$ 27,136</u>	<u>\$ 927</u>	<u>\$ 28,063</u>

2009 BB&T Capital Lease - In 2009, the City entered into a capital lease for bull dozer with BB&T bank. The financing period is 5 annual payments of \$15,129 (which includes interest expense) at a 3.45% interest rate. The equipment cost was \$68,300, with accumulated depreciation of \$19,351 and a book value at November 30, 2011 is \$48,949.

Annual debt service requirements to amortize this debt, as of November 30, 2011 follow:

Year	Principal	Interest	Total
2012	\$ 13,644	\$ 1,486	\$ 15,130
2013	14,122	1,007	15,129
2014	14,617	512	15,129
Total	<u>\$ 42,383</u>	<u>\$ 3,005</u>	<u>\$ 45,388</u>

2011 BB&T Capital Lease - In 2011, the City entered into a capital lease for a fire truck with BB&T bank. The financing period is 26 quarterly payments of \$12,587 (which includes interest expense) at a 2.97% interest rate. The equipment cost was \$293,739, with accumulated depreciation of \$29,374 and a book value at November 30, 2011 is \$264,365.

Annual debt service requirements to amortize this debt, as of November 30, 2011 follow:

Year	Principal	Interest	Total
2012	\$ 39,931	\$ 11,196	\$ 51,127
2013	44,192	7,235	51,427
2014	45,520	5,908	51,428
2015	46,887	4,541	51,428
2016	48,295	3,132	51,427
2017 - 2018	75,175	1,965	77,140
Total	<u>\$ 300,000</u>	<u>\$ 33,977</u>	<u>\$ 333,977</u>

City of Swainsboro, Georgia
Notes to the Basic Financial Statements
For the Year Ended November 30, 2011

Note 3 - Detailed Notes on All Funds (Continued)

Total Capital Leases – Annual debt service requirements to amortize this debt, as of November 30, 2011 follow:

Year	Principal	Interest	Total
2012	\$ 91,761	\$ 15,519	\$ 107,280
2013	81,188	9,550	90,738
2014	78,235	6,893	85,128
2015	46,887	4,541	51,428
2016	48,295	3,132	51,427
2017 - 2018	75,175	1,965	77,140
Total	<u>\$ 421,541</u>	<u>\$ 41,600</u>	<u>\$ 463,141</u>

Business-type Activities – November 30, 2011, the City has four loans outstanding with the Georgia Environmental Finance Authority (GEFA).

GEFA Loan — 98-662-SW – On May 19, 1999, the City borrowed \$500,000 at a 4.1% interest rate for extending the water system. Payments of \$9,189, which includes principal and interest, are due quarterly with a final maturity date of April 1, 2019.

Annual debt service requirements to amortize this debt, as of November 30, 2011 follow:

Year	Principal	Interest	Total
2012	\$ 27,488	\$ 9,269	\$ 36,757
2013	28,632	8,124	36,756
2014	29,824	6,932	36,756
2015	31,066	5,690	36,756
2016	32,359	4,397	36,756
2017 - 2019	86,916	4,975	91,891
Total	<u>\$ 236,285</u>	<u>\$ 39,387</u>	<u>\$ 275,672</u>

GEFA Loan — CW 98-006 – On April 1, 2003 the City borrowed \$2,876,436 at a 3% interest rate for extending the water system. Payments of \$50,792, which includes principal and interest, are due quarterly with a final maturity date of January 1, 2022.

City of Swainsboro, Georgia
Notes to the Basic Financial Statements
For the Year Ended November 30, 2011

Note 3 - Detailed Notes on All Funds (Continued)

Annual debt service requirements to amortize this debt, as of November 30, 2011 follow:

Fiscal Year	Principal	Interest	Total
2012	\$ 151,248	\$ 51,920	\$ 203,168
2013	155,837	47,331	203,168
2014	160,565	42,603	203,168
2015	165,437	37,731	203,168
2016	170,456	32,712	203,168
2017-2021	932,399	87,778	1,020,177
2022	50,414	378	50,792
Total	<u>\$ 1,786,356</u>	<u>\$ 300,453</u>	<u>\$ 2,086,809</u>

GEFA Loan — DW09034—During fiscal year 2011, the City was advanced \$349,579 on a \$500,000 construction loan for a water tank project. Loan was converted to a fixed amortization loan on March 1 2012. Payments will be made at \$2,917 for 240 months at a 0% interest rate.

Annual debt service requirements to amortize this debt, once the full amount of \$500,000 is drawn down as of November 30, 2011 follow:

Fiscal Year	Principal
2012	\$ 18,750
2013	25,000
2014	25,000
2015	25,000
2016	25,000
2017-2021	125,000
2022 - 2026	125,000
2027 - 2032	<u>131,250</u>
Total	<u>\$ 500,000</u>

GEFA Loan — Water Treatment Plant—During fiscal year 2011, the City was advanced \$5,213,696 on a GEFA loan for a Water Treatment Plant. The loan will be retired in 2012 through a USDA grant. The interest rate on the loan is 3.81% and interest will be paid at repayment date. The interest to be paid in 2012 is \$82,778 for a total due of \$5,295,474.

