

CITY OF FORT VALLEY, GEORGIA
ANNUAL FINANCIAL REPORT
For the fiscal year ended
September 30, 2011

**City of Fort Valley, Georgia
Annual Financial Report
For The Year Ended September 30, 2011**

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FINANCIAL SECTION

BUTLER, WILLIAMS & WYCHE, LLP
CERTIFIED PUBLIC ACCOUNTANTS
915 HILL PARK
MACON, GEORGIA 31201

March 30, 2012

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of City Council
City of Fort Valley, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fort Valley, Georgia, as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Fort Valley, Georgia's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2012 on our consideration of the City of Fort Valley, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 15 and the schedule of funding progress for the city's pension plan on page 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In the conduct of our audit, we verified and tested expenditures of the projects of the City of Fort Valley, Georgia, which were identified in the resolution or ordinance calling for imposition of the special sales and use tax authorized by Section 48-8-110 OCGA. The accompanying schedule of the projects undertaken with special sales tax proceeds is presented for purposes of additional analysis as required by Official Code of Georgia 48-8-121, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Butler, Williams & Hyche, LLP

Macon, Georgia

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the City of Fort Valley, 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 September 30, 2011. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements, schedules and note disclosures following this section.

Financial Highlights

- The City's assets exceeded its liabilities by \$5,912,608 (net assets) for the fiscal year reported.
- Total net assets are comprised of the following:
 - (1) Capital assets, net of related debt, of \$3,916,054 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 \$543,067 are restricted by constraints imposed from outside the City such as debt covenants, grantors, laws or regulations.
 - (3) Unrestricted net assets of \$1,453,487 represent the portion available to maintain the City's continuing obligations to citizens and creditors.

The City's governmental funds reported total ending fund balance of \$2,663,319 this year. This compares to the prior year ending fund balance of \$2,033,165 showing an increase of \$630,154 during the current year.

At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,600,221 or 33% of total general fund expenditures.

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

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

The second government-wide statement is the *Statement of Activities*, which reports how the City's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

An important purpose of the design of the *Statement of Activities* is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by taxes, from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, judicial, public safety, public works, culture and recreation, and housing and development. Business-type activities include the sanitation program.

The government-wide financial statements are presented on pages 16 - 18 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, aggregate presentation. Individual fund data for non-major funds is provided in the form of combining statements in a later section of this report.

The City has three kinds of funds:

Governmental funds are reported in the fund financial statements and encompass 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 financial statements also include a budgetary comparison statement for the general fund.

The basic governmental fund financial statements are presented on pages 19 - 23 of this report.

Individual fund information for non-major governmental funds is found in combining statements in a later section of this report.

The *proprietary fund* is reported in the fund financial statements and generally reports sanitation 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.

The basic enterprise fund financial statements are presented on pages 24 – 26 of this report.

The *fiduciary fund* type is a library endowment trust fund which provides resources to the library and its statements are presented on pages 27 and 28.

The combining statements for the discretely presented component units are presented on pages 29 and 30.

Notes to the Basic Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin on page 31 of this report.

Supplementary Information

Combining and comparative individual statements and schedules for non-major funds are presented as supplementary information in this report beginning on page 65.

Financial Analysis of the City as a Whole

The City's net assets at fiscal year-end are \$5,912,608. 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	\$ 3,043,615	\$ 2,445,028	\$ 196,323	\$ 204,848	\$ 3,239,938	\$ 2,649,876
Capital assets	3,789,876	3,822,190	219,524	275,750	4,009,400	4,097,940
Total assets	\$ 6,833,491	\$ 6,267,218	\$ 415,847	\$ 480,598	\$ 7,249,338	\$ 6,747,816
Liabilities:						
Current liabilities	\$ 437,496	\$ 438,231	\$ 516,771	\$ 575,312	\$ 954,267	\$ 1,013,543
Long-term liabilities	302,441	355,566	80,022	103,752	382,463	459,318
Total liabilities	\$ 739,937	\$ 793,797	\$ 596,793	\$ 679,064	\$ 1,336,730	\$ 1,472,861
Net assets:						
Invested in capital assets, net of debt	\$ 3,789,876	\$ 3,822,190	\$ 126,178	\$ 167,167	\$ 3,916,054	\$ 3,989,357
Restricted-Capital Projects	539,080	662,749	-	-	539,080	662,749
Restricted-Program Purposes	3,987	-	-	-	3,987	-
Unrestricted	1,760,611	988,482	(307,124)	(365,633)	1,453,487	622,849
Total net assets	\$ 6,093,554	\$ 5,473,421	\$ (180,946)	\$ (198,466)	\$ 5,912,608	\$ 5,274,955

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 6.9 to 1, as compared to 5.6 to 1 at September 30, 2010. The current ratio for the business-type activities at September 30, 2011 is .38 to 1 as compared to .36 to 1 at September 30, 2010. For the City overall, the current ratio is 3.4 to 1 as compared to 2.6 to 1 at September 30, 2010.

The City reported positive balances in net assets for governmental activities and negative balances in net assets for the business-type activities. Net assets increased \$620,133 for governmental activities and increased by \$17,520 for business-type activities. The City's overall financial position increased considerably over the prior year.

Note that approximately 62.1% of the governmental activities' net assets are tied up in capital. This compares to 69.8% at September 30, 2010. The City uses these capital assets to provide services to its citizens. However, with business-type activities, the City has spent 69.7% of its net assets on capital assets as compared to approximately 84% at September 30, 2010. Capital assets in the business-type activities provide sanitation services, but they also generate revenues for this fund. 66.2% of the City's total net assets are included in capital assets as compared to 75.6% at September 30, 2010.

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

Summary of Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues						
Program:						
Charges for services	\$ 470,180	\$ 390,980	\$ 1,036,348	\$ 1,040,895	\$ 1,506,528	\$ 1,431,875
Operating grants	133,872	71,133	-	-	133,872	71,133
Capital grants & contributions	201,414	209,997	-	-	201,414	209,997
General:						
Taxes	4,672,916	4,510,606	-	-	4,672,916	4,510,606
Intergovernmental	175,000	60,074	-	-	175,000	60,074
Other	51,373	37,135	1,114	903	52,487	38,038
Total revenues	5,704,755	5,279,925	1,037,462	1,041,798	6,742,217	6,321,723
Program expenses:						
General government	\$ 621,140	\$ 690,585	\$ -	\$ -	\$ 621,140	\$ 690,585
Judicial	53,767	53,536	-	-	53,767	53,536
Public safety	3,019,756	3,391,553	-	-	3,019,756	3,391,553
Public works	878,827	820,470	-	-	878,827	820,470
Culture and recreation	373,391	421,490	-	-	373,391	421,490
Housing and development	137,741	192,895	-	-	137,741	192,895
Interest	-	-	-	-	-	-
Sanitation	-	-	1,019,942	1,226,181	1,019,942	1,226,181
Total expenses	5,084,622	5,570,529	1,019,942	1,226,181	6,104,564	6,796,710
Excess (deficiency)	620,133	(290,604)	17,520	(184,383)	637,653	(474,987)
Transfers	-	(29,043)	-	29,043	-	-
Net changes in net assets	620,133	(319,647)	17,520	(155,340)	637,653	(474,987)
Beginning net assets	5,473,421	5,793,068	(198,466)	(43,126)	5,274,955	5,749,942
Prior period adjustments	-	-	-	-	-	-
Ending net assets	\$ 6,093,554	\$ 5,473,421	\$ (180,946)	\$ (198,466)	\$ 5,912,608	\$ 5,274,955

GOVERNMENTAL REVENUES

In total, taxes make up 82.2% of the total revenues stream. This percentage compares to 85.4% in 2010. Property taxes make up 31.5% of revenues and the local option sales taxes make up 20.8% of total revenues. These percentages compare to 31.1% and to 22.8% respectively for 2010.

Because of the decline in the economy, interest rates have dropped drastically allowing the City to earn \$18,999 in interest earnings to support governmental activities as compared to \$15,965 in 2010. Also, note that program revenues cover only 15.8% of governmental operating expenses. In 2010, this percentage was 12.1%. This means that the government's taxpayers and the City's other general governmental revenues fund 84.2% of the governmental activities as compared to 87.9% in 2010. As a result, the general economy and the success of City businesses have a major impact on the City's revenue streams.

GOVERNMENTAL FUNCTIONAL EXPENSES

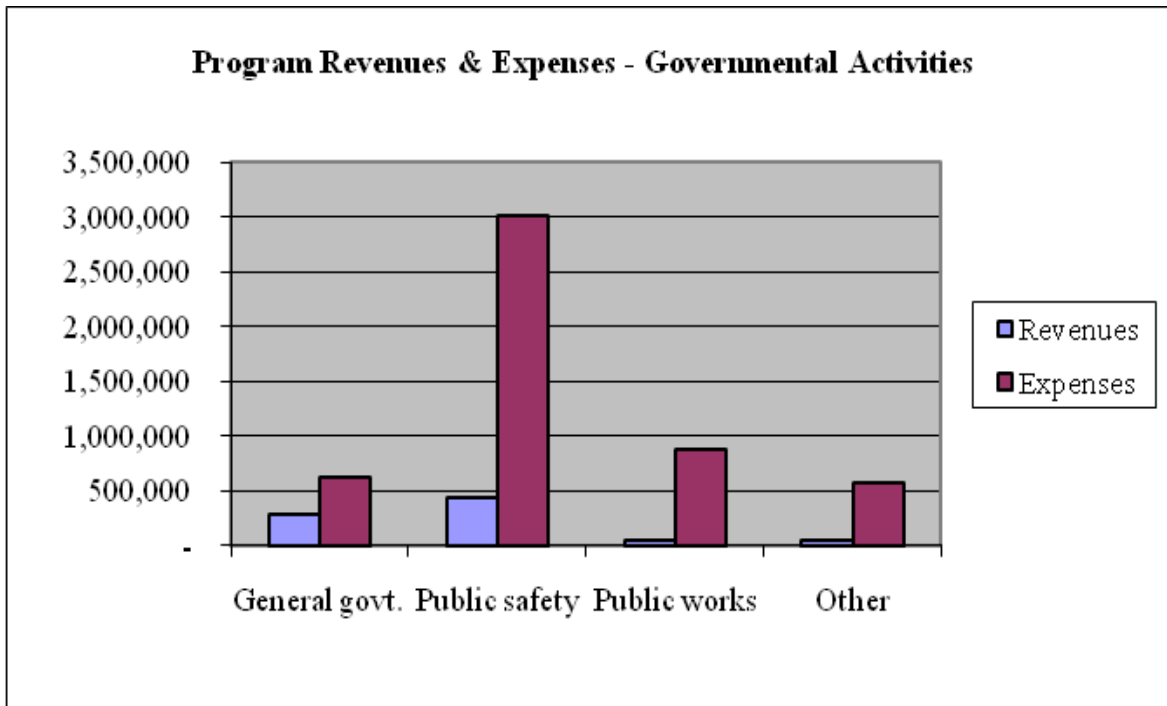
59.4% of the total costs relates to public safety. This percentage compares to 60.9% in 2010. Housing and development expenses decreased from \$192,895 to \$137,741 or 29% in 2011. This decrease relates to the various housing grants that the City has received which are now 100% complete.

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

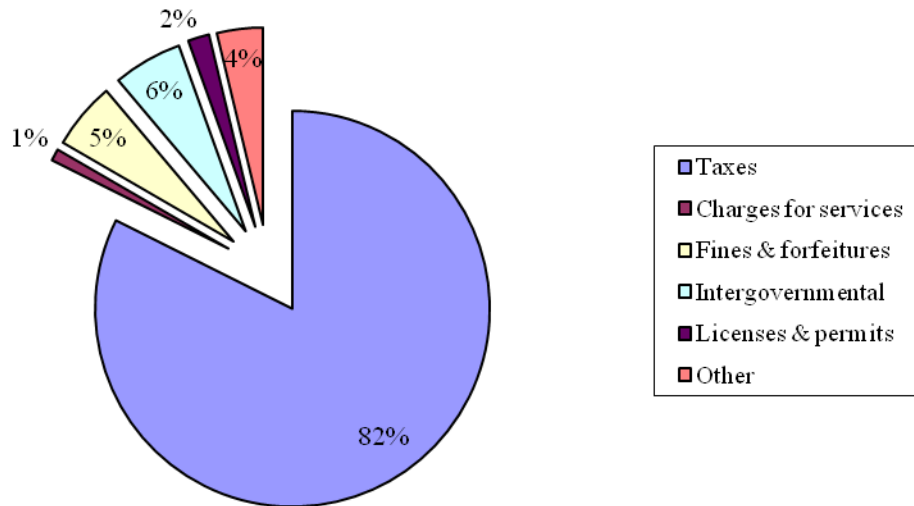
	2011		2010	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General government	\$ 621,140	\$ 343,413	\$ 690,585	\$ 575,171
Judicial	53,767	53,767	53,536	53,536
Public safety	3,019,756	2,579,209	3,391,553	3,061,204
Public works	878,827	836,160	820,470	783,282
Culture and recreation	373,391	362,016	421,490	319,841
Housing and development	137,741	104,591	192,895	105,385
Interest	-	-	-	-
Total	\$ 5,084,622	\$ 4,279,156	\$ 5,570,529	\$ 4,898,419

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Revenues by Source



BUSINESS-TYPE ACTIVITIES

The City's only enterprise fund is the sanitation fund. The City's net assets at September 30, 2011 are (\$180,946), were (\$198,466) at September 30, 2010, and were (\$43,126) at September 30, 2009. The reason for the continued decline is due to the age of many of the sanitation vehicles, which have required extensive repairs, as well as the cost of fuel and waste disposal. To help offset the decline, the City increased garbage collection fees on commercial customers, continues regular repair and maintenance schedule of all vehicles and added several commercial customers as well and increased collection efforts on past due accounts.