City of Swainsboro, Georgia
Notes to the Basic Financial Statements
For the Year Ended November 30, 2011

Note 3 - Detailed Notes on All Funds (Continued)

Changes in Long-term Debt - Changes in the City's long-term obligations consisted of the following for the year ended November 30, 2011:

	Outstanding 12/1/2010	Additions	Reductions	Outstanding 11/30/2011	Amounts Due in One Year
Governmental Activities:					
Revenue bonds	\$ 545,000	\$ -	\$ 80,000	\$ 465,000	\$ 80,000
Capital leases	178,026	300,000	56,485	421,541	91,761
Compensated absences	116,299	84,379	87,224	113,454	85,091
Total Governmental Activities	<u>\$ 839,325</u>	<u>\$ 384,379</u>	<u>\$ 223,709</u>	<u>\$ 999,995</u>	<u>\$ 256,852</u>
Business-type Activities:					
GEFA loan - 96-662-SW	\$ 262,675	\$ -	\$ 26,390	\$ 236,285	\$ 27,488
GEFA loan - CW 98-006	1,933,813	-	147,457	1,786,356	151,248
GEFA loan - DW09034	-	349,579	-	349,579	18,750
GEFA loan - 2010C22WQ	-	5,213,696	-	5,213,696	5,213,696
Total Business-Type Activities	<u>\$ 2,196,488</u>	<u>\$ 5,563,275</u>	<u>\$ 173,847</u>	<u>\$ 7,585,916</u>	<u>\$ 5,411,182</u>

The capital leases payable and revenue bonds payable of the City's governmental funds are retired by general fund revenues. Principal and interest payments related to the City's GEFA loans payable are being repaid from the City's water and sewerage fund.

The compensated absences liability will be paid from the fund from which the employees' salaries are paid, normally the general fund.

3-H. Pension

Plan Description - The City contributes to the Georgia Municipal Employees Benefit System (GMEBS), a defined benefit plan, an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for cities in the State of Georgia. GMEBS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The plan, adopted by a City Council Ordinance dated September 24, 1973, established the benefit provisions and has the authority to amend these provisions through City ordinance. GMEBS issues a publicly available financial report that includes financial statements and required supplementary information for the City. That report may be obtained by writing to:

Georgia Municipal Employees Benefit System
201 Pryor Street SW
Atlanta, Georgia 30303-3606
404/688-0472

All full-time City employees (i.e., 30 hours per week) with one year of service are eligible to participate in the plan with benefits vesting after 10 years of service. The plans provide either:

- Normal retirement benefit, whereas the employee retires at age 65 with five years of service
- Early retirement benefit, whereas the employee may retire at age 55 or older with ten years of service

City of Swainsboro, Georgia
Notes to the Basic Financial Statements
For the Year Ended November 30, 2011

Note 3 - Detailed Notes on All Funds (Continued)

Employees who retire at or after age sixty-five with five years of credited service or after age fifty-five with ten years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 to 1.75 percent of their average monthly earnings as defined in the plan for each year of credit service. The system also provides death and disability benefits.

Membership in the plan is as follows:

Non-vested active members	18
Fully vested active members	37
Retirees and beneficiaries currently receiving benefits	40
Terminated plan members entitled to but not currently receiving benefits	<u>14</u>
Total membership	<u><u>109</u></u>

Funding Policy – The obligations to contribute for both the City and its employees are established by the City council through ordinance. City employees are not required to contribute to GMEBS. The City is required to contribute 100% of the amounts necessary to fund the System using the actuarial basis specified by statute. The current contribution rate is 8.45% of annual covered payroll.

Annual Pension Cost - For 2011, the City's annual pension cost of \$156,196 for GMEBS was equal to the City's required and actual contributions.

Schedule of Employer Contributions				
Year Ended	Annual	Annual	Percentage	Net
November 30,	Pension	Pension	Contributed	Pension
	Cost	Contribution		Obligation
2009	\$ 183,593	\$ 183,593	100%	\$ -
2010	155,230	155,230	100%	-
2011	156,196	156,196	100%	-

Plan Funded Status – The City's funding status based upon the most recent actuarial valuation follows:

Schedule of Funding Progress						
Actuarial	(1)	(2)	(3)	(4)	(5)	(6)
Valuation	Actuarial	Actuarial	Funded	Unfunded	Annual	UAAL as a
Date	Value	Accrued	Ratio	AAL/(UAAL)	Covered	Percentage of
	of Assets	Liability (AAL)	(1)/(2)	(2)-(1)	Payroll	Covered
						Payroll
1/1/2012	\$ 6,577,386	\$ 5,477,964	120.1%	\$ (1,099,422)	\$ 1,694,392	-64.9%

The required schedule of funding progress immediately following the notes to the basic financial statements present 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.

City of Swainsboro, Georgia
Notes to the Basic Financial Statements
For the Year Ended November 30, 2011

Note 3 - Detailed Notes on All Funds (Continued)

Actuarial Valuation Information – The City’s actuarial valuation information is as follows:

Current Valuation Date	<u>January 1, 2012</u>
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percentage of Pay (Closed)
Remaining Amortization Period	Varies for the Bases
Asset Valuation Method	See Note Below
Actuarial Assumptions:	
Investment Rate of Return	7.75%
Projected Salary Increases	3.50%
Cost of Living Adjustments	3.50%
Actuarial Value of Assets	See Note Below

Note: Sum of the actuarial value at the beginning of the year and the cash flow during the year plus the assumed investment return, with various adjustments.

3-I. Fund Equity

- **Nonspendable** – The following fund balances are nonspendable because they are not in spendable form:

General Fund:

Inventories	<u>\$ 25,807</u>
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- **Restricted** – The following fund balances are legally restricted to specified purposes:

Nonmajor Debt Service Funds:

Principal and interest on long-term bonds	<u>\$ 3,983</u>
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Major Capital Projects Fund:

Capital projects	<u>\$ 1,001,165</u>
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- **Unassigned** – The following fund balances include the general fund unassigned amount and the fund deficit in the hotel/motel tax fund:

General Fund:

Unassigned	<u>\$ 3,045,954</u>
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Nonmajor Special Revenue Fund:

Hotel/motel tax fund deficit	<u>\$ (90)</u>
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City of Swainsboro, Georgia
Notes to the Basic Financial Statements
For the Year Ended November 30, 2011

Note 3 - Detailed Notes on All Funds (Continued)

Invested in Capital Assets, Net of Related Debt

Net assets on the government-wide statement of net assets as of November 30, 2011 are as follows:

	Governmental Activities	Business Type Activities
Invested in capital assets, net of related debt:		
Cost of capital assets	\$ 13,744,650	\$ 24,156,037
Less accumulated depreciation	4,589,847	7,586,191
Book value	9,154,803	16,569,846
Less capital related debt	886,541	7,585,916
Invested in capital assets, net of related debt	\$ 8,268,262	\$ 8,983,930

Note 4 - Other Notes

4-A. Risk Management

Both the City 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 with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency (GIRMA) for its property and liability insurance. The City manages its risk of potential loss from injuries to employees by participating in the Workers' Compensation Self-Insurance Fund (WCSIF), public entity risk pools currently operating as common risk management and insurance programs for member local governments. The Georgia Municipal Association (GMA) administers both risk pools. There have been no significant reductions in insurance coverage during the current year.

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

The funds are to defend and protect the members of the funds against any liability or loss as prescribed in the member governments' contracts and in accordance with the workers' compensation laws of Georgia. The Funds are to pay all costs assessed to its 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.

Settled claims in the last three years have not exceeded coverage.

4-B. Contingent Liabilities

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could result in a request for reimbursement to the grantor agency for costs disallowed under terms of the grant. Based on prior experience, the City believes such disallowances, if any, will be immaterial.

The City was a defendant in several lawsuits at November 30, 2011. In the opinion of City management, the outcome of these contingencies will not have a material effect on the financial position of the City.

City of Swainsboro, Georgia
Notes to the Basic Financial Statements
For the Year Ended November 30, 2011

Note 4 - Other Notes (Continued)

4-C. Joint Ventures

Under Georgia law, the City, in conjunction with other municipalities and counties in the middle Georgia area, is a member of the Heart of Georgia Altamaha Regional Development Center (RDC). Membership in the 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 representation from each county and municipality of the area, as well as representatives from the private sector and other governmental entities. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RDC. Separate financial statements for the RDC are available from:

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

4-D. Hotel/Motel Taxes

The City levies a 5% lodging tax. A summary of the transactions in the hotel/motel tax fund for the year ended November 30, 2011 follows:

Fund balance, December 1, 2010	\$ 7,189
Add hotel/motel taxes and investment earnings	60,963
Add interfund transfer in	194
Less expenditures	<u>(68,436)</u>
Fund balance, November 30, 2011	<u>\$ (90)</u>

Expenditures of \$68,436 (112% current year's receipts) were for promotion of tourism as required by OCGA 48-13-51. This complies with the expenditure requirements of OCGA 48-13-51.

City of Swainsboro, Georgia
General Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended November 30, 2011

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Taxes	\$ 4,431,108	\$ 4,431,108	\$ 4,498,772	\$ 67,664
Licenses and permits	236,000	236,000	207,989	(28,011)
Intergovernmental	731,562	731,562	1,055,516	323,954
Charges for services	822,700	822,700	843,816	21,116
Fines and forfeitures	124,000	124,000	221,238	97,238
Investment earnings	20,000	20,000	25,596	5,596
Miscellaneous	33,492	33,492	132,561	99,069
Total Revenues	<u>6,398,862</u>	<u>6,398,862</u>	<u>6,985,488</u>	<u>586,626</u>
Expenditures				
Current:				
General government	502,594	502,594	522,810	(20,216)
Public safety	2,390,594	2,390,594	2,812,634	(422,040)
Public works	1,867,176	1,867,176	2,057,593	(190,417)
Health and welfare	16,680	16,680	16,680	-
Culture and recreation	873,485	873,485	904,773	(31,288)
Housing and development	319,463	319,463	592,963	(273,500)
Debt Service:				
Principal retirement	129,733	129,733	56,485	73,248
Interest and fiscal charges	41,212	41,212	6,488	34,724
Total Expenditures	<u>6,140,937</u>	<u>6,140,937</u>	<u>6,970,426</u>	<u>(829,489)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>257,925</u>	<u>257,925</u>	<u>15,062</u>	<u>(242,863)</u>
Other Financing Sources (Uses)				
Inception of capital lease	-	-	300,000	300,000
Transfers out	-	-	(84,694)	(84,694)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>215,306</u>	<u>215,306</u>
Net Change in Fund Balances	<u>\$ 257,925</u>	<u>\$ 257,925</u>	<u>230,368</u>	<u>\$ (27,557)</u>
Fund Balances Beginning of Year			<u>2,844,393</u>	
Fund Balances End of Year			<u>\$ 3,074,761</u>	

City of Swainsboro, Georgia
City of Swainsboro Retirement Plan
Required Supplementary Information
For the Fiscal Year Ended November 30, 2011

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (c) (b - a)	Funded Ratio (a/b)	Covered Payroll (d)	UAAL as a Percentage of Covered Payroll [(b - a)/(d)]
March 1, 2007	\$ 5,643,792	\$ 4,923,575	\$ (720,217)	114.6%	\$ 1,541,157	-46.7%
March 1, 2008	5,933,233	5,442,824	(490,409)	109.0%	1,723,490	-28.5%
March 1, 2009	4,809,635	5,645,209	835,574	85.2%	1,914,967	43.6%
January 1, 2010	6,188,901	4,873,936	(1,314,965)	127.0%	1,794,886	-73.3%
January 1, 2011	6,503,655	5,332,720	(1,170,935)	122.0%	1,806,058	-64.8%
January 1, 2012	6,577,386	5,477,964	(1,099,422)	120.1%	1,694,392	-64.9%

See notes to the basic financial statements for actuarial assumptions used in the above calculations.