(This page continued on the subsequent page)

The following table compares the operations for the last three years:

Summary of Net Assets

	September 30, 2011		September 30, 2010		September 30, 2009	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Assets:						
Current assets	\$ 196,323	47%	\$ 204,848	43%	\$ 234,084	40%
Capital assets	219,524	53%	275,750	57%	347,003	60%
Total assets	\$ 415,847	100%	\$ 480,598	100%	\$ 581,087	100%
Liabilities:						
Current liabilities	\$ 516,771	87%	\$ 575,312	85%	\$ 508,212	81%
Non-current liabilities	80,022	13%	103,752	15%	116,001	19%
Total liabilities	596,793	100%	679,064	100%	624,213	100%
Net assets:						
Invested in capital assets, net of debt	126,178	-70%	167,167	-84%	218,609	-507%
Unrestricted	(307,124)	170%	(365,633)	184%	(261,735)	607%
Total net assets	\$ (180,946)	100%	\$ (198,466)	100%	\$ (43,126)	100%

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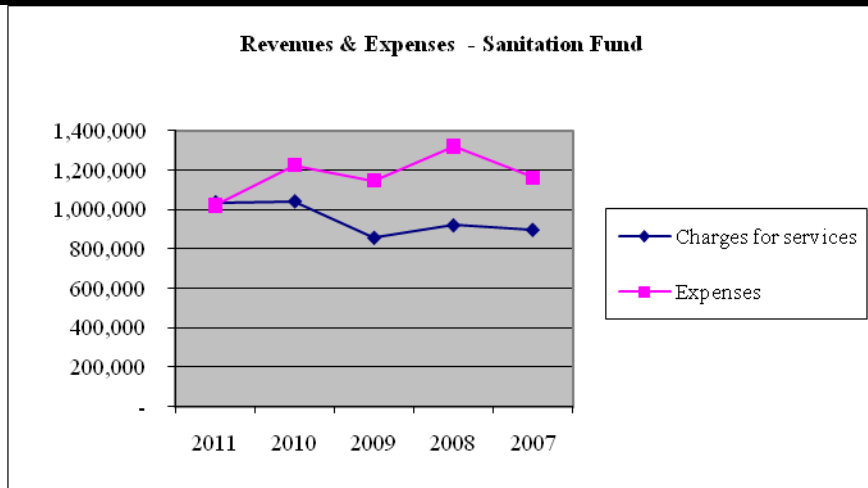
Summary of Changes in Net Assets

	2011		2010		2009	
	Business-type Activities	Percentage of Total	Business-type Activities	Percentage of Total	Business-type Activities	Percentage of Total
Revenues:						
Charges for services	\$ 1,036,348	99.9%	\$ 1,040,895	99.9%	\$ 858,958	99.8%
Investment earnings	1,114	0.1%	903	0.1%	1,738	0.2%
Total revenues	<u>1,037,462</u>	<u>100.0%</u>	<u>1,041,798</u>	<u>100.0%</u>	<u>860,696</u>	<u>100.0%</u>
Expenses:						
Personal services	\$ 498,565	48.9%	\$ 545,842	44.5%	\$ 566,324	49.4%
Purchased services	192,232	18.8%	266,803	21.8%	298,915	26.1%
Materials and supplies	246,443	24.2%	283,737	23.1%	201,693	17.6%
Bad debt	19,747	1.9%	50,453	0.0%	-	0.0%
Depreciation	56,226	5.5%	71,253	5.8%	74,322	6.5%
Interest	6,729	0.7%	8,093	0.7%	5,967	0.5%
Loss on disposal of assets	-	0.0%	-	0.0%	-	0.0%
Total expenses	<u>1,019,942</u>	<u>100.0%</u>	<u>1,226,181</u>	<u>95.9%</u>	<u>1,147,221</u>	<u>100.0%</u>
(Deficiency)	17,520		(184,383)		(286,525)	
Transfers	-		29,043		-	
Net change	17,520		(155,340)		(286,525)	
Beginning net assets, as restated	<u>(198,466)</u>		<u>(43,126)</u>		<u>243,399</u>	
Ending net assets	<u>\$ (180,946)</u>		<u>\$ (198,466)</u>		<u>\$ (43,126)</u>	

BUSINESS-TYPE ACTIVITIES ANALYSIS

2010 Analysis - Charges for services decreased only \$181,937 or 21.2% from fiscal year 2009. This increase relates to a increase in residential monthly garbage fee. Total operating expenses increased \$76,834 or 6.7% over fiscal year 2009. Purchased services were down \$32,112 or 10.7%. This decrease relates to the reduction in the cost of equipment rental and a decrease in the cost to dispose of yard waste. Materials and supplies increased \$82,044 or 40.7% over 2009. This increase is due to the cost of fuel and repairs and maintenance on equipment and expenses related to the cost of demolitions of substandard properties. Fortunately, in fiscal year 2010, the operating loss from fiscal year 2009 decreased by \$102,142 or 35.6%. However, the beginning net assets, as restated was not able to absorb all this loss.

2011 Analysis - Charges for services decreased only \$4,547 or .4% from fiscal year 2010. This decrease is minimal. Total operating expenses decreased \$206,239 or 17% compared to fiscal year 2011. Purchased services were down \$74,571 or 27.9%. This decrease relates to the reduction in the cost of equipment rental and the amount of tonnage hauled to landfill. Materials and supplies decreased \$37,294 or 13.1% from 2010. This decrease is due to less trips made to the landfill which leads to less wear and tear on the vehicles. Fortunately, in fiscal year 2011, there was an operating gain of \$17,520 rather than an operating loss as in fiscal year 2010. However, even with the operating gain, net assets remained negative.



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 \$2,663,319 as compared to \$2,033,165 at September 30, 2010. Of the City's \$2,663,319 fund balance, \$139,047 is restricted for Parks and playgrounds, \$29,538 is restricted for Public Safety Technology and \$539,080 is restricted for SPLOST capital projects. \$351,446 is assigned for Contingencies. The assigned amount at September 30, 2011 of \$3,987 relates to unspent hotel/motel taxes and grant funds.

The total ending fund balances of governmental funds show an increase of \$630,154 or 31% increase over 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 by \$752,790 or 55%. In fiscal year 2010, the fund balance decreased \$300,469.

Total revenues increased \$470,515 or 9.1% in 2011. Total taxes increased \$160,488 or 3.6%. Property taxes in 2011 were up \$144,987 or 8.8% over 2010. The local option sales taxes decreased \$23,619 or 2%.

Expenditures in total decreased \$551,689 or 10.2%. Public safety function was down, \$408,862 or 12.2%. This decrease relates mostly to staff reductions. Cultural and recreation was down \$152,311 or 30% due to staff reduction and the implementation of a weed control management program.

SPLOST 2004 Capital Projects Fund – In 2004, the citizens authorized the County, through referendum, to levy a 1% special purpose local option sales tax. The City received 8.17% of the total County collections. The purpose of the City's share of the taxes is drainage. In fiscal year 2011, the City did not received any additional proceeds from the County due the expiration of the tax. There was \$129,063 of these taxes expended on drainage at various sites throughout the City during 2011.

Budgetary Highlights

The General Fund – During the fiscal year ended September 30, 2011, the City Council adopted amendments to the budget. Fortunately, the total budgeted expenditures remained the same. However, it was required to adjust some departments mainly due to the manner in which the City Council allocates funds for Health Insurance. All of the funds for Health Insurance are allocated in a separate department and then the departmental operating budgets are increased and the Health Insurance budget is decreased based on actual expenditures. The health insurance costs are allocated based on the number of employees in the department. The Health Insurance original budget was \$804,759. This total amount was reallocated to the departments. The health insurance expenditures came in at \$222,853 under budget and these excess budgeted funds were used to offset overruns in other areas of the various departments.

Budgeted revenues were not amended and all categories with the exception of Charges for Services exceeded the budgeted amount. Actual revenues exceeded budgeted revenues by \$418,100 or 8%. \$351,446 of this was set aside in a contingency fund.

The City spent 98.9% of the total general fund amended budget.

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of September 30, 2011, was \$3,789,876 and \$126,178 respectively. The decrease in this net investment was .8% for governmental activities and a 24.5% decrease for business-type activities. The overall decrease was 1.80% for the City as a whole. See Note 3-D for additional information about changes in capital assets during the fiscal year and outstanding at the end of the year.

(This page continued on the subsequent page.)

The following table provides a summary of capital asset activity.

	Capital Assets				Total	
	Governmental Activities		Business-type Activities			
	2011	2010	2011	2010	2011	2010
Non-depreciable assets						
Land	\$628,815	\$ 567,082	\$ -	\$ -	\$628,815	\$ 567,082
Construction in progress	-	-	-	-	-	-
Total non-depreciable assets	<u>628,815</u>	<u>567,082</u>	<u>-</u>	<u>-</u>	<u>628,815</u>	<u>567,082</u>
Depreciable assets:						
Buildings	1,966,771	1,966,771	-	-	1,966,771	1,966,771
Infrastructure	694,309	565,387	-	-	694,309	565,387
Improvements	297,446	297,446	-	-	297,446	297,446
Machinery and equipment	<u>3,132,565</u>	<u>3,110,968</u>	<u>1,212,322</u>	<u>1,212,322</u>	<u>4,344,887</u>	<u>4,323,290</u>
Total depreciable assets	6,091,091	5,940,572	1,212,322	1,212,322	7,303,413	7,152,894
Less accumulated depreciation	<u>2,930,030</u>	<u>2,685,464</u>	<u>992,798</u>	<u>936,572</u>	<u>3,922,828</u>	<u>3,622,036</u>
Book value – depreciable assets	<u>3,161,061</u>	<u>3,255,108</u>	<u>219,524</u>	<u>275,750</u>	<u>3,380,585</u>	<u>3,530,858</u>
Percentage depreciated	<u>48%</u>	<u>45%</u>	<u>81%</u>	<u>77%</u>	<u>53%</u>	<u>50%</u>
Book value – all assets	<u><u>\$3,789,876</u></u>	<u><u>\$3,822,190</u></u>	<u><u>\$ 219,524</u></u>	<u><u>\$ 275,750</u></u>	<u><u>\$4,009,400</u></u>	<u><u>\$4,097,940</u></u>

At September 30, 2011, the depreciable capital assets for governmental activities were 48% depreciated. The percentage at September 30, 2010 was 45%. This comparison indicates that the City is replacing its assets at almost the same rate as they are depreciating, which is a positive indicator.

With the City's business-type activities, 81% of the asset values were depreciated at September 30, 2011 compared to 77% at September 30, 2010.

Long-term Debt

Outstanding Borrowings

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Capital leases	\$ -	\$ -	\$ 93,346	\$ 108,583	\$ 93,346	\$ 108,583
Employer funded death benefit	232,531	250,095	-	-	232,531	250,095
Compensated absences	127,110	131,839	12,753	13,008	139,863	144,847
Total	\$ 359,641	\$ 381,934	\$ 106,099	\$ 121,591	\$ 465,740	\$ 503,525

During fiscal year 2011, the City Governmental Activities had no capital leases. However, the Sanitation Fund acquired a new lease in 2009 and made a payment in 2011.

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

Economic Conditions Affecting the City

The City is the county seat for Peach County, Georgia, and is one of two incorporated cities within the County. The City's primary property taxpayer is *Blue Bird Body Company*, a manufacturer of buses. This taxpayer pays 28.88% of the total City property taxes.

Based upon the 2010 U.S. Bureau of Census, the City average household size is 2.57. Approximately 75% of the population is a high school graduate or higher and 18% has a bachelor's degree or higher. These percentages are slightly below the state of Georgia's averages.

The median household income is \$29,255 or only 41% of the state average. The per capital income is \$15,967 compared to \$25,134 for the state. About 38% of the City's population is below the United States poverty level.

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 Administrator at Post Office Box 956, Fort Valley, Georgia, 31030.

BASIC FINANCIAL STATEMENTS

City of Fort Valley, Georgia
Statement of Net Assets
September 30, 2011

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets:				
Current Assets:				
Cash and cash equivalents (Note 3A)	\$ 1,819,520	\$ 4,476	\$ 1,823,996	\$ 138,777
Investments (Note 3A)	139,047	-	139,047	9,694,743
Receivables:				
Accounts	82,240	44,114	126,354	2,530,015
Taxes	182,434	-	182,434	-
Intergovernmental	373,203	147,733	520,936	2,011
Interest	-	-	-	2,850
Internal	447,171	(447,171)	-	-
Inventory	-	-	-	696,690
Prepaid items	-	-	-	92,419
Unamortized loan origination fee	-	-	-	4,370
Non-current Assets:				
Restricted assets	-	-	-	405,020
Unamortized loan origination fee	-	-	-	44,672
Capital assets: (Note 3D)				
Non-depreciable capital assets	628,815	-	628,815	766,637
Depreciable capital assets, net	3,161,061	219,524	3,380,585	29,432,992
Total Assets	6,833,491	(31,324)	6,802,167	43,811,196
Liabilities:				
Current Liabilities:				
Accounts payable	157,908	35,386	193,294	1,136,981
Accrued expenses	42,966	4,461	47,427	54,617
Intergovernmental payable	16,258	-	16,258	153,343
Sales taxes payable	-	-	-	117,237
Unearned revenue	163,164	-	163,164	1,400
Accrued interest	-	3,676	3,676	-
Compensated absences payable	57,200	10,840	68,040	101,400
Notes payable	-	-	-	285,248
Capital leases payable	-	15,237	15,237	-
Long-term Liabilities: (Note 3F)				
Customer deposits	-	-	-	410,451
Compensated absences payable (net of current portion)	69,910	1,913	71,823	123,934
Accrued death benefits payable	232,531	-	232,531	-
Capital leases payable (net of current portion)	-	78,109	78,109	-
Notes payable (net of current portion)	-	-	-	3,483,789
Total Liabilities	739,937	149,622	889,559	5,868,400
Net Assets:				
Invested in capital assets, net of related debt (Note 3I)	3,789,876	126,178	3,916,054	26,430,593
Restricted for:				
Capital projects	539,080	-	539,080	-
Program purposes	3,987	-	3,987	-
Unrestricted	1,760,611	(307,124)	1,453,487	11,512,203
Total Net Assets	\$ 6,093,554	\$ (180,946)	\$ 5,912,608	\$ 37,942,796

See accompanying notes to the basic financial statements.