Budgetary Information- Note 1

The budget for the general fund is adopted on a basis that is consistent with accounting principles generally accepted in the United States as applied to governments. The legal level of control (the level at which expenditures may not legally exceed appropriations) for each adopted annual operating budget is the department level within the fund.

City of Swainsboro, Georgia
Combining Balance Sheet
Nonmajor Governmental Funds - By Fund Type
November 30, 2011

	Nonmajor Special Revenue Fund	Nonmajor Debt Service Fund	Total Nonmajor Governmental Funds
Assets			
Equity in pooled cash and investments	\$ 11	\$ 3,983	\$ 3,994
Liabilities and Fund Balances			
Liabilities			
Interfund payable	\$ 101	\$ -	\$ 101
Fund Balances			
Restricted for debt service	-	3,983	3,983
Unassigned	(90)	-	(90)
Fund Balances	(90)	3,983	3,893
Total Liabilities and Fund Balances	\$ 11	\$ 3,983	\$ 3,994

City of Swainsboro, Georgia
Schedule of Revenues and Changes in Fund Balances - Budget and Actual
Nonmajor Governmental Funds - By Fund Type
For the Year Ended November 30, 2011

	Nonmajor Special Revenue Fund	Nonmajor Debt Service Fund	Total Nonmajor Governmental Funds
Revenues:			
Taxes	\$ 60,832	\$ -	\$ 60,832
Charges for services	-	17,888	17,888
Investment earnings	131	35	166
Total Revenues	<u>60,963</u>	<u>17,923</u>	<u>78,886</u>
Expenditures			
Current:			
Housing and development	68,436	-	68,436
Debt Service:			
Principal	-	80,000	80,000
Interest and fiscal charges	-	35,300	35,300
Total Expenditures	<u>68,436</u>	<u>115,300</u>	<u>183,736</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,473)	(97,377)	(104,850)
Other Financing Sources			
Transfers in	194	84,500	84,694
Net Change in Fund Balances	(7,279)	(12,877)	(20,156)
Fund Balances Beginning of Year	7,189	16,860	24,049
Fund Balances End of Year	<u>\$ (90)</u>	<u>\$ 3,983</u>	<u>\$ 3,893</u>

City of Swainsboro, Georgia
General Fund
Comparative Balance Sheet
November 30, 2011 and 2010

	2011	2010
Assets		
Cash and cash equivalents	\$ 377,919	\$ 687,578
Investments	692,143	626,629
Receivables (net, where applicable):		
Property taxes	1,899,709	1,855,524
Sales taxes	160,131	155,895
Accounts	45,468	87,163
Intergovernmental	81,480	43,080
Interfund	442,403	110,921
Inventories	25,807	9,738
Total Assets	<u>\$ 3,725,060</u>	<u>\$ 3,576,528</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 143,878	\$ 229,227
Accrued expenditures	1,559	4,298
Interfund payable	99,362	-
Deferred revenue	405,500	498,610
Total Liabilities	<u>650,299</u>	<u>732,135</u>
Fund Balances		
Nonspendable	25,807	9,738
Unassigned	3,048,954	2,834,655
Fund Balances	<u>3,074,761</u>	<u>2,844,393</u>
Total Liabilities and Fund Balances	<u>\$ 3,725,060</u>	<u>\$ 3,576,528</u>

City of Swainsboro, Georgia
General Fund
Comparative Statement of Revenues, Expenditures and
Changes in Fund Balances
For the Years Ended November 30, 2011 and 2010

	2011	2010
Revenues		
Taxes	\$ 4,498,772	\$ 4,161,021
Licenses and permits	207,989	207,687
Intergovernmental	1,055,516	1,005,901
Charges for services	843,816	896,274
Fines and forfeitures	221,238	197,302
Investment earnings	25,596	26,682
Miscellaneous	132,561	24,542
Total Revenues	<u>6,985,488</u>	<u>6,519,409</u>
Expenditures		
Current:		
General government	522,810	503,434
Public safety	2,812,634	2,520,922
Public works	2,057,593	1,988,289
Health and welfare	16,680	19,181
Culture and recreation	904,773	976,714
Housing and development	592,963	438,662
Debt Service:		
Principal retirement	56,485	73,977
Interest and fiscal charges	6,488	9,482
Total Expenditures	<u>6,970,426</u>	<u>6,530,661</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>15,062</u>	<u>(11,252)</u>
Other Financing Sources (Uses)		
Inception of capital leases	300,000	-
Proceeds from the disposition of capital assets	-	9,250
Transfers out	(84,694)	(75,600)
Total Other Financing Sources (Uses)	<u>215,306</u>	<u>(66,350)</u>
Net Change in Fund Balances	230,368	(77,602)
Fund Balances Beginning of Year	<u>2,844,393</u>	<u>2,921,995</u>
Fund Balances End of Year	<u>\$ 3,074,761</u>	<u>\$ 2,844,393</u>

City of Swainsboro, Georgia
Schedule of Revenues - Budget and Actual - General Fund
For the Year Ended November 30, 2011
(With Comparative Actual Amounts for the Year Ended November 30, 2010)

	2011			2010	
	Original Budget	Final Budget	Actual	Variance With Final Budget	Actual
Real and personal property taxes					
General property tax - current	\$ 2,173,408	\$ 2,173,408	\$ 2,241,357	\$ 67,949	\$ 1,888,431
Vehicle property tax - current	200,000	200,000	199,315	(685)	170,050
Mobile home - personal property	2,700	2,700	2,935	235	3,755
Other - personal property	15,000	15,000	12,968	(2,032)	11,243
Real estate transfer taxes	3,000	3,000	1,693	(1,307)	2,248
Railroad taxes	2,000	2,000	1,895	(105)	1,724
Penalties and interest on taxes	45,000	45,000	73,439	28,439	61,647
Total real and personal property taxes	2,441,108	2,441,108	2,533,602	92,494	2,139,098
Selective taxes:					
Sales tax	950,000	950,000	927,963	(22,037)	1,128,659
Franchise tax	470,000	470,000	501,226	31,226	461,709
Alcoholic beverage tax	190,000	190,000	194,659	4,659	184,092
Insurance premium tax	380,000	380,000	341,322	(38,678)	247,463
Total selective taxes	1,990,000	1,990,000	1,965,170	(24,830)	2,021,923
Licenses and permits:					
Alcoholic beverages	40,000	40,000	38,800	(1,200)	41,400
General business license	145,000	145,000	115,011	(29,990)	121,642
General business license - insurance	32,000	32,000	35,845	3,845	34,490
Building structure and equipment permit	5,000	5,000	5,469	469	3,870
Inspections	12,000	12,000	8,440	(3,560)	3,355
Business license penalties	2,000	2,000	4,425	2,425	2,930
Total Licenses and permits:	236,000	236,000	207,989	(28,011)	207,687
Intergovernmental					
Federal	150,684	150,684	381,946	231,262	531,894
State and local	580,878	580,878	673,570	92,692	474,007
Total Intergovernmental	731,562	731,562	1,055,516	323,954	1,005,901
Fines and forfeitures:					
Court fines	124,000	124,000	221,238	97,238	197,302
Charges for services:					
Garbage collections	400,000	400,000	380,172	(19,828)	417,824
Dumpster	225,000	225,000	311,648	86,648	306,536
Recycled materials	25,000	25,000	51,247	26,247	42,515
Administration fee	80,000	80,000	-	(80,000)	-
Airport	36,200	36,200	68,371	32,171	89,765
Culture and recreation	55,000	55,000	28,907	(26,093)	33,182
Miscellaneous	1,500	1,500	3,471	1,971	6,452
Total charges for services:	822,700	822,700	843,816	21,116	896,274
Investment earnings	20,000	20,000	25,596	5,596	26,682
Miscellaneous:					
Rents and royalties	16,200	16,200	53,423	37,223	16,200
Reimbursements for damaged properties	5,000	5,000	68,313	63,313	-
Miscellaneous	12,292	12,292	10,825	(1,467)	8,342
Total miscellaneous	33,492	33,492	132,561	99,069	24,542
Total revenues	6,398,862	6,398,862	6,985,488	586,626	6,519,409
Other financing sources:					
Inception of capital lease	-	-	300,000	300,000	-
Total revenues and other financing sources	\$ 6,398,862	\$ 6,398,862	\$ 7,285,488	\$ 886,626	\$ 6,519,409

City of Savannah, Georgia
 Schedule of Expenditures - Budget and Actual
 For the Year Ended November 30, 2011
 (With Comparative Actual Amounts for the Year Ended November 30, 2010)

	2011			2010	
	Original Budget	Final Budget	Actual	Variance With Final Budget	Actual
General government					
Personal services	\$ 86,784	\$ 86,784	\$ 97,160	\$ (10,376)	\$ 93,277
Operating	11,828	11,828	14,236	(2,408)	15,643
Capital outlay	-	-	2,900	(2,900)	-
Total governing body	98,612	98,612	113,896	(15,284)	108,920
Mayor and commission					
Personal services	29,017	29,017	29,212	(195)	29,032
Operating	8,738	8,738	9,515	(777)	7,432
Total mayor and commission	37,755	37,755	38,727	(972)	36,464
Financial administration:					
Personal services	303,054	303,054	318,773	(15,719)	315,145
Operating	63,173	63,173	51,414	11,759	42,905
Total financial administration	366,227	366,227	370,187	(3,960)	358,050
Total general government	502,594	502,594	522,810	(20,216)	503,434
Public safety:					
Police:					
Personal services	1,135,167	1,135,167	1,178,030	\$ (42,863)	1,273,761
Operating	312,586	312,586	374,214	(61,628)	324,433
Capital outlay	18,180	18,180	21,221	(3,041)	-
Total police	1,465,933	1,465,933	1,573,465	(107,532)	1,598,194
Fire:					
Personal services	708,003	708,003	715,818	(7,815)	704,294
Operating	86,294	86,294	120,530	(34,236)	106,579
Capital outlay	-	-	293,739	(293,739)	-
Total fire	794,297	794,297	1,130,087	(335,790)	811,273
Animal control:					
Personal services	67,712	67,712	58,952	8,760	66,407
Operating	52,652	52,652	50,130	2,522	45,048
Capital outlay	10,000	10,000	-	10,000	-
Total animal control	130,364	130,364	109,082	21,282	111,455
Total public safety	2,390,594	2,390,594	2,812,634	(422,040)	2,520,922
Public works:					
Public works - operations:					
Operating	1,101,398	1,101,398	1,118,213	(16,815)	1,142,696
Capital outlay	100,000	100,000	352,471	(252,471)	150,695
Total - public works - operations	1,201,398	1,201,398	1,470,684	(269,286)	1,293,391
Sanitation and recycling:					
Personal services	25,501	25,501	27,006	(1,505)	26,681
Operating	640,277	640,277	559,903	80,374	658,217
Total sanitation and recycling	665,778	665,778	586,909	78,869	684,898
Total public works	1,867,176	1,867,176	2,057,593	(190,417)	1,988,289
Health and welfare					
Culture and recreation					
Recreation	16,680	16,680	16,680	-	19,181
Culture and recreation					
Personal services	469,169	469,169	450,511	18,658	439,313
Operating	268,910	268,910	254,135	34,775	227,503
Capital outlay	-	-	-	-	90,005
Total recreation	738,079	738,079	684,646	53,433	756,821
Sports facilities:					
Operating	-	-	87,834	(87,834)	87,600
Libraries:					
Operating	135,406	135,406	132,293	3,113	132,293
Total culture and recreation	873,485	873,485	904,773	(31,288)	976,714
Housing and development:					
Protective inspection:					
Personal services	62,362	62,362	59,817	2,545	58,666
Operating	10,789	10,789	5,584	5,205	5,477
Total protective inspection	73,151	73,151	65,401	7,750	64,143
City Downtown Development Authority:					
Personal services	-	-	48,140	(48,140)	50,129
Operating	-	-	32,670	(32,670)	35,350
Total City Downtown Development Authority:	-	-	81,010	(81,010)	85,379
Airport:					
Personal services	424	424	463	(39)	404
Operating	210,888	210,888	377,749	(166,861)	288,156
Capital outlay	35,000	35,000	65,340	(30,340)	-
Total airport	245,312	245,312	446,552	(200,240)	289,140
Total housing and development:	319,463	319,463	592,963	(273,500)	438,662
Debt Service:					
Principal retirement	129,733	129,733	56,485	73,248	73,977
Interest and fiscal charges	41,212	41,212	6,488	34,724	9,482
Total Debt Service	170,945	170,945	62,973	107,972	83,459
Total Expenditures	\$ 6,140,937	\$ 6,140,937	\$ 6,970,426	\$ (829,489)	\$ 6,530,661