City of Fort Valley, Georgia
Statement of Activities
For the Year Ended September 30, 2011

Function/Program	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities				
General government	\$ 621,140	\$ 101,180	\$ 17,500	\$ 159,047
Judicial	53,767	-	-	-
Public safety	3,019,756	334,175	106,372	-
Public works	878,827	33,450	-	9,217
Culture and recreation	373,391	1,375	10,000	-
Housing and development	137,741	-	-	33,150
Total Governmental Activities	5,084,622	470,180	133,872	201,414
Business-type Activities				
Sanitation	1,019,942	1,036,348	-	-
Total Primary Government	\$ 6,104,564	\$ 1,506,528	\$ 133,872	\$ 201,414
Component Units				
Fort Valley Utility Commission	19,461,734	19,319,222	-	1,280
Main Street/Downtown Development Authority	180,194	66,214	90,386	25,539
Total Component Units	\$ 19,641,928	\$ 19,385,436	\$ 90,386	\$ 26,819

General Revenues

Property taxes levied for general government purposes
Alcoholic beverage tax
Local option sales tax
Insurance premium tax
Franchise tax
Hotel/motel tax
Unrestricted intergovernmental
Investment earnings
Miscellaneous

Total General Revenues

Transfers in/(out)

Total General Revenues and Transfers

Change in Net Assets

Net assets, beginning of year

Net assets, end of year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Assets

Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (343,413)	\$ -	\$ (343,413)	\$ -
(53,767)	-	(53,767)	-
(2,579,209)	-	(2,579,209)	-
(836,160)	-	(836,160)	-
(362,016)	-	(362,016)	-
<u>(104,591)</u>	<u>-</u>	<u>(104,591)</u>	<u>-</u>
(4,279,156)	-	(4,279,156)	-
-	16,406	16,406	-
<u>(4,279,156)</u>	<u>16,406</u>	<u>(4,262,750)</u>	<u>-</u>
-	-	-	(141,232)
-	-	-	1,945
-	-	-	<u>(139,287)</u>
1,789,376	-	1,789,376	-
175,839	-	175,839	-
1,182,170	-	1,182,170	-
430,924	-	430,924	-
1,065,837	-	1,065,837	-
28,770	-	28,770	-
175,000	-	175,000	-
17,885	1,114	18,999	35,995
33,488	-	33,488	875,568
<u>4,899,289</u>	<u>1,114</u>	<u>4,900,403</u>	<u>911,563</u>
-	-	-	-
<u>4,899,289</u>	<u>1,114</u>	<u>4,900,403</u>	<u>911,563</u>
620,133	17,520	637,653	772,276
<u>5,473,421</u>	<u>(198,466)</u>	<u>5,274,955</u>	<u>37,170,520</u>
<u>\$ 6,093,554</u>	<u>\$ (180,946)</u>	<u>\$ 5,912,608</u>	<u>\$ 37,942,796</u>

City of Fort Valley, Georgia
Balance Sheet
Governmental Funds
September 30, 2011

	General	2004 SPLOST Fund	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and cash equivalents	\$ 1,278,353	\$ 541,015	\$ 152	\$ 1,819,520
Investments	139,047	-	-	139,047
Receivables:				
Accounts	82,240	-	-	82,240
Taxes	176,044	-	6,390	182,434
Intergovernmental	373,203	-	-	373,203
Interfund	448,221	-	-	448,221
Total Assets	\$ 2,497,108	\$ 541,015	\$ 6,542	\$ 3,044,665
 Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 155,353	\$ -	\$ 2,555	\$ 157,908
Accrued expenditures	42,081	885	-	42,966
Intergovernmental payable	16,258	-	-	16,258
Interfund payable	-	1,050	-	1,050
Deferred revenue	163,164	-	-	163,164
Total Liabilities	376,856	1,935	2,555	381,346
 Fund Balances:				
Restricted for:				
Parks and playgrounds	139,047	-	-	139,047
Public safety technology	29,538	-	-	29,538
SPLOST capital projects	-	539,080	-	539,080
Assigned for:				
Contingencies	351,446	-	-	351,446
Other	-	-	3,987	3,987
Unassigned	1,600,221	-	-	1,600,221
Total Fund Balances	2,120,252	539,080	3,987	2,663,319
Total Liabilities and Fund Balances	\$ 2,497,108	\$ 541,015	\$ 6,542	\$ 3,044,665

See accompanying notes to the basic financial statements.

City of Fort Valley, Georgia
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2011

Total Governmental Fund Balances \$ 2,663,319

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

Capital assets used in governmental activities are not financial resources and therefore not reported in the funds. However, in the statement of net assets the cost of these assets are capitalized and expensed over their estimated lives through annual depreciation expense.

Cost of capital assets	\$ 6,719,906	
Less accumulated depreciation	<u>(2,930,030)</u>	3,789,876

Interfund receivables and payables between governmental funds are reported on the fund balance sheet but eliminated on the government-wide statement of net assets:

Interfund receivables	\$ (1,050)	
Interfund payables	<u>1,050</u>	-

Liabilities are not due and payable in the current period and therefore are not reported in the funds:

Compensated absences	\$ (127,110)	
Accrued death benefits	<u>(232,531)</u>	<u>(359,641)</u>

Net Assets of Governmental Activities **\$ 6,093,554**

See accompanying notes to the basic financial statements.

City of Fort Valley, Georgia
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2011

	<u>General</u>	<u>2004 SPLOST Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes	\$ 4,647,975	\$ -	\$ 24,936	\$ 4,672,911
Licenses and permits	99,740	-	-	99,740
Intergovernmental	291,372	-	33,150	324,522
Charges for services	55,934	-	-	55,934
Fines and forfeitures	314,520	-	-	314,520
Investment earnings	17,885	9,171	46	27,102
Contributions	156,547	-	-	156,547
Miscellaneous	33,475	-	-	33,475
Total Revenues	<u>5,617,448</u>	<u>9,171</u>	<u>58,132</u>	<u>5,684,751</u>
Expenditures:				
Current:				
General government	672,156	-	-	672,156
Judicial	52,075	-	-	52,075
Public safety	2,935,713	-	-	2,935,713
Public works	773,120	-	-	773,120
Culture and recreation	354,729	-	-	354,729
Housing and development	92,956	-	44,785	137,741
Capital Outlay	-	129,063	-	129,063
Total Expenditures	<u>4,880,749</u>	<u>129,063</u>	<u>44,785</u>	<u>5,054,597</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>736,699</u>	<u>(119,892)</u>	<u>13,347</u>	<u>630,154</u>
Other Financing Sources (Uses):				
Transfers in	16,091	-	-	16,091
Transfers out	-	-	(16,091)	(16,091)
Total Other Financing Sources (Uses)	<u>16,091</u>	<u>-</u>	<u>(16,091)</u>	<u>-</u>
Net Change in Fund Balances	752,790	(119,892)	(2,744)	630,154
Fund Balances, Beginning of Year	<u>1,367,462</u>	<u>658,972</u>	<u>6,731</u>	<u>2,033,165</u>
Fund Balances, End of Year	<u>\$ 2,120,252</u>	<u>\$ 539,080</u>	<u>\$ 3,987</u>	<u>\$ 2,663,319</u>

See accompanying notes to the basic financial statements.

City of Fort Valley, Georgia
***Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities***
For the Year Ended September 30, 2011

Net Changes in Fund Balances - Total Governmental Funds \$ 630,154

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Depreciation expense	\$	(247,378)	
Capital outlay		205,752	
Donated Capital Assets		20,000	
Loss on Capital Asset Disposals		<u>(10,688)</u>	(32,314)

Accrued death benefits reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Liability @ 9/30/10	\$	250,095	
Liability @ 9/30/11		<u>(232,531)</u>	17,564

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

Liability @ 9/30/10	\$	131,839	
Liability @ 9/30/11		<u>(127,110)</u>	<u>4,729</u>

Change in Net Assets of Governmental Activities \$ 620,133

See accompanying notes to the basic financial statements.

City of Fort Valley, Georgia

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the Year Ended September 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
Taxes	\$ 4,506,949	\$ 4,506,949	\$ 4,647,975	\$ 141,026
Licenses and permits	98,275	98,275	99,740	1,465
Intergovernmental	250,849	250,849	291,372	40,523
Charges for services	98,655	98,655	55,934	(42,721)
Fines and forfeitures	225,000	225,000	314,520	89,520
Investment earnings	13,620	13,620	17,885	4,265
Contributions	-	-	156,547	156,547
Miscellaneous	6,000	6,000	33,475	27,475
Total Revenues	<u>5,199,348</u>	<u>5,199,348</u>	<u>5,617,448</u>	<u>418,100</u>
Expenditures:				
Current:				
General government	570,762	677,490	672,156	(5,334)
Judicial	47,444	55,888	52,075	(3,813)
Public safety	2,447,503	2,937,008	2,935,713	(1,295)
Public works	688,770	774,310	773,120	(1,190)
Culture and recreation	253,037	359,020	354,729	(4,291)
Housing and development	84,505	93,005	92,956	(49)
Health insurance	804,759	-	-	-
Debt Service:				
Principal retirement	14,273	14,273	-	(14,273)
Interest and fiscal charges	22,566	22,566	-	(22,566)
Total Expenditures	<u>4,933,619</u>	<u>4,933,560</u>	<u>4,880,749</u>	<u>(52,811)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>265,729</u>	<u>265,788</u>	<u>736,699</u>	<u>470,911</u>
Other Financing Sources:				
Transfers in	-	-	16,091	16,091
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>16,091</u>	<u>16,091</u>
Net Change in Fund Balances	265,729	265,788	752,790	487,002
Fund Balances, Beginning of Year	<u>1,367,462</u>	<u>1,367,462</u>	<u>1,367,462</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 1,633,191</u>	<u>\$ 1,633,250</u>	<u>\$ 2,120,252</u>	<u>\$ 487,002</u>

See accompanying notes to the basic financial statements.

City of Fort Valley, Georgia
Comparative Statement of Net Assets
Proprietary Fund - Sanitation Fund
September 30, 2011 and 2010

Assets:	<u>2011</u>	<u>2010</u>
Current Assets:		
Cash and cash equivalents	\$ 4,476	\$ 18,362
Receivables:		
Accounts	44,114	36,832
Intergovernmental	147,733	149,654
Total Current Assets	<u>196,323</u>	<u>204,848</u>
Non-current Assets:		
Capital Assets:		
Depreciable capital assets, net	<u>219,524</u>	<u>275,750</u>
Total Assets	<u>415,847</u>	<u>480,598</u>
Liabilities:		
Current Liabilities:		
Accounts payable	35,386	31,613
Accrued expenses	4,461	4,711
Interfund payable	447,171	516,874
Accrued interest	3,676	4,275
Compensated absences payable	10,840	2,602
Capital leases payable	15,237	15,237
Total Current Liabilities	<u>516,771</u>	<u>575,312</u>
Long-term Liabilities:		
Capital leases payable (net of current portion)	78,109	93,346
Compensated absences payable (net of current portion)	1,913	10,406
Total Long-term Liabilities	<u>80,022</u>	<u>103,752</u>
Total Liabilities	<u>596,793</u>	<u>679,064</u>
Net Assets:		
Invested in capital assets, net of related debt	126,178	167,167
Unrestricted	<u>(307,124)</u>	<u>(365,633)</u>
Total Net Assets	<u>\$ (180,946)</u>	<u>\$ (198,466)</u>

See accompanying notes to the basic financial statements.

City of Fort Valley, Georgia
Comparative Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund - Sanitation Fund
For the Years Ended September 30, 2011 and 2010

	2011	2010
Operating Revenues:		
Charges for services	\$ 1,036,348	\$ 1,040,895
Operating Expenses:		
Personal services	498,565	545,842
Purchased services	192,232	266,803
Materials and supplies	246,443	283,737
Bad Debt	19,747	50,453
Depreciation	56,226	71,253
Total Operating Expenses	1,013,213	1,218,088
Operating (Loss)	23,135	(177,193)
Non-operating Revenues (Expenses):		
Interest and fiscal charges	(6,729)	(8,093)
Investment earnings	1,114	903
Total Non-operating Revenues	(5,615)	(7,190)
(Loss) before Transfers in	17,520	(184,383)
Transfers in	-	29,043
Change in Net Assets	17,520	(155,340)
Net Assets, Beginning of Year	(198,466)	(43,126)
Net Assets, End of Year	\$ (180,946)	\$ (198,466)

See accompanying notes to the basic financial statements.

City of Fort Valley, Georgia
Comparative Statement of Cash Flows
Proprietary Fund - Sanitation Fund
For the Years Ended September 30, 2011 and 2010

	2011	2010
Increase in Cash and Cash Equivalents:		
Cash Flows from Operating Activities:		
Cash received from customers	\$ 1,011,240	\$ 1,025,482
Cash payments to employees for services	(499,070)	(540,492)
Cash payments for goods and services	(434,902)	(519,754)
Net Cash Provided by (Used in) Operating Activities	77,268	(34,764)
Cash Flows from Non-capital Financing Activities:		
Interfund payable	(69,703)	39,088
Transfers in	-	29,043
Net Cash Provided by (Used in) Non-capital Financing Activities	(69,703)	68,131
Cash Flows from Capital and Related Financing Activities:		
Principal paid on notes	(15,237)	(19,811)
Interest paid on notes	(7,328)	(8,655)
Net Cash (Used in) Capital and Related Financing Activities	(22,565)	(28,466)
Cash Flows from Investing Activities:		
Investment earnings	1,114	903
Net Increase (Decrease) in Cash and Cash Equivalents	(13,886)	5,804
Cash and Cash Equivalents, Beginning of Year	18,362	12,558
Cash and Cash Equivalents, End of Year	\$ 4,476	\$ 18,362
Reconciliation of Operating (Loss) to Net Cash (Used in) Operating Activities		
Operating (Loss)	\$ 23,135	\$ (177,193)
Adjustments:		
Depreciation	56,226	71,253
(Increase) Decrease in Assets:		
Accounts receivable	(7,282)	65,507
Intergovernmental receivable	1,921	(30,467)
Increase (Decrease) in Liabilities:		
Accounts payable	3,773	30,786
Accrued expenses	(250)	1,614
Compensated absences payable	(255)	3,736
Net Cash Provided by (Used in) Operating Activities	\$ 77,268	\$ (34,764)

See accompanying notes to the basic financial statements.

City of Fort Valley, Georgia
Comparative Statement of Fiduciary Net Assets
Fiduciary Fund - Library Endowment Trust Fund
September 30, 2011 and 2010

	2011	2010
Assets:		
Cash and cash equivalents	\$ 35,999	\$ 35,994
Interest receivable	102	144
Total Assets	\$ 36,101	\$ 36,138
Net Assets:		
Held in trust for library purposes	\$ 36,101	\$ 36,138

See accompanying notes to the basic financial statements.

City of Fort Valley, Georgia
Comparative Statement of Changes in Fiduciary Net Assets
Fiduciary Fund - Library Endowment Trust Fund
For the Years Ended September 30, 2011 and 2010

	2011	2010
Additions:		
Investment earnings	\$ 483	\$ 649
Deductions:		
Culture and recreation	520	685
Change in Net Assets	(37)	(36)
Net Assets, Beginning of Year	36,138	36,174
Net Assets, End of Year	\$ 36,101	\$ 36,138

See accompanying notes to the basic financial statements.