City of Swainsboro, Georgia
Comparative Balance Sheet
Hotel/Motel Tax Fund
November 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Assets		
Equity in pooled cash and investments	<u>\$ 11</u>	<u>\$ 7,290</u>
Liabilities and Fund Balances		
Liabilities		
Interfund payable	<u>\$ 101</u>	<u>\$ 101</u>
Fund Balances		
Restricted for housing and development	-	7,189
Unassigned	<u>(90)</u>	<u>-</u>
Total Fund Balances	<u>(90)</u>	<u>7,189</u>
Total Liabilities and Fund Balances	<u>\$ 11</u>	<u>\$ 7,290</u>

City of Swainsboro, Georgia
Schedule of Revenues and Changes in Fund Balances - Budget and Actual
Hotel/Motel Tax Fund
For the Year Ended November 30, 2011
(With Comparative Actual Amounts for the Year Ended November 30, 2010)

	2011			2010	
	Original Budget	Final Budget	Actual	Variance With Final Budget	Actual
Revenues:					
Hotel/Motel taxes	\$ 60,000	\$ 60,000	\$ 60,832	\$ 832	\$ 58,280
Investment earnings	-	-	131	131	155
Total Revenues	60,000	60,000	60,963	963	58,435
Expenditures					
Current:					
Housing and development	77,286	77,286	68,436	8,850	71,488
(Deficiency) of Revenues (Under) Expenditures	(17,286)	(17,286)	(7,473)	9,813	(13,053)
Other Financing Sources					
Transfer in	-	-	194	194	
Net Change in Fund Balances	<u>\$ (17,286)</u>	<u>\$ (17,286)</u>	(7,279)	<u>\$ 10,007</u>	(13,053)
Fund Balances Beginning of Year			7,189		20,242
Fund Balances End of Year			<u>\$ (90)</u>		<u>\$ 7,189</u>

City of Swainsboro, Georgia
Comparative Balance Sheet
Debt Service Fund
November 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Assets		
Equity in pooled cash and investments	<u>\$ 3,983</u>	<u>\$ 16,860</u>
 Fund Balances		
Restricted for debt service	<u>\$ 3,983</u>	<u>\$ 16,860</u>

City of Swainsboro, Georgia
Schedule of Revenues and Changes in Fund Balances - Budget and Actual
Debt Service Fund
For the Year Ended November 30, 2011
(With Comparative Actual Amounts for the Year Ended November 30, 2010)

	2011			2010	
	Original Budget	Final Budget	Actual	Variance With Final Budget	Actual
Revenues:					
Charges for services	\$ 45,000	\$ 45,000	\$ 17,888	\$ (27,112)	\$ 38,472
Investment earnings	-	-	35	35	70
Total Revenues	<u>45,000</u>	<u>45,000</u>	<u>17,923</u>	<u>(27,077)</u>	<u>38,542</u>
Expenditures					
Debt Service:					
Principal	80,000	80,000	80,000	-	75,000
Interest and fiscal charges	<u>34,800</u>	<u>34,800</u>	<u>35,300</u>	<u>(500)</u>	<u>39,800</u>
Total Expenditures	<u>114,800</u>	<u>114,800</u>	<u>115,300</u>	<u>(500)</u>	<u>114,800</u>
(Deficiency) of Revenues (Under) Expenditures	(69,800)	(69,800)	(97,377)	(26,577)	(76,258)
Other Financing Sources					
Transfers in	<u>69,800</u>	<u>69,800</u>	<u>84,500</u>	<u>-</u>	<u>75,600</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>(12,877)</u>	<u>\$ (26,577)</u>	<u>(658)</u>
Fund Balances Beginning of Year			<u>16,860</u>		<u>17,518</u>
Fund Balances End of Year			<u>\$ 3,983</u>		<u>\$ 16,860</u>

City of Swainsboro, Georgia
Comparative Balance Sheet
SPLOST Fund
November 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Assets		
Equity in pooled cash and investments	\$ 989,372	\$ 415,533
Interfund receivable	<u>11,793</u>	<u>-</u>
Total Assets	<u>\$ 1,001,165</u>	<u>\$ 415,533</u>
 Fund Balances		
Restricted for capital	<u>\$ 1,001,165</u>	<u>\$ 415,533</u>

City of Swainsboro, Georgia
*Comparative Statement of Revenues, Expenditures
and Changes in Fund Balances*
SPLOST Fund
For the Fiscal Years Ended November 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Revenues		
Intergovernmental	\$ 266,604	\$ 151,890
Investment earnings	8,359	17,725
Miscellaneous	<u>362,064</u>	<u>-</u>
Total Revenues	637,027	169,615
Expenditures		
<i>Capital Outlay:</i>	<u>51,395</u>	<u>776,748</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	585,632	(607,133)
Fund Balances Beginning of Year	<u>415,533</u>	<u>1,022,666</u>
Fund Balances End of Year	<u><u>\$ 1,001,165</u></u>	<u><u>\$ 415,533</u></u>

City of Swainsboro, Georgia
Comparative Statement of Net Assets
Proprietary Fund - Water and Sewerage Fund
November 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 422,938	\$ -
Investments	350,625	478,178
Accounts receivable (net)	232,082	189,553
Interfund receivable	99,362	-
Restricted assets:		
Cash and cash equivalents	<u>267,370</u>	<u>260,620</u>
Total Current Assets	<u>1,372,377</u>	<u>928,351</u>
Noncurrent Assets:		
Capital assets:		
Nondepreciable	6,922,255	1,142,939
Depreciable, net	<u>9,647,591</u>	<u>9,710,143</u>
Total Noncurrent Assets	<u>16,569,846</u>	<u>10,853,082</u>
Total Assets	<u>17,942,223</u>	<u>11,781,433</u>
Liabilities		
Current Liabilities:		
Accounts payable	16,732	18,640
Customer deposits payable	166,772	161,986
Interfund payable	454,095	110,921
GEFA loans payable	5,411,182	173,184
Accrued interest	<u>19,561</u>	<u>11,464</u>
Total Current Liabilities	6,068,342	476,195
Long-term Liabilities (net of current portion):		
GEFA loans payable	<u>2,174,734</u>	<u>2,023,304</u>
Total Liabilities	<u>8,243,076</u>	<u>2,499,499</u>
Net Assets		
Invested in capital assets, net of related debt	8,983,930	8,656,594
Restricted for debt service	267,370	-
Unrestricted	<u>447,847</u>	<u>625,340</u>
Total Net Assets	<u>\$ 9,699,147</u>	<u>\$ 9,281,934</u>

City of Swainsboro, Georgia
*Comparative Statement of Revenues,
Expenses and Changes in Fund Net Assets
Proprietary Fund - Water and Sewerage Fund
For the Years Ended November 30, 2011 and 2010*

	<u>2011</u>	<u>2010</u>
Operating Revenues		
Charges for services	\$ 1,793,534	\$ 1,712,418
Service charges	74,115	72,925
Miscellaneous	13,508	27,143
	<u>1,881,157</u>	<u>1,812,486</u>
Total Operating Revenues		
Operating Expenses		
Personal services - salaries	30,173	29,604
Personal services - benefits	14,701	15,063
Purchased services - professional and technical	1,287,021	1,261,591
Purchased services - other	34,841	84,989
Materials and supplies	37,582	32,808
Depreciation	363,482	378,952
	<u>1,767,800</u>	<u>1,803,007</u>
Total Operating Expenses		
Operating Income	<u>113,357</u>	<u>9,479</u>
Non-Operating Revenues (Expenses)		
Intergovernmental	-	156,749
Investment earnings	24,055	25,405
Interest and fiscal charges	(74,188)	(89,132)
	<u>(50,133)</u>	<u>93,022</u>
Total Non-Operating Revenues (Expenses)		
Income Before Contributions	63,224	102,501
Contributions	<u>353,989</u>	<u>776,747</u>
Change in Net Assets	417,213	879,248
Net Assets Beginning of Year	<u>9,281,934</u>	<u>8,402,686</u>
Net Assets End of Year	<u>\$ 9,699,147</u>	<u>\$ 9,281,934</u>

City of Swainsboro, Georgia
Comparative Statement of Cash Flows
Proprietary Fund - Water and Sewerage Fund
For the Year Ended November 30, 2011

	2011	2010
Increase (Decrease) in Cash and Cash Equivalents		
Cash Flows from Operating Activities		
Cash received from customers	\$ 1,843,414	\$ 1,806,006
Cash payments to employees for services	(44,874)	(44,667)
Cash payments for goods and services	(1,361,352)	(1,364,179)
Net Cash Provided by (Used in) Operating Activities	437,188	397,160
Cash Flows from Noncapital Financing Activities		
Interfund receivable	354,733	-
Interfund payable	(110,921)	-
Net Cash Provided by (Used in) Noncapital Financing Activities	243,812	-
Cash Flows from Capital and Related Financing Activities		
Capital grants	353,989	933,496
GEFA notes proceeds	5,563,275	-
Principal paid on notes and capital leases	(173,847)	(996,929)
Interest paid on notes and capital leases	(66,091)	(89,132)
Acquisition of capital assets	(6,080,246)	(500,286)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(402,920)	(652,851)
Cash Flows from Investing Activities		
Purchase of investments	-	(185,104)
Sale of investments	251,234	-
Investment earnings	24,055	25,405
Net Cash Flows from Investing Activities	275,289	(159,699)
Net Increase (Decrease) in Cash and Cash Equivalents	553,369	(415,390)
Cash and Cash Equivalents Beginning of Year	136,939	552,329
Cash and Cash Equivalents End of Year	\$ 690,308	\$ 136,939
Reconciliation to Statement of Net Assets		
Cash and cash equivalents	\$ 422,938	\$ -
Restricted assets	267,370	260,620
Total Cash and Cash Equivalents	\$ 690,308	\$ 260,620

(continued)

City of Swainsboro, Georgia
Comparative Statement of Cash Flows
Proprietary Fund - Water and Sewerage Fund
For the Year Ended November 30, 2011