City of Fort Valley, Georgia
Combining Statement of Net Assets
Component Units
September 30, 2011

	<u>Main Street DDA Authority</u>	<u>Fort Valley Utility Commission</u>	<u>Total</u>
Assets:			
Cash and cash equivalents (Note 3-A)	\$ 29,503	\$ 109,274	\$ 138,777
Investments (Note 3-A):	-	9,694,743	9,694,743
Receivables:			
Accounts (net of allowance for uncollectibles):	6,431	2,523,584	2,530,015
Intergovernmental	2,011	-	2,011
Interest	-	2,850	2,850
Inventory (Note 1-E-4)	-	696,690	696,690
Prepaid expenses (Note 1-E-5)	-	92,419	92,419
Unamortized loan origination fee (Note 1-E-10)	-	4,370	4,370
Total Current Assets	<u>37,945</u>	<u>13,123,930</u>	<u>13,161,875</u>
Non-current Assets:			
Restricted assets (Note 1-E-6)	-	405,020	405,020
Unamortized loan origination fee	-	44,672	44,672
Capital assets: (Note 3-D)			
Non-depreciable	570,142	196,495	766,637
Depreciable, net	1,492,587	27,940,405	29,432,992
Total Non-current Assets	<u>2,062,729</u>	<u>28,586,592</u>	<u>30,649,321</u>
Total Assets	<u>2,100,674</u>	<u>41,710,522</u>	<u>43,811,196</u>
Liabilities:			
Current Liabilities:			
Accounts payable	10,232	1,126,749	1,136,981
Accrued payroll	-	49,069	49,069
Payroll deductions payable	-	5,548	5,548
Sales taxes payable	-	117,237	117,237
Intergovernmental payable	5,610	147,733	153,343
Unearned revenue	1,400	-	1,400
Compensated absences payable	-	101,400	101,400
Notes payable (Note 3-F)	21,922	263,326	285,248
Total Current Liabilities	<u>39,164</u>	<u>1,811,062</u>	<u>1,850,226</u>
Non-current Liabilities:			
Customer deposits payable from restricted assets	-	410,451	410,451
Compensated absences payable (net of current portion)	-	123,934	123,934
Notes payable (net of current portion) (Note 3-F)	254,662	3,229,127	3,483,789
Total Non-current Liabilities	<u>254,662</u>	<u>3,763,512</u>	<u>4,018,174</u>
Total Liabilities	<u>293,826</u>	<u>5,574,574</u>	<u>5,868,400</u>
Net Assets:			
Invested in capital assets, net of related debt	1,786,145	24,644,448	26,430,593
Unrestricted	20,703	11,491,500	11,512,203
Total Net Assets	<u>\$ 1,806,848</u>	<u>\$ 36,135,948</u>	<u>\$ 37,942,796</u>

See accompanying notes to the basic financial statements.

City of Fort Valley, Georgia
Combining Statement of Activities
Component Units
For the Year Ended September 30, 2011

	<u>Main Street DDA Authority</u>	<u>Fort Valley Utility Commission</u>	<u>Total</u>
Expenses:			
General government	\$ 180,194	\$ -	\$ 180,194
Utilities	<u>-</u>	<u>19,461,734</u>	<u>19,461,734</u>
Total Expenses	<u>180,194</u>	<u>19,461,734</u>	<u>19,641,928</u>
Revenues:			
Program:			
Charges for services	66,214	19,319,222	19,385,436
Operating grants and contributions	90,386	-	90,386
Capital grants and contributions	<u>25,539</u>	<u>1,280</u>	<u>26,819</u>
Total Program Revenues	<u>182,139</u>	<u>19,320,502</u>	<u>19,502,641</u>
Net Program (Expense) Revenue	<u>1,945</u>	<u>(141,232)</u>	<u>(139,287)</u>
General Revenues:			
Investment earnings	-	35,995	35,995
Miscellaneous	<u>386</u>	<u>875,182</u>	<u>875,568</u>
Total General Revenues	<u>386</u>	<u>911,177</u>	<u>911,563</u>
Change in Net Assets	2,331	769,945	772,276
Net Assets, Beginning of Year	<u>1,804,517</u>	<u>35,366,003</u>	<u>37,170,520</u>
Net Assets, End of Year	<u>\$ 1,806,848</u>	<u>\$ 36,135,948</u>	<u>\$ 37,942,796</u>

See accompanying notes to the basic financial statements.

City of Fort Valley, Georgia
Notes to the Basic Financial Statements
For the Year Ended September 30, 2011

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City of Fort Valley, Georgia
Notes to the Basic Financial Statements
For the Year Ended September 30, 2011

The City of Fort Valley, Georgia (“the City”) was chartered by an act of the General Assembly of the State of Georgia. The City operates under a Council/Manager form of government with the Council consisting of six elected members. The City provides the following services as authorized by its charter: general government, judicial, public safety (police and fire), public works, culture and recreation and housing and development. The City also operates a sanitation program.

Note 1 - Summary of Significant Accounting Policies

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

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

1-A. Reporting Entity

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

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 organization; (2) the City is legally entitled to or can otherwise access the organization's resources; (3) the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the City is obligated for the debt of the organization. Component units also may include organizations that are fiscally dependent on the City in that the City approves the budget, levies their taxes or issues their debt.

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

Brief descriptions of the discretely presented component units follow:

Fort Valley Utility Commission – (“the Utility Commission”) - The Utility Commission was formed and operates pursuant to the charter of the City of Fort Valley, Georgia, as amended, and acts of the Georgia State Legislature. The Utility Commission consists of five members: the Mayor of the City is an ex-officio member and four popularly elected commissioners, two elected at large and two elected by ward (i.e. east and west). The Utility Commission is a legally separate entity because it has its own name, can sue and be sued in its own name and can buy, sell and lease property in its own name.

The City believes it would be misleading to omit the Utility Commission from its financial statements; therefore, the Utility Commission is reported as a discretely presented component unit of the City. The Utility Commission issues separate financial statements which are available at the Utility Commission’s administrative office within the City.

Fort Valley Main Street/DDA – (“Main Street/DDA”) - Main Street/DDA was created to promote business in the downtown area of the City. During the fiscal year ended September 30, 1999, Fort Valley Main Street combined its operations with the Fort Valley Redevelopment Authority. Also during that fiscal year, Fort Valley Main Street combined its operations with the dormant Fort Valley Downtown Development Authority. The combination of these three entities is now referred to as “Fort Valley Main Street/DDA.” Main Street/DDA sponsors promotional events for the community and offers the opportunity for downtown merchants to work together in these pursuits. The Mayor and City Council of the City appoint the Main Street/DDA board members. Main Street/DDA is a governmental fund type. Main Street/DDA does not issue separate financial statements.

City of Fort Valley, Georgia
Notes to the Basic Financial Statements
For the Year Ended September 30, 2011

Note 1 – Summary of Significant Accounting Policies (continued)

1-B. Basis of Presentation

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

Government-wide Financial Statements - The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the City as a whole. 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. The fiduciary funds are not reported in the government-wide statements.

The statement of net assets presents the financial position of the governmental and business-type activities of the City and its discretely presented component units 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 and proprietary funds.

Major individual governmental and enterprise funds 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 three categories of funds: governmental, proprietary and fiduciary.

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 are the City's major governmental funds:

City of Fort Valley, Georgia
Notes to the Basic Financial Statements
For the Year Ended September 30, 2011

Note 1 – Summary of Significant Accounting Policies (continued)

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

SPLOST Capital Projects Fund – The 2004 SPLOST capital project fund is used to account for all financial resources obtained by the 2004 levy of a one percent special purpose local option sales tax and related expenditures.

Proprietary Funds – The proprietary funds' reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. The City's only proprietary fund, the sanitation fund, is classified as a major enterprise fund. The sanitation fund is used to account for all financial resources related to the sanitation services provided to the City's citizens.

Fiduciary Funds – The fiduciary funds' reporting focuses on net assets. Fiduciary funds employ the economic resources measurement focus and are accounted for on the accrual basis of accounting. The City's fiduciary fund is a private purpose trust fund and its resources go to the Thomas Public Library, which is not a program or purpose of the City. This reporting focuses on net assets and changes in net assets.

1-C. Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus, as are the proprietary fund and fiduciary fund financial statements. 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 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 this fund are included on the statements of net assets. The statement of changes in fund net assets presents 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 and the proprietary, fiduciary and component unit fund 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. 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.

City of Fort Valley, Georgia
Notes to the Basic Financial Statements
For the Year Ended September 30, 2011

Note 1 – Summary of Significant Accounting Policies (continued)

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 3-C) Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and, expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions also must be available (i.e. collected within 60 days) before it can be recognized.

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

Deferred 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

City of Fort Valley, Georgia
Notes to the Basic Financial Statements
For the Year Ended September 30, 2011

Note 1 – Summary of Significant Accounting Policies (continued)

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 September 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.

1-E-4. Consumable Inventories (Utility Commission)

Inventory is recorded using the average unit cost method and expensed when consumed. Inventories include propane gas, meters, transformers, lines, poles, pipe and modems.

1-E-5. Prepaid Items (Utility Commission)

Payments made to vendors for services (i.e. prepaid insurance) that will benefit periods beyond September 30, 2011, are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expense in the year in which services are consumed.

1-E-6. Restricted Assets (Utility Commission)

Restricted assets are customer deposits for utility services.

1-E-7. 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 governmental fund financial statements. Capital assets utilized by enterprise funds are reported both in the business-type activities column of the government-wide statement of net assets and in the enterprise funds' statement of net assets.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of five thousand dollars. The cost of infrastructure assets that were acquired or received substantial improvements prior to fiscal year 2004 are not required to be, but may be capitalized. Pursuant to GASB Statement No. 34, the City elected not to report major general infrastructure assets retroactively. However, the City began capitalizing infrastructure prospectively October 1, 2003. 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. At the inception of capital leases at the governmental fund reporting level, expenditures and an "other financing source" of an equal amount are reported at the net present value of future minimum lease payments.

City of Fort Valley, Georgia
Notes to the Basic Financial Statements
For the Year Ended September 30, 2011

Note 1 – Summary of Significant Accounting Policies (continued)

City of Fort Valley/Main Street

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

<u>Asset Class</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Buildings	20 – 50 years	N/A
Infrastructure	15 – 30 years	N/A
Land improvements	15 – 30 years	N/A
Machinery and equipment	3 – 20 years	3 – 20 years

Fort Valley Utility Commission

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

<u>Asset Class</u>	<u>Depreciation Rate</u>
Buildings	2%
Natural gas system	2%
Natural gas meters	2.5%
Natural gas equipment	5 - 20%
Electric system and equipment	3 - 10%
Water system and equipment	2.5 - 10%
Sewerage system and equipment	2.5 - 10%
Fiber optic system and equipment	2.5 - 10%
Intangible assets	10%

1-E-8. Compensated Absences

Vacation benefits, comp time and holiday time 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.

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

1-E-9. 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 and death benefits payable 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.

City of Fort Valley, Georgia
Notes to the Basic Financial Statements
For the Year Ended September 30, 2011

Note 1 – Summary of Significant Accounting Policies (continued)

1-E-10. 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 –The City implemented GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in fiscal year 2011. 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 spendable in 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 only be used for specific purposes pursuant to constraints imposed by formal action of the City Council through the adoption of a resolution. The City Council 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. Through resolution, the City Council has authorized the City’s finance committee or City’s finance director 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.

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 fun 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.

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

1-E-11. 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 solid waste and transfer station programs. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of each fund.

City of Fort Valley, Georgia
Notes to the Basic Financial Statements
For the Year Ended September 30, 2011

Note 1 – Summary of Significant Accounting Policies (continued)

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 after non-operating revenues/expenses 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.

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 and the hotel/motel tax special revenue fund. Project budgets are adopted for the SPLOST capital projects funds.

The general fund and hotel/motel tax special revenue fund are adopted on a basis consistent with GAAP. Budgets for the SPLOST capital projects funds are adopted on a basis consistent with GAAP except the budget period is a project period rather than an annual period.

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. Any change in total to a fund or departmental appropriation within a fund requires approval of the Mayor and City Council.

The City's management may approve budget transfers within departments. During the year, the Mayor and City Council approved a budget revision.

All unexpended annual appropriations lapse at year-end.

Note 3 - Detailed Notes on All Funds

3-A. Deposits and Investments

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, Utility Commission's, or Main Street/DDA's deposits may not be recovered.

City of Fort Valley, Georgia
Notes to the Basic Financial Statements
For the Year Ended September 30, 2011

Note 3 - Detailed Notes on All Funds (continued)

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.

City Deposits - The City's bank balances of deposits as of September 30, 2011 were entirely insured or collateralized with securities held by the City's agent in the City's name. At September 30, 2011, the bank balances were \$1,906,031 and the carrying amount was \$1,823,996. \$250,000 of the City's bank balances were insured by FDIC insurance, with the remaining \$1,656,031 secured by pledged securities. The City has not adopted formal cash policies.

Utility Commission Deposits and Investments – The Utility Commission has adopted formal cash and investment policies.

At September 30, 2011, all bank balances were entirely insured or collateralized with securities held by the Utility Commission's agent in the Utility Commission's name. At September 30, 2011, the bank balances were \$403,751 and the carrying amount was \$106,264.

Main Street/DDA – Deposits – At September 30, 2011, all of the Main Street/DDA's bank balances were entirely FDIC insured. At September 30, 2011, the bank balances were \$32,166 and the carrying amount was \$29,503.

Investments

City of Fort Valley

The City of Fort Valley has not adopted any investment policies. At September 30, 2011, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity Period</u>	
		<u>Less than 1 year</u>	
Mutual Funds - Debt	\$ 34,483	\$	34,483
Total Debt Securities	\$ 34,483	\$	34,483
Money Market Savings	\$ 19,361		
Equity Securities	63,669		
Mutual Funds - Equity	21,535		
Total Investments	\$ 139,047		

The City received its investments during the fiscal year as a beneficiary of a trust. The investments are restricted by the terms of the trust for the development of parks and playgrounds.

Principal risks of the City's investments include:

Credit Quality Risk – Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's money market accounts and mutual fund investments are not rated.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The City's fixed income mutual funds have an average effective maturity from 5.52 to 9.13 years.

City of Fort Valley, Georgia
Notes to the Basic Financial Statements
For the Year Ended September 30, 2011

Note 3 - Detailed Notes on All Funds (continued)

Fort Valley Utility Commission

At September 30, 2011, the Utility Commission had the following investments presented by maturity period:

Investment Type	Fair Value	Maturity Period		
		Three Months or Less	4 - 12 Months	1 - 5 Years
Certificate of Deposit	\$ 1,723,869	\$ -	\$ -	\$ 1,723,869
Money Market Account	515,398			
Municipal Competitive Trust	7,860,497			
Total	\$ 10,099,764			

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The investment policies require the Utility Commission to minimize interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations.

Credit Quality Risk – Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Utility Commission’s money market account and investment in the municipal competitive trust are not rated.

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the Utility Commission’s investments may not be recovered. The investment policies require securities to be held by an independent third-party custodian selected by the Utility Commission as evidenced by safekeeping receipts in the Utility Commission’s name. At September 30, 2011, all investments were entirely insured or collateralized with securities held by the Utility Commission’s agent in the Utility Commission’s name.

Concentration Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of the Utility Commission’s investment in a single issuer. The investment policies require that the investments be diversified by limiting investments to avoid over concentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities); limiting investment in securities that have higher credit risks; investing in securities with varying maturities; and, continuously investing a portion of the portfolio in readily available funds, local government investment pools, money market funds or overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

The Commission’s certificates of deposits are issued by the following banks at September 30, 2011:

Bank:	Amount	% of Total
CB&T Bank of Middle Georgia	<u>1,723,869</u>	100%

3-B. Receivables

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

Receivables and payables are recorded on the City’s financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation and in the case of receivables, collectibility.

3-C. Property Taxes

The City Council levies property taxes in October. Property taxes are due in December and attach as an enforceable lien on property as of January 1.

City of Fort Valley, Georgia
Notes to the Basic Financial Statements
For the Year Ended September 30, 2011

Note 3 - Detailed Notes on All Funds (continued)

3-D. Capital Assets

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

	<u>Balance 10/1/2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 9/30/11</u>
Governmental activities:				
Non-depreciable capital assets:				
Land	\$ 567,082	\$ 61,733	\$ -	\$ 628,815
Total non-depreciable capital assets	<u>567,082</u>	<u>61,733</u>	<u>-</u>	<u>628,815</u>
Depreciable capital assets:				
Buildings	1,966,771	-	-	1,966,771
Infrastructure	565,387	128,922	-	694,309
Improvements	297,446	-	-	297,446
Machinery and equipment	3,110,968	35,097	13,500	3,132,565
Total depreciable capital assets	<u>5,940,572</u>	<u>164,019</u>	<u>13,500</u>	<u>6,091,091</u>
Total capital assets	<u>6,507,654</u>	<u>225,752</u>	<u>13,500</u>	<u>6,719,906</u>
Accumulated depreciation:				
Buildings	312,131	15,478	-	327,609
Infrastructure	-	31,492	-	31,492
Improvements	123,500	12,092	-	135,592
Machinery and equipment	2,249,833	188,316	2,812	2,435,337
Total accumulated depreciation	<u>2,685,464</u>	<u>247,378</u>	<u>2,812</u>	<u>2,930,030</u>
Governmental activities capital assets, net	<u>\$ 3,822,190</u>	<u>\$ (21,626)</u>	<u>\$ 10,688</u>	<u>\$ 3,789,876</u>
Governmental activities depreciation expense:				
General government	\$ 2,348			
Public safety	110,674			
Public works	114,938			
Culture and recreation	<u>19,418</u>			
Total governmental activities depreciation expense	<u>\$ 247,378</u>			

City of Fort Valley, Georgia
Notes to the Basic Financial Statements
For the Year Ended September 30, 2011

Note 3 - Detailed Notes on All Funds (continued)

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

	<u>Balance</u> <u>10/01/2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/11</u>
Business-type activities:				
Depreciable capital assets:				
Machinery and equipment	\$ 1,212,322	\$ -	\$ -	\$ 1,212,322
Accumulated depreciation:				
Machinery and equipment	<u>936,572</u>	<u>56,226</u>	<u>-</u>	<u>992,798</u>
Capital assets - net	<u>\$ 275,750</u>	<u>\$ (56,226)</u>	<u>\$ -</u>	<u>\$ 219,524</u>

Capital asset activity for Main Street/DDA component unit for the year ended September 30, 2011, was as follows:

	<u>Balance</u> <u>10/01/10</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>09/30/2011</u>
Main Street/DDA:				
Capital assets not being depreciated:				
Land	\$ 366,135	\$ -	\$ -	\$ 366,135
Construction in progress	<u>1,075,028</u>	<u>29,308</u>	<u>900,329</u>	<u>\$ 204,007</u>
Total capital assets not being depreciated	<u>1,441,163</u>	<u>29,308</u>	<u>900,329</u>	<u>570,142</u>
Depreciable capital assets:				
Buildings	775,262	900,329	-	1,675,591
Improvements	15,249	-	-	15,249
Machinery and equipment	<u>11,490</u>	<u>-</u>	<u>-</u>	<u>11,490</u>
Total depreciable capital assets	<u>802,001</u>	<u>900,329</u>	<u>-</u>	<u>1,702,330</u>
Total capital assets	<u>2,243,164</u>	<u>929,637</u>	<u>900,329</u>	<u>2,272,472</u>
Accumulated depreciation:				
Buildings	154,895	36,648	-	191,543
Improvements	6,100	610	-	6,710
Machinery and equipment	<u>11,490</u>	<u>-</u>	<u>-</u>	<u>11,490</u>
Total accumulated depreciation	<u>172,485</u>	<u>37,258</u>	<u>-</u>	<u>209,743</u>
Main Street/DDA capital assets, net	<u>\$ 2,070,679</u>	<u>\$ 892,379</u>	<u>\$ 900,329</u>	<u>\$ 2,062,729</u>

City of Fort Valley, Georgia
Notes to the Basic Financial Statements
For the Year Ended September 30, 2011

Note 3 - Detailed Notes on All Funds (continued)

Capital asset activity for the Utility Commission component unit for the year ended September 30, 2011, was as follows:

	<u>Balance 10/01/2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 09/30/2011</u>
Utility Commission component unit				
Non-depreciable capital assets:				
Land	\$ 100,830	\$ -	\$ -	\$ 100,830
Construction in progress	82,708	243,028	230,071	95,665
Total non-depreciable capital assets	<u>183,538</u>	<u>243,028</u>	<u>230,071</u>	<u>196,495</u>
Depreciable capital assets:				
Building	335,744	-	-	335,744
Distribution system	42,113,320	720,156	1,443	42,832,033
Machinery and equipment	3,380,554	385,829	140,824	3,625,559
Intangibles	282,831	-	5,347	277,484
Total depreciable capital assets	<u>46,112,449</u>	<u>1,105,985</u>	<u>147,614</u>	<u>47,070,820</u>
Total capital assets	<u>46,295,987</u>	<u>1,349,013</u>	<u>377,685</u>	<u>47,267,315</u>
Accumulated depreciation:				
Building	217,801	4,535	-	222,336
Distribution system	15,249,146	972,213	1,443	16,219,916
Machinery and equipment	2,452,447	198,827	130,973	2,520,301
Intangibles	145,773	27,436	5,347	167,862
Total accumulated depreciation	<u>18,065,167</u>	<u>1,203,011</u>	<u>137,763</u>	<u>19,130,415</u>
Utility Commission capital assets, net	<u>\$ 28,230,820</u>	<u>\$ 146,002</u>	<u>\$ 239,922</u>	<u>\$ 28,136,900</u>

3-E. Interfund Balances and Transfers

Interfund balances at September 30, 2011, consisted of the following amounts and represent charges for services or reimbursable expenses. These remaining balances resulted from the time lag between the dates that: (1) interfund goods or services are provided or reimbursable expenditures occur; (2) transactions are recorded in the accounting period; and, (3) payments between funds are made. The City expects to repay all interfund balances within one year, with the exception of the interfund amount between the General Fund and the Sanitation Fund. Management is reevaluating the situation to determine if it can be repaid in the future, or if the amount will need to be reclassified as a transfer.

Payable to:	<u>Payable from:</u>		
	<u>2004 SPLOST Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>
General fund	\$ 1,050	\$ 447,171	\$ 448,221
Total	<u>\$ 1,050</u>	<u>\$ 447,171</u>	<u>\$ 448,221</u>

City of Fort Valley, Georgia
Notes to the Basic Financial Statements
For the Year Ended September 30, 2011

Note 3 - Detailed Notes on All Funds (continued)

Interfund transfers for the year ended September 30, 2011, consisted of the following:

<u>Transfer to:</u>	<u>Transfer From:</u>	
	<u>Non-major</u>	
	<u>Governmental</u>	
	<u>Funds</u>	<u>Total</u>
General fund	\$ 16,091	\$ 16,091
Total	<u>\$ 16,091</u>	<u>\$ 16,091</u>

Transfers are used to report revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, to report unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, to segregate money for anticipated capital projects, to provide additional resources for current operations or debt service and to return money to the fund from which it was originally provided once a project is completed. There were two transfers to the general fund. \$13,302 was from the Hotel/Motel Tax fund due to requirements of state statutes. The remaining \$2,789 was from the 2000 SPLOST fund which closed out that fund.

3-F. Long-term Debt

Utility Commission Operating Leases – The Utility Commission has four operating leases outstanding at the end of 2011.

The Utility Commission entered into an operating lease for a mailing system and a utility bill invoice stuffer in October of 2009. The lease is for 60 months at a rate of \$1,494 per calendar quarter. The following payments are due to the lessor on an annual basis for the term of the lease:

<u>Fiscal</u> <u>Year</u>	<u>Amount</u>
2012	\$ 5,976
2013	5,976
2014	<u>5,976</u>
Total	<u>\$ 17,928</u>

The Utility Commission entered into an operating lease for a document feeder, printer and cabinet in October of 2010. The lease is for 36 months at a rate of \$90 per month. The following payments are due to the lessor on an annual basis for the term of the lease:

<u>Fiscal</u> <u>Year</u>	<u>Amount</u>
2012	1,080
2013	1,080
2014	<u>90</u>
Total	<u>\$ 2,250</u>

City of Fort Valley, Georgia
Notes to the Basic Financial Statements
For the Year Ended September 30, 2011

Note 3 - Detailed Notes on All Funds (continued)

The Utility Commission entered into an operating lease for a copy machine in January 2009. The lease is for 60 months at a rate of \$165 per month. The following payments are due to the lessor on an annual basis for the term of the lease.

<u>Fiscal Year</u>	<u>Amount</u>
2012	\$ 1,980
2013	1,980
2014	<u>495</u>
Total	<u>\$ 4,455</u>

The Utility Commission entered into an operating lease for a copy machine in November 2009. The lease is for 60 months at a rate of \$268 per month. The following payments are due to the lessor on an annual basis for the term of the lease.

<u>Year</u>	<u>Amount</u>
2012	\$ 3,216
2013	3,216
2014	3,216
2015	<u>268</u>
Total	<u>\$ 9,916</u>

Main Street/DDA Operating Lease –

Main Street/DDA entered into an operating lease for a copy machine in May 2008. The lease is for 60 months at a rate of \$444 a month. The following payments are due to the lessor on an annual basis for the term of the lease.

<u>Fiscal Year</u>	<u>Amount</u>
2012	5,328
2013	<u>2,220</u>
Total	<u>\$ 7,548</u>

City Governmental Activities' Capital Leases – At September 30, 2011, the City had no capital leases for capital assets belonging to governmental activities.

City Business-type Activities' Capital Leases – The City is obligated under one capital lease for a dozer purchased in the sanitation fund in February of 2009. The original cost of the dozer was \$122,856. The following is a schedule of the future minimum lease payments for the dozer:

City of Fort Valley, Georgia
Notes to the Basic Financial Statements
For the Year Ended September 30, 2011

Note 3 - Detailed Notes on All Funds (continued)

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	16,265	6,301	22,566
2013	17,363	5,203	22,566
2014	<u>59,718</u>	<u>4,031</u>	<u>63,749</u>
Total	<u>\$ 93,346</u>	<u>\$ 15,535</u>	<u>\$ 108,881</u>

Main Street/DDA Notes Payable – On November 2, 2009, Main Street/Downtown Development Authority borrowed \$180,250 from SunMark Community Bank to pay for expenditures related to the renovation of a former high school to become the location for a future business school. One payment of interest and principal was due on November 2, 2010. The interest rate on the loan was 4.15%. Main Street/Downtown Development Authority obtained a loan renewal on November 11, 2010 by paying interest only. The loan renewal extended the maturity until May 2, 2011 with interest set at 5%. On May 2, 2011, Main Street/Downtown Development Authority again obtained a loan renewal by paying interest only. This loan renewal extended the maturity to May 2, 2014 with interest set at 5%. Semi-annual payments of \$11,588.01 are to be made in May and November of each year with the balance due at maturity.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	14,203	8,973	23,176
2013	14,956	3,983	18,939
2014	<u>150,841</u>	<u>3,598</u>	<u>154,439</u>
Total	<u>\$ 180,000</u>	<u>\$ 16,554</u>	<u>\$ 196,554</u>

On June 17, 2008, Main Street/DDA borrowed \$51,500 from the CB&T Bank of Middle Georgia to pay off an earlier line of credit from CB&T bank that was used to provide renovations to the Signal Building. On August 20, 2010, Main Street/DDA obtained a new loan from CB&T that paid off the previous loan and provided \$15,689 in additional capital to pay for a new roof on the Signal Building. Payments of \$600 are due monthly until August 20, 2013, when the remaining principal of the loan becomes due. The interest rate of the loan is 4.25%.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	5,085	2,115	\$ 7,200
2013	<u>46,982</u>	<u>1,745</u>	<u>48,727</u>
Total	<u>\$ 52,067</u>	<u>\$ 3,860</u>	<u>\$ 55,927</u>

City of Fort Valley, Georgia
Notes to the Basic Financial Statements
For the Year Ended September 30, 2011

Note 3 - Detailed Notes on All Funds (continued)

On November 21, 2008, Main Street/DDA borrowed \$51,937 from SunMark Community Bank to pay off an earlier line of credit from CB&T Bank that was used to provide renovations to the Austin Theater. Payments of \$400 were due monthly until October 21, 2011, when the remaining principal of the loan became due. The interest rate on the loan was 5%. On October 21, 2011, Main Street/Downtown Development Authority obtained a loan renewal with SunMark Community Bank that kept the monthly payment at \$400 and the interest rate at 5% but extended the maturity until September 20, 2014. The schedule below reflects the October 21, 2011 loan renewal.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 2,634	\$ 2,166	\$ 4,800
2013	2,769	2,031	4,800
2014	<u>39,115</u>	<u>1,890</u>	<u>41,005</u>
Total	<u>\$ 44,518</u>	<u>\$ 6,087</u>	<u>\$ 50,605</u>

Utility Commission Notes Payable – At September 30, 2011, the Utility Commission had three loans outstanding with the Georgia Environmental Finance Authority (GEFA), two with the Georgia Environmental Loan Acquisition Corporation (GELAC) and one capital lease with Polytec, Inc. In fiscal year 2011, GEFA transferred proceeds from the sale of a portion of its loan portfolio to GELAC, which is a wholly-owned nonprofit subsidiary corporation of GEFA. All payment terms remain the same. Loans 2006-L58WQ and 2007-L42WQ were affected by this transfer.