(continued)

	<u>2011</u>	<u>2010</u>
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities		
Operating Income	\$ 113,357	\$ 9,478
Adjustments:		
Depreciation	363,482	378,952
(Increase) Decrease in Assets:		
Accounts receivable	(42,529)	(3,661)
Increase (Decrease) in Liabilities:		
Accounts payable	(1,908)	15,209
Customer deposits	<u>4,786</u>	<u>(2,818)</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 437,188</u>	<u>\$ 397,160</u>

CITY OF SWAINSBORO, GA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED NOVEMBER 30, 2011

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
US Department of Housing and Urban Development Pass-through program: Georgia Department of Community Affairs: Community Development Block Grants/State's Program	14.219	10p-x-053-5280	385,718.00
Community Development Block Grants/State's Program-Nordson	14.219	11q-x-053-2-5428	34,467.00
Department of Justice Direct Program:			
Public Safety Partnership	16.710		23,690.00
Edward Byrne	16.738		21,230.00
Cops Hiring	16.710		33,293.62
Department of Transportation Pass-through program:			
Airport	20.106	AP100-9134-21(107)	68,340.00
Highway Planning & Construction T-Sidewalk Project	20.205	PEHPP-0007-00(582)	352,471.00
Department of Natural Resources Recreational Trails Program-MP	20.219	GA080318012	<u>13,617.00</u>
Total			<u><u>932,826.62</u></u>

Note-Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of the City of Swainsboro and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Therefore, some accounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

City of Swainsboro, Georgia
Summary Schedule of Prior Audit Findings
For the Year Ended November 30, 2011

There were no prior audit findings that are required to be reported under OMB circular A-133.

City of Swainsboro, Georgia
Schedule of Finding and Questioned Costs
For the Year Ended November 30, 2011

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of City of Swainsboro, Georgia.
2. No significant deficiencies in internal control were reported during the audit of the financial statements of City of Swainsboro, Georgia.
3. No instance of noncompliance material to the financial statements of City of Swainsboro, Georgia, was disclosed during the audit.
4. No significant deficiencies were disclosed during the audit of internal control over major federal award programs.
5. The auditor's report on compliance for the major federal award programs for City of Swainsboro, Georgia, expresses an unqualified opinion on major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported on this schedule.
7. The programs tested as major programs included: U.S. Department of Housing and Urban Development, Community Development Block Grants/State's Program, CFDA 14.219 and Department of Transportation, Highway Planning and Construction, CFDA 20.205.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. City of Swainsboro, Georgia was not determined to be a low-risk auditee.

FINDINGS – FINANCIAL STATEMENT AUDIT

None reported.

FINDING AND QUESTIONED COST – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None reported.

City of Swainsboro, Georgia
Schedule of Projects Constructed with Special Purpose Local Option Sales Tax
For the Year Ended November 30, 2011

	Original Estimated Cost	Current Estimated Cost	Expenditures		
			Prior Years	Current Year	Total
2005 SPLOST	\$2,383,835	\$2,383,835			
Public Safety Buildings and Equipment			\$ 1,071,991		\$ 1,071,991
Recreation Equipment			1,040	-	1,040
Water and Sewer System Improvements			<u>1,513,765</u>	<u>51,395</u>	<u>1,565,160</u>
Total			<u>\$ 2,586,796</u>	<u>\$ 51,395</u>	<u>\$ 2,638,191</u>

Note A: The SPLOST Schedule has been prepared on the modified accrual basis.

MEMBER
AMERICAN INSTITUTE OF CPAS
GEORGIA SOCIETY OF CPAS

STACIE W. AVERY
Certified Public Accountant
322 WEST MAIN STREET
SWAINSBORO, GEORGIA 30401
TELEPHONE (478) 237-7366
FAX (478) 237-8119

MAILING ADDRESS
P. O. BOX 189
SWAINSBORO, GEORGIA 30401

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 Honorable Mayor and City Council
City of Swainsboro, Georgia

I have audited the 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 City of Swainsboro, Georgia, as of and for the year ended November 31, 2011, which collectively comprise the City of Swainsboro, Georgia's basic financial statements and have issued my report thereon dated May 31, 2012. I conducted my 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 my audit, I considered City of Swainsboro, Georgia's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Swainsboro, Georgia's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City of Swainsboro, Georgia's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Swainsboro, Georgia's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

I noted certain matters that I reported to management of City of Swainsboro, Georgia, in a separate letter dated May 31, 2012.

This report is intended solely for the information and use of management, City Council, others within the entity, 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.

May 31, 2012

MEMBER
AMERICAN INSTITUTE OF CPAS
GEORGIA SOCIETY OF CPAS

STACIE W. AVERY
Certified Public Accountant
322 WEST MAIN STREET
SWAINSBORO, GEORGIA 30401

TELEPHONE (478) 237-7366
FAX (478) 237-8119

MAILING ADDRESS
P. O. BOX 189
SWAINSBORO, GEORGIA 30401

REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Honorable Mayor and City Council
City of Swainsboro, Georgia

Compliance

I have audited City of Swainsboro, Georgia's compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of City of Swainsboro Georgia's major federal programs for the year ended November 30, 2011. City of Swainsboro, Georgia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Swainsboro, Georgia's management. My responsibility is to express an opinion on City of Swainsboro, Georgia's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Swainsboro, Georgia's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of City of Swainsboro, Georgia's compliance with those requirements.

In my opinion, City of Swainsboro, Georgia, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended November 30, 2011.

Internal Control Over Compliance

Management of City of Swainsboro, Georgia, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered City of Swainsboro, Georgia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of City of Swainsboro, Georgia's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be

deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, City Council, others within the entity, 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.

Swainsboro, Georgia

May 31, 2012