GEFA Loan – DW970-27 – On May 19, 1999, the Utility Commission borrowed \$3.5 million in an interest free loan for a water distribution system and wells. Payments are due quarterly with a final maturity date of February 1, 2021.

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	163,454	-	163,454
2013	163,454	-	163,454
2014	163,454	-	163,454
2015	163,454	-	163,454
2016	163,454	-	163,454
2017-2021	735,543	-	735,543
Total	<u>\$ 1,552,813</u>	<u>\$ -</u>	<u>\$ 1,552,813</u>

GEFA Loan – DW97-27A– On May 19, 1999, the Utility Commission borrowed \$550,000 at a 3% interest rate for a water distribution system and wells. Payments are due quarterly with a final maturity date of February 1, 2021.

City of Fort Valley, Georgia
Notes to the Basic Financial Statements
For the Year Ended September 30, 2011

Note 3 - Detailed Notes on All Funds (continued)

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	29,260	9,173	38,433
2013	30,148	8,285	38,433
2014	31,063	7,371	38,434
2015	32,005	6,428	38,433
2016	32,976	5,457	38,433
2017-2021	161,219	11,730	172,949
Total	<u>\$ 316,671</u>	<u>\$ 48,444</u>	<u>\$ 365,115</u>

GELAC Loan – 2006-L58WQ – On May 10, 2007 the Utility Commission received a loan commitment of \$920,000 at a 4.12% interest rate for a lift station and sewer lines in the Heritage Pointe Subdivision.

Payments of \$5,171 are due monthly with a final maturity date in 2029. The construction loan went into repayment on February 1, 2009, in the amount of \$844,499.

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	30,975	31,078	62,053
2013	32,334	29,718	62,053
2014	33,664	28,389	62,053
2015	35,077	26,976	62,053
2016	36,525	25,528	62,053
2017-2021	207,117	103,147	310,264
2022-2026	254,378	55,885	310,263
2027-2029	<u>137,706</u>	<u>6,929</u>	<u>144,635</u>
Total	<u>\$ 767,776</u>	<u>\$ 307,650</u>	<u>\$ 1,075,425</u>

GEFA Loan – DWSRF 04-004 – In fiscal year 2007, the Utility Commission drew down \$631,650 at a 1.9% interest rate for an elevated water storage tank at Peach County High School and water main system improvements to serve Rolling Hills Trailer Park. Payments of \$1,579 are due monthly with a final maturity date of September 1, 2028. During fiscal year 2008, the Utility Commission drew down \$513,350, to the maximum authorized borrowing of \$1,145,000. However, in fiscal year 2008, the Utility Commission received a \$500,000 GEFA DWSRF subsidy which was used to reduce the principal of this loan. The Utility Commission also made a balloon payment of \$330,000 in fiscal year 2008. During fiscal year 2009 the construction loan went into repayment on October 1, 2008, in the amount of \$315,000.

City of Fort Valley, Georgia
Notes to the Basic Financial Statements
For the Year Ended September 30, 2011

Note 3 - Detailed Notes on All Funds (continued)

Annual debt service requirements to amortize this loan will be as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	13,834	5,110	18,944
2013	14,109	4,835	18,944
2014	14,375	4,569	18,944
2015	14,650	4,294	18,944
2016	14,927	4,017	18,944
2017-2021	79,062	15,658	94,720
2022-2026	86,931	7,789	94,720
2027-2028	<u>37,131</u>	<u>738</u>	<u>37,869</u>
Total	<u>\$ 275,019</u>	<u>\$ 47,010</u>	<u>\$ 322,029</u>

GELAC Loan – 2007 - L42WQ – On December 14, 2007 the Utility Commission received a loan commitment of \$10,750,000 at a 4.1% interest rate for 20 years for a reclamation facility, three sewage pump stations, force main sewer and gravity main sewer to serve east Peach County.

Payments of \$3,577 are due monthly with a final maturity date in 2030. During fiscal year 2008 the Utility Commission drew down \$1,815,208. During fiscal year 2009 the Utility Commission drew down \$6,445,045. During fiscal year 2010 the Utility Commission drew down \$912,965. On November 17, 2009 GEFA released the Utility Commission from the Debt Service Reserve account in accordance with Exhibit D of the loan contract. The item was waived in its entirety, retroactively to September 30, 2009.

The Utility Commission has received all of the \$7,500,000 from Peach County, Georgia for 2000 SPLOST funds allocated to it in the Intergovernmental Agreement. The Utility Commission made balloon payments with those funds during fiscal year 2009 totaling \$7,500,000. The Utility Commission made an additional balloon payment in August 2009 of \$588,000. Also, in fiscal year 2010, the Utility Commission made another balloon payment in November 2009 of \$500,000. During fiscal year 2010, the construction loan went into repayment in the amount of \$585,218.

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	20,167	22,759	42,926
2013	21,010	21,917	42,927
2014	21,888	21,039	42,927
2015	22,802	20,125	42,927
2016	23,755	19,172	42,927
2017-2021	134,516	80,117	214,633
2022-2026	165,064	49,569	214,633
2027-2030	<u>155,080</u>	<u>2,317</u>	<u>157,397</u>
Total	<u>\$ 564,282</u>	<u>\$ 237,015</u>	<u>\$ 801,297</u>

City of Fort Valley, Georgia
Notes to the Basic Financial Statements
For the Year Ended September 30, 2011

Note 3 - Detailed Notes on All Funds (continued)

Polytec, Inc. Capital Lease – In fiscal year 2011, the Utility Commission entered into an equipment lease purchase agreement with Polytec, Inc., for chemical tanks and feed equipment. The lease is non-interest bearing and is payable bi-monthly with a final payment in June 2014. The Utility Commission agrees to use only Polytec chemicals in this equipment.

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

Fiscal Year	Principal
2012	\$ 5,609
2013	5,609
2014	<u>4,674</u>
Total	<u>\$ 15,892</u>

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

	Outstanding 10/01/2010	Additions	Reductions	Outstanding 09/30/2011	Amount Due in One Year
Governmental activities:					
Employer funded death benefit	\$ 250,095	\$ 1,206	\$ 18,770	\$ 232,531	\$ -
Compensated absences	<u>131,839</u>	<u>57,691</u>	<u>62,420</u>	<u>127,110</u>	<u>57,200</u>
Total governmental activities	<u>\$ 381,934</u>	<u>\$ 58,897</u>	<u>\$ 81,190</u>	<u>\$ 359,641</u>	<u>\$ 57,200</u>
Business-type activities:					
Capital leases	\$ 108,583	\$ -	\$ 15,237	93,346	\$ 15,237
Compensated absences	<u>13,008</u>	<u>11,434</u>	<u>11,689</u>	<u>12,753</u>	<u>10,840</u>
Total business-type activities	<u>\$ 121,591</u>	<u>\$ 11,434</u>	<u>\$ 26,926</u>	<u>\$ 106,099</u>	<u>\$ 26,077</u>
Main Street/DDA:					
Loan payable	<u>\$ 104,206</u>	<u>\$ 180,000</u>	<u>\$ 7,621</u>	<u>\$ 276,585</u>	<u>\$ 21,922</u>
Utility Commission:					
GEFA loan - DW97-027	\$ 1,716,267	\$ -	\$ 163,454	\$ 1,552,813	\$ 163,454
GEFA loan - DW97-027A	345,069	-	28,398	316,671	29,260
GELAC loan - 2006-L58WQ	797,514	-	29,738	767,776	31,001
GEFA loan - DWSRF 04-004	288,598	-	13,579	275,019	13,834
GELAC loan - 2007 L42WQ	583,640	-	19,358	564,282	20,167
Polytec, Inc. - Capital Lease	-	18,696	2,804	15,892	5,609
Compensated absences	<u>217,748</u>	<u>173,117</u>	<u>165,531</u>	<u>225,334</u>	<u>101,400</u>
Total Utility Commission	<u>\$ 3,948,836</u>	<u>\$ 191,813</u>	<u>\$ 422,861</u>	<u>\$ 3,717,787</u>	<u>\$ 364,725</u>

All long-term obligations of the City’s governmental funds will be financed through future general fund expendable available financial sources as they become due. Principal and interest payments related to the City’s sanitation enterprise fund are financed from income derived from the operation of the sanitation program. The compensated absences liability will be paid from the fund which the employees’ salaries are paid.

*City of Fort Valley, Georgia
Notes to the Basic Financial Statements
For the Year Ended September 30, 2011*

Note 3 - Detailed Notes on All Funds (continued)

3-G. Short-term Debt

Changes in Short-term Debt – Changes in Main Street/DDA’s short-term obligations consisted of the following for the year ended September 30, 2011:

	<u>Outstanding</u> <u>10/01/2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding</u> <u>09/30/2011</u>
Sunmark Note	\$ 180,250	\$ -	\$ 180,250	\$ -
Total	<u>\$ 180,250</u>	<u>\$ -</u>	<u>\$ 180,250</u>	<u>\$ -</u>

On May 2, 2011, the SunMark note was refinanced as long-term debt. See note 3-F for details.

3-H. Pensions

The City maintains a retirement plan for its employees and the Utility Commission maintains a separate retirement plan for its employees.

City Retirement Plan -

Plan Description – The City contributes to the General Municipal Employees Benefit System (GMEBS), 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 City Council established the benefit provisions and has the authority to amend these provisions through City ordinance. These benefit provisions were established by a City ordinance dated October 1, 1974. 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, S.W.
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 plan provides either:

- (1) Normal retirement benefit, whereas the employee retires at age 65 with five years of service.
- (2) Early retirement benefit, whereas the employee retires at age 55 or older with ten years of service.

City employees who retire at or after age 65 are entitled to an annual retirement benefit, payable monthly for life. Benefits are dependent upon such factors as the number of years of credited service and the employee’s final average earnings.

The early retirement benefit is computed in the same manner as the normal benefits, reduced on an actuarially equivalent basis. The plan provides death benefits in the form of a lifetime pension to the beneficiary if death occurs prior to retirement.

City of Fort Valley, Georgia
Notes to the Basic Financial Statements
For the Year Ended September 30, 2011

Note 3 - Detailed Notes on All Funds (continued)

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 contribution rate as of September 30, 2011 was 9.26% of annual covered payroll.

Annual Pension Cost and Actuarial Methods – For 2011, the City’s annual pension cost of \$186,007 for GMEBS was equal to the City’s required contributions. The required contribution was determined as part of the January 1, 2011, actuarial valuation using the following methods: the actuarial cost method of projected unit credit; the amortization method of closed level dollar for remaining unfunded liability; and the remaining amortization period varies for the bases, with a net effective amortization period of 10 years. The actuarial assumptions included: (a) 7.75% investment rate of return (net of administrative expenses) and (b) projected salary increases of 3.50% per year for inflation (plus age and service based merit increases). There is no post-retirement benefit increase assumption. The actuarial value of GMEBS assets was determined using the sum of actuarial value at the beginning of the year and the cash flow during the year plus the assumed investment return, adjusted by 10 percent of the amount that the value exceeds or is less than the market value at end of year.

Funding Progress						(6)
Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Funded Ratio (1)/(2)	(4) Unfunded AAL/(UAAL) (2)-(1)	(5) Annual Covered Payroll	UAAL as a Percentage of Covered Payroll (4)/(5)
01/01/11	3,413,249	3,971,229	85.95%	557,980	1,957,090	28.51%

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

Schedule of Employer Contributions			
Year Ended September 30,	Annual Pension Cost	Percentage Contributed	Net Pension Obligation
2009	161,482	100%	-
2010	195,540	100%	-
2011	186,007	100%	-

Utility Commission Retirement Plan -

Plan Description and Provisions - The Utility Commission’s defined benefit pension plan, the Fort Valley Utility Commission Retirement Plan (“Plan”), provides retirement, disability, and death benefits to Plan members and beneficiaries. The Plan is a non-contributory defined benefit plan, which is administered by the Georgia Municipal Employees Benefit System (GMEBS), a statewide agent multiple-employer type plan. The authority for establishing and amending benefits rests with the Utility Commission’s Board of Commissioners. GMEBS issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. The report may be obtained by writing the Georgia Municipal Employees Benefit System, 201 Pryor Street S.W., Atlanta, Georgia 30303, or by calling 1-404-688-0472.

City of Fort Valley, Georgia
Notes to the Basic Financial Statements
For the Year Ended September 30, 2011

Note 3 - Detailed Notes on All Funds (continued)

Eligibility requirements are one year of service for all employees. The Plan allows for early retirement at age 55 if the employee has ten years of service. Normal retirement is at age 65 with five years of service. Benefits are dependent upon factors such as the number of years of credited service to the Utility Commission and the employee's final average earnings. Beginning January 1, 2003, employees' benefits vest at 50 percent after 5 years and 10 percent of additional vesting takes place each year thereafter until reaching 100% after ten years of service. These benefit provisions were established by a City ordinance dated September 26, 1974. The Utility Commission's plan was separated from the City's plan as of October 1, 1990.

Funding Policy - Employees are not required to contribute to the Plan. The Utility Commission is required to make all contributions in accordance with the minimum funding standards of the Public Retirement Systems Standards Law. Section 47-20 of the Georgia Code sets forth the funding standards for state and local government pension plans. Administrative expenses are based on total covered payroll of plan members and are added to the annual funding requirement.

Annual Pension Cost and Actuarial Methods - For 2011, the Utility Commission's annual pension costs of \$231,447 was equal to the Utility Commission's required and actual contributions. The required contribution was determined using the following methods: the actuarial cost method of projected unit credit; the amortization method of closed level dollar for remaining unfunded liability; and the remaining amortization period varies for the bases. The actuarial assumptions included: (a) 7.75% investment rate of return; (b) projected salary increases at 3.50% per year for inflation; and, (c) actuarial value of assets is the sum of the actuarial values adjusted by cash flows and investment returns.

The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 1981 and current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions, and 30 years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods, if applicable, are open for this plan year.

Schedule of Funding Progress

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Funded Ratio (1)/(2)	(4) Unfunded AAL/(UAAL) (2)-(1)	(5) Annual Covered Payroll	(6) UAAL as a Percentage of Covered Payroll
09/01/06	4,026,525	4,180,091	96.33%	153,566	2,163,403	7.10%
09/01/07	4,367,387	4,611,137	94.71%	243,750	2,173,145	11.22%
09/01/08	4,666,320	4,955,419	94.17%	289,099	2,330,694	12.40%
10/01/09	4,613,269	5,323,081	86.67%	709,812	2,518,493	28.18%
01/01/10	4,924,315	5,430,378	90.68%	506,063	2,518,493	20.09%
01/01/11	5,252,973	5,801,534	90.54%	548,561	2,445,297	22.43%

Schedule of Employer Contributions

Year Ended September 30,	Annual Pension Cost	Percentage Contributed	Net Pension Obligation
2009	256,310	100%	-
2010	231,447	100%	-
2011	239,702	100%	-

City of Fort Valley, Georgia
Notes to the Basic Financial Statements
For the Year Ended September 30, 2011

Note 3 - Detailed Notes on All Funds (continued)

3-I. Invested in Capital Assets, Net of Related Debt

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

	<u>Governmental</u>	<u>Business-</u>	<u>Component</u>
	<u>Activities</u>	<u>type</u>	<u>Units</u>
	<u>Activities</u>	<u>Activities</u>	<u>Units</u>
Investments in capital assets, net of related debt:			
Cost of capital assets	\$ 6,719,906	\$ 1,212,322	\$ 49,539,787
Less accumulated depreciation	<u>2,930,030</u>	<u>992,798</u>	<u>19,340,157</u>
Book value	3,789,876	219,524	30,199,630
Less capital related debt	<u>-</u>	<u>93,346</u>	<u>3,769,037</u>
Investments in capital assets, net of related debt	<u>\$ 3,789,876</u>	<u>\$ 126,178</u>	<u>\$ 26,430,593</u>

3-J. Fund Equity

Fund Balances:

- **Restricted** – The following fund balances are restricted for:

General Fund:

Parks and playgrounds	\$ 139,047
Public safety technology	<u>29,538</u>
Total	<u>\$ 168,585</u>

Capital Projects Fund:

Special Local Option Sales Tax Fund (SPLOST) used to account for capital projects financed with SPLOST.	<u>\$ 539,080</u>
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- **Assigned** – The following fund balances are assigned to:

General Fund:

Contingencies	<u>\$ 351,446</u>
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Special Revenue Funds:

Hotel / Motel Fund	<u>\$ 3,987</u>
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- **Unassigned** – The City’s policy is to maintain an adequate General Fund unassigned fund balance to provide liquidity in the event of an economic downturn or natural disaster.

City of Fort Valley, Georgia
Notes to the Basic Financial Statements
For the Year Ended September 30, 2011

Note 4 – Other Notes

4-A. Contract Commitments – Utility Commission

The Utility Commission has commitments for contracts with four governmental organizations.

Municipal Electric Authority of Georgia – The Utility Commission has contracted for a period not to exceed 50 years to purchase all of its electric power from Municipal Electric Authority of Georgia (MEAG). MEAG agrees to provide the generating capacity necessary for reliable and economical power for the City's needs.

MEAG has issued bonds for the purpose of providing power generation and transmission and telecommunications facilities. Each participant, such as the Utility Commission, is contingently liable for their pro rata share of the bonds as a power purchase cost until they are retired. The Utility Commission's contingent contractual obligation varies by individual MEAG project and totals approximately \$69,818,764 at September 30, 2011. The contingent obligations are general obligations of the Utility Commission and the City to which the City's full faith, credit and taxing powers are pledged.

On April 12, 1999 the Utility Commission adopted the provisions of a Municipal Competitive Trust agreement with MEAG. Under the agreement, MEAG established the Trust for the mutual benefit of MEAG and its wholesale customers (the participating Cities). The Trust was created to provide a means of accumulating funds to mitigate the expected differential between market rates for power and the associated costs of generating that power after the anticipated deregulation of the electric industry. The Trust provides for three types of accounts that are held by the trustee in the name of the Utility Commission.

The flexible operating trust account includes funds that are available for withdrawal at the discretion of the Utility Commission. This amount is included in investments and totals \$7,359,061 at September 30, 2011. The two additional accounts created were the credit support operating trust account and the reserve funded debt trust account. The funds in the credit support operating trust account can only be used to offset rate increases exceeding certain criteria and for loans for capital improvements that will reduce future operating costs.

The funds in the reserve funded debt trust account can only be used for charges related to MEAG's bond obligations. The balances in the credit support operating trust account and the reserve funded debt trust account at September 30, 2011 were \$2,974,555 and \$4,070,193, respectively. Due to the restrictions on the use of these two accounts, they are not presented on the statement of net assets.

Credits from the Municipal Competitive Trust for Power Supply Year 2011 -- In accordance with the First Amendment of the Municipal Competitive Trust, MEAG Power withdrew funds from the credit support operation account and the reserve funded debt account on behalf of the Participants for the purpose of lowering the annual generation charges for the period of January 1, 2009 through December 31, 2018. The annual amount for the Utility Commission for 2011 was \$1,387,086.

In accordance with the Second Amendment of the Municipal Competitive Trust, effective August 10, 2009, MEAG Power amended the restrictions and broadened the circumstances under which a Participant may withdraw funds from the New Generation Trust, which was established earlier in 2009 to provide for the future funding of the construction of new power generation facilities, including, but not limited to, the Plant Vogtle expansion project. The voluntary funding of the New Generation Trust by Participants will improve the overall credit rating of MEAG Power in the municipal bond market, both now and in the future. The Generation Trust Account is displayed as a restricted investment asset in the Statement of Net Assets.

Georgia Public Web Membership – The Utility Commission and other members of MEAG's telecommunications project created Georgia Public Web (a Georgia not-for-profit corporation) to provide internet and telecommunication services to customers in Georgia. On October 10, 2000 the Utility Commission signed a 50-year commitment to pay each month a proportionate share of the difference between Georgia Public Web's budgeted costs and revenues. The Utility Commission's proportionate share is 2.315%. The contingent obligations are general obligations of the Utility Commission and the City to which the City's full faith, credit and taxing powers are pledged. However, in fiscal year 2008, the Utility Commission advance paid their total commitment (Georgia Public Web telecom debt issued on April 3, 2003).

City of Fort Valley, Georgia
Notes to the Basic Financial Statements
For the Year Ended September 30, 2011

Note 4 – Other Notes (continued)

Municipal Gas Authority of Georgia – The Utility Commission has entered into a contract for the purchase of wholesale natural gas supplies and related services with the Municipal Gas Authority of Georgia (MGAG) that requires the Utility Commission to purchase all of its natural gas from MGAG, other than any supplies that were under contract for delivery to the Utility Commission at the time of the execution of the contract with MGAG. The gas supply contracted with MGAG authorizes MGAG to establish rates and charges so as to produce revenues sufficient to cover its operating costs and retire its bonds issued to acquire long-term gas supplies for sale to its members, including the Utility Commission. In the event that revenues are insufficient to cover all costs and retire bonds issued by MGAG, the Utility Commission is obligated to pay its share of the costs of the gas supply and related services MGAG provides to the Utility Commission, which costs include amounts equal to principal of and interest on MGAG's bonds.

The contingent obligations, which extend through the year 2058, are general obligations of the Utility Commission and the City to which the City's full faith, credit and taxing powers are pledged. The obligation to MGAG for gas supply costs are based on MGAG's costs to provide such supply, including bonds issued to purchase long-term gas supplies.

The Utility Commission is contingently liable for their pro-rata share of the debt. The Utility Commission's contingent contractual obligation totals approximately \$4,148,103 at September 30, 2011. On December 12, 2002 an intergovernmental agreement was made between the Fort Valley Utility Commission and the City of Fort Valley related to the MGAG contract. Under this agreement, in the event of any required payments pursuant to the provisions of the Gas Supply Contract the payments will be made first by the Utility Commission from its revenues and assets before any required payments are made by the City of Fort Valley.

USDA Rural Development – On April 15, 2011, the Utility Commission committed to participate in a project with the USDA Rural Development to add a 500,000 gallon elevated storage tank on the campus of Fort Valley State University, a new well and a chemical feed building. The USDA Rural Development will loan the Utility Commission an amount not to exceed \$2,387,000 and will award a grant for the project for \$1,848,000. The loan will be repayable over 40 years at an interest rate of 3.75%. The monthly payment is estimated at \$9,620. On April 15, 2012, the project should be finalized.

4-B. Risk Management

Both the City and the Utility Commission are 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 purchases commercial insurance to cover automobile, property and liability coverage. However, the Utility Commission 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 and the Utility Commission manage their 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.

As part of these risk pools, the City and the Utility Commission are 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 and the Utility Commission are to allow the pool's 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.

City of Fort Valley, Georgia
Notes to the Basic Financial Statements
For the Year Ended September 30, 2011

Note 4 – Other Notes (continued)

The City is self-insured for the first \$30,000 in medical claims of each person covered by the health insurance plan. The City has a reinsurance policy that covers medical claims greater than \$30,000. Liabilities include claims incurred but not reported. These liabilities are allocated between the general fund and the sanitation fund. Claim liabilities are calculated using recent claim settlement trends as well as payments made after year-end for services rendered prior to year-end. Changes in the balances of claims liabilities during the past three years are as follows:

Date	(1) Beginning of Fiscal Year Liability	(2) Current Year Claims and Changes in Estimates	(3) Claim Payments	(4) End of Fiscal Year Liability
2008	108,345	860,912	798,437	\$ 170,820
2009	170,820	948,209	944,624	174,405
2010	174,405	528,319	679,481	23,243
2011	23,243	611,286	576,237	58,292

There were no significant reductions in insurance coverage from prior year, and there have been no settlements that exceed the City's insurance coverage during the past three years.

4-C. Contingent Liabilities

The City, the Utility Commission, and Main Street/DDA have 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.

Utility Commission Contingent Liability

The Utility Commission guaranteed the cost of certain architect plans and fees up to the amount of \$180,000 incurred by the Main Street/DDA relative to the renovation of the Fort Valley High School building on Knoxville Street in Fort Valley, Georgia. The proposed renovation would house the future School of Business Administration program at Fort Valley State University, which is an historically black State and Land-Grant Institution and a member of the University System of Georgia. Short-term financing has been provided by a local Community Bank. Long-term financing for the life of the building project will be provided by municipal bond debt as a result of the execution of a long-term lease commitment from the University System of Georgia and Fort Valley State University, should the project ultimately be approved.

4-D. Environmental Remediation

In 2003, the Georgia Department of Natural Resources placed the Vienna Street Dump on the Hazardous Site Inventory and held the City of Fort Valley to be the responsible party. The Vienna Street Dump was placed on the Hazardous Site Inventory because the site has a known release of arsenic exceeding the reportable quantity. The Georgia Environmental Protection Division requires the City of Fort Valley to complete a Compliance Status Report, wherein the City will investigate the source of contamination and propose a Corrective Action Plan to remediate the contamination. As of September 30, 2011, the City had not completed the Compliance Status Report. It is therefore not possible to estimate the costs of remediation, either for the completion of the Compliance Status Report or the execution of the Corrective Action Plan. There may also be other responsible parties discovered through the investigation of the Compliance Status Report that could defray some or all of the environmental remediation liability. The amount of these recoveries, if any, can also not be estimated as of September 30, 2011.

City of Fort Valley, Georgia
Notes to the Basic Financial Statements
For the Year Ended September 30, 2011

Note 4 – Other Notes (continued)

4-E. Related Organization

The Housing Authority of the City of Fort Valley is a public body and a body corporate and politic created under the authority of the General Statutes of Georgia. The Authority was created for the purpose of providing safe and sanitary housing for the low income citizens of the City. The Mayor of Fort Valley appoints the Authority's five-member Board of Commissioners to five year terms. However, the Authority designates its own management and has the power to approve its own budget and maintain its own accounting system. The City provides no financial support to the Authority and is not responsible for the debts or entitled to the surpluses of the Authority

4-F. Joint Ventures

The City participates in the Middle Georgia Regional Commission. Membership in a RDC is required by Code of Georgia 50-8-34, which provides for the organizational structure of the RDC in Georgia. The RDC Board membership includes the Chief elected official of each county and municipality of the area. Georgia law also provides that the member governments are liable for any debts or obligations of a RDC beyond its resources. Financial statements for the Middle Georgia Regional Development Center may be obtained from their administrative offices in Macon, Georgia.

4-G. Hotel-Motel Lodging Tax

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

Lodging tax receipts	<u>\$ 24,936</u>
Required expenditures	<u>\$ 9,974</u>
Actual expenditures	<u>\$ 11,424</u>

All expenditures were for promotion of tourism as required by O.C.G.A. 48-13-51.

4-H. Related Party Transactions

The City had material revenues from the Fort Valley Utility Commission consisting of franchise fees and a contribution totaling \$1,162,287. The City also had material expenditures with the Commission consisting of fiber optic services and utilities totaling \$272,635.

City of Fort Valley, Georgia
Required Supplementary Information
September 30, 2011

Pension Plan
Schedule of Funding Progress
(Unaudited)

	(1)	(2)	(3)	(4)	(5)	(6)
		Actuarial				UAAL as a
Measurement	Actuarial	Accrued	Unfunded	Funded	Annual	Percentage
Date	Value of	Liability	AAL (UAAL)	Ratio	Covered	of Covered
	Assets	(AAL)	(2) - (1)	(1) / (2)	Payroll	Payroll
						(3) / (5)
11/1/2006	3,292,137	3,196,762	-95,375	102.98%	1,289,794	0.00%
11/1/2007	3,349,240	3,561,478	212,238	94.04%	1,625,042	13.06%
11/1/2008	3,379,055	3,687,877	308,822	91.63%	2,134,730	14.47%
10/1/2009	2,923,960	3,843,749	919,789	76.07%	1,975,397	46.56%
1/1/2010	3,329,053	3,915,316	586,263	85.03%	2,012,837	29.13%
1/1/2011	3,413,249	3,971,229	557,980	85.95%	1,957,090	28.51%

Changes in actuarial assumptions for the valuation dated January 1, 2011 that influence the amounts reported:

There were no changes in methods or assumptions from the prior valuation.

SUPPLEMENTARY INFORMATION

City of Fort Valley, Georgia
General Fund
Comparative Balance Sheet
September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Assets:		
Cash and cash equivalents	\$ 1,278,353	\$ 606,516
Investments	139,047	-
Receivables:		
Accounts	82,240	88,982
Property taxes	176,044	156,595
Intergovernmental	373,203	353,115
Interfund	<u>448,221</u>	<u>520,744</u>
Total Assets	<u>\$ 2,497,108</u>	<u>\$ 1,725,952</u>
Liabilities and Fund Balances		
Liabilities:		
Accounts payable	\$ 155,353	\$ 92,423
Accrued expenditures	42,081	98,844
Intergovernmental payable	16,258	6,592
Deferred revenue	<u>163,164</u>	<u>160,631</u>
Total Liabilities	376,856	358,490
Fund Balances:		
Restricted for:		
Parks and playgrounds	139,047	-
Public safety technology	29,538	39,050
Assigned for:		
Contingencies	351,446	-
Unassigned	<u>1,600,221</u>	<u>1,328,412</u>
Total Fund Balances:	<u>2,120,252</u>	<u>1,367,462</u>
Total Liabilities and Fund Balances	<u>\$ 2,497,108</u>	<u>\$ 1,725,952</u>

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

	<u>2011</u>	<u>2010</u>
Revenues:		
Taxes	\$ 4,647,975	\$ 4,487,487
Licenses and permits	99,740	91,384
Intergovernmental	291,372	217,176
Charges for services	55,934	44,288
Fines and forfeitures	314,520	254,984
Investment earnings	17,885	16,449
Contributions	156,547	14,030
Miscellaneous	<u>33,475</u>	<u>21,135</u>
Total Revenues	<u>5,617,448</u>	<u>5,146,933</u>
Expenditures:		
Current:		
General government	\$ 672,156	\$ 705,617
Judicial	52,075	54,140
Public safety	2,935,713	3,344,575
Public works	773,120	727,435
Culture and recreation	354,729	507,040
Housing and development	<u>92,956</u>	<u>93,631</u>
Total Expenditures	<u>4,880,749</u>	<u>5,432,438</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>736,699</u>	<u>(285,505)</u>
Other Financing Sources (Uses):		
Transfers in	16,091	14,079
Transfers out	<u>-</u>	<u>(29,043)</u>
Total Other Financing Sources	<u>16,091</u>	<u>(14,964)</u>
Net Change in Fund Balances	752,790	(300,469)
Fund Balances, Beginning of Year	<u>1,367,462</u>	<u>1,667,931</u>
Fund Balances, End of Year	<u>\$ 2,120,252</u>	<u>\$ 1,367,462</u>

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

	2011			2010	
	Original Budget	Final Budget	Actual	Variance with Final Budget	Actual
Real and Personal Property Taxes:					
General property tax	\$ 1,722,000	\$ 1,722,000	\$ 1,651,037	\$ (70,963)	\$ 1,517,675
Vehicle property tax	81,000	81,000	100,981	19,981	78,190
Mobile home property tax	6,000	6,000	5,842	(158)	4,735
Recording intangible tax	3,200	3,200	3,000	(200)	9,525
Real estate transfer tax	1,400	1,400	786	(614)	1,967
Railroad equipment tax	3,500	3,500	2,866	(634)	2,839
Prior year taxes - other than property	3,900	3,900	3,729	(171)	8,515
Penalties and interest on delinquent taxes	24,300	24,300	21,130	(3,170)	20,943
Total Real and Personal Property Taxes	<u>1,845,300</u>	<u>1,845,300</u>	<u>1,789,371</u>	<u>(55,929)</u>	<u>1,644,389</u>
Selective Taxes:					
Sales tax	980,000	980,000	1,182,170	202,170	1,205,789
Beer tax	130,000	130,000	145,363	15,363	146,066
Wine tax	9,000	9,000	8,186	(814)	8,500
Liquor tax	19,000	19,000	22,290	3,290	20,217
Hotel/motel tax	12,000	12,000	3,834	(8,166)	-
Insurance premium tax	440,000	440,000	430,924	(9,076)	443,822
Utility Commission franchise fees	996,649	996,649	987,287	(9,362)	932,400
Cable T.V. franchise fees	40,000	40,000	30,394	(9,606)	55,156
Telephone franchise fees	35,000	35,000	48,156	13,156	31,148
Total Selective Taxes	<u>2,661,649</u>	<u>2,661,649</u>	<u>2,858,604</u>	<u>196,955</u>	<u>2,843,098</u>
Licenses and Permits:					
Alcoholic beverage licenses	25,000	25,000	22,500	(2,500)	25,150
Occupation taxes	70,775	70,775	73,740	2,965	62,684
Amusement machine permits	2,000	2,000	2,400	400	2,400
Dog registration	500	500	1,100	600	1,150
Total Licenses and Permits	<u>98,275</u>	<u>98,275</u>	<u>99,740</u>	<u>1,465</u>	<u>91,384</u>
Fines and Forfeitures:					
Court fines	225,000	225,000	314,520	89,520	254,984
Total Fines and Forfeitures	<u>225,000</u>	<u>225,000</u>	<u>314,520</u>	<u>89,520</u>	<u>254,984</u>
Charges for Services:					
Bond fees	2,000	2,000	4,275	2,275	2,461
Qualifying Fees	-	-	1,440	1,440	-
Police background checks	17,280	17,280	5,108	(12,172)	14,560
Probation Fees	52,500	52,500	-	(52,500)	-
Police accident reports	650	650	10,286	9,636	917
Sale of cemetery lots	25,000	25,000	33,450	8,450	24,700
Rental income	1,225	1,225	1,375	150	1,650
Total Charges for Services	<u>98,655</u>	<u>98,655</u>	<u>55,934</u>	<u>(42,721)</u>	<u>44,288</u>
Intergovernmental:					
FEMA grant	50,000	50,000	21,047	(28,953)	24,434
Community redevelopment grant	-	-	10,000	10,000	-
Department of Justice grants	18,849	18,849	85,325	66,476	32,669
USDA grant	-	-	-	-	99,999
Utility Commission	175,000	175,000	175,000	-	50,000
Housing authority	7,000	7,000	-	(7,000)	10,074
Total Intergovernmental	<u>250,849</u>	<u>250,849</u>	<u>291,372</u>	<u>40,523</u>	<u>217,176</u>
Miscellaneous:					
Investment earnings	13,620	13,620	17,885	4,265	16,449
Contributions	-	-	156,547	156,547	14,030
Miscellaneous	6,000	6,000	33,475	27,475	21,135
Total Miscellaneous	<u>19,620</u>	<u>19,620</u>	<u>207,907</u>	<u>188,287</u>	<u>51,614</u>
Total Revenues	<u>\$ 5,199,348</u>	<u>\$ 5,199,348</u>	<u>\$ 5,617,448</u>	<u>\$ 418,100</u>	<u>\$ 5,146,933</u>

City of Fort Valley, Georgia
Schedule of Expenditures - Budget and Actual - General Fund
For the Year Ended September 30, 2011
(With Comparative Actual Amounts for the Year Ended September 30, 2010)

	2011			2010	
	Original Budget	Final Budget	Actual	Variance with Final Budget	Actual
Expenditures:					
General Government:					
Mayor and council	\$ 98,569	\$ 141,516	\$ 141,434	\$ (82)	\$ 157,072
Administration	435,693	462,474	457,685	(4,789)	510,683
Public buildings	<u>36,500</u>	<u>73,500</u>	<u>73,037</u>	<u>(463)</u>	<u>37,862</u>
Total General Government	<u>570,762</u>	<u>677,490</u>	<u>672,156</u>	<u>(5,334)</u>	<u>705,617</u>
Judicial:					
Municipal court	<u>47,444</u>	<u>55,888</u>	<u>52,075</u>	<u>(3,813)</u>	<u>54,140</u>
Total Judicial	<u>47,444</u>	<u>55,888</u>	<u>52,075</u>	<u>(3,813)</u>	<u>54,140</u>
Public Safety:					
Police	1,778,689	1,994,475	1,993,761	(714)	2,415,400
Fire	<u>668,814</u>	<u>942,533</u>	<u>941,952</u>	<u>(581)</u>	<u>929,175</u>
Total Public Safety	<u>2,447,503</u>	<u>2,937,008</u>	<u>2,935,713</u>	<u>(1,295)</u>	<u>3,344,575</u>
Public Works:					
Streets	499,934	581,801	580,901	(900)	591,686
Cemeteries	<u>188,836</u>	<u>192,509</u>	<u>192,219</u>	<u>(290)</u>	<u>135,749</u>
Total Public Works	<u>688,770</u>	<u>774,310</u>	<u>773,120</u>	<u>(1,190)</u>	<u>727,435</u>
Culture and Recreation:					
Parks	228,037	334,020	333,413	(607)	483,748
Senior citizen's center	10,000	10,000	6,316	(3,684)	8,292
Spruce street pool	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>-</u>	<u>15,000</u>
Total Culture and Recreation	<u>253,037</u>	<u>359,020</u>	<u>354,729</u>	<u>(4,291)</u>	<u>507,040</u>
Housing and Development:					
Economic development	<u>84,505</u>	<u>93,005</u>	<u>92,956</u>	<u>(49)</u>	<u>93,631</u>
Total Housing and Development	<u>84,505</u>	<u>93,005</u>	<u>92,956</u>	<u>(49)</u>	<u>93,631</u>
Health Insurance	<u>804,759</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt Service:					
Principal retirement	14,273	14,273	-	(14,273)	-
Interest and fiscal charges	<u>22,566</u>	<u>22,566</u>	<u>-</u>	<u>(22,566)</u>	<u>-</u>
Total Debt Service	<u>36,839</u>	<u>36,839</u>	<u>-</u>	<u>(36,839)</u>	<u>-</u>
Total Expenditures	<u>\$ 4,933,619</u>	<u>\$ 4,933,560</u>	<u>\$ 4,880,749</u>	<u>\$ (52,811)</u>	<u>\$ 5,432,438</u>

City of Fort Valley, Georgia
Combining Balance Sheet
Non-major Funds
September 30, 2011

	<u>Special Revenue Funds</u>				<u>Total Special Revenue Funds</u>	<u>Capital Projects Fund 2000 SPLOST</u>	<u>Total Non-major Funds</u>
	<u>Hotel/ Motel Tax</u>	<u>CHIP Grant 04m-x-111- 2-2897</u>	<u>CDBG 04h-x-111- 2-2927</u>	<u>CHIP Grant 05m-x-111- 2-2925</u>		<u>Fund 2000 SPLOST</u>	
Assets							
Cash and cash equivalents	\$ 152	\$ -	\$ -	\$ -	\$ 152	\$ -	\$ 152
Receivables:							
Accounts	-	-	-	-	-	-	-
Hotel/motel taxes	<u>6,390</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,390</u>	<u>-</u>	<u>6,390</u>
Total Assets	<u><u>6,542</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>6,542</u></u>	<u><u>-</u></u>	<u><u>6,542</u></u>
Liabilities and Fund Balances							
Liabilities							
Accounts payable	2,555	-	-	-	2,555	-	2,555
Interfund payable	-	-	-	-	-	-	-
Intergovernmental payable	-	-	-	-	-	-	-
Deferred revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	2,555	-	-	-	2,555	-	2,555
Fund Balances							
Assigned	<u>3,987</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,987</u>	<u>-</u>	<u>3,987</u>
Total Liabilities and Fund Balances	<u><u>\$ 6,542</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 6,542</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 6,542</u></u>

City of Fort Valley, Georgia
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-major Funds
For the Year Ended September 30, 2011

	Special Revenue Funds				Total Special Revenue Funds	Capital	Total Non-Major Funds
	Hotel/ Motel Tax	CHIP Grant 04m-x-111 2-2897	CDBG 04h-x-111- 2-2927	CHIP Grant 05m-x-111- 2-2925		Fund 2000 SPLOST	
Revenues							
Hotel/motel taxes	\$ 24,936	\$ -	\$ -	\$ -	\$ 24,936	\$ -	\$ 24,936
Intergovernmental	-	-	-	33,150	33,150	-	33,150
Interest	-	-	-	-	-	46	46
Total Revenues	<u>24,936</u>	<u>-</u>	<u>-</u>	<u>33,150</u>	<u>58,086</u>	<u>46</u>	<u>58,132</u>
Expenditures							
Current:							
Housing and development	<u>11,424</u>	<u>211</u>	<u>-</u>	<u>33,150</u>	<u>44,785</u>	<u>-</u>	<u>44,785</u>
Total Expenditures	<u>11,424</u>	<u>211</u>	<u>-</u>	<u>33,150</u>	<u>44,785</u>	<u>-</u>	<u>44,785</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	13,512	(211)	-	-	13,301	46	13,347
Other Financing (Uses)							
Transfers out	<u>(13,302)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,302)</u>	<u>(2,789)</u>	<u>(16,091)</u>
Total Other Financing (Uses)	<u>(13,302)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,302)</u>	<u>(2,789)</u>	<u>(16,091)</u>
Net Change in Fund Balances	210	(211)	-	-	(1)	(2,743)	(2,744)
Fund Balances, Beginning of Year	<u>3,777</u>	<u>211</u>	<u>-</u>	<u>-</u>	<u>3,988</u>	<u>2,743</u>	<u>6,731</u>
Fund Balances, End of Year	<u>\$ 3,987</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,987</u>	<u>\$ -</u>	<u>\$ 3,987</u>

City of Fort Valley, Georgia
Hotel/Motel Tax Fund
Comparative Balance Sheet
September 30, 2011 and 2010

	2011	2010
Assets		
Cash and cash equivalents	\$ 152	\$ 6,244
Hotel/motel taxes receivable	6,390	3,625
Total Assets	\$ 6,542	\$ 9,869
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 2,555	\$ -
Interfund payable	-	3,655
Intergovernmental payable	-	2,437
Total Liabilities	2,555	6,092
Fund Balances		
Assigned	3,987	3,777
Total Liabilities and Fund Balances	\$ 6,542	\$ 9,869

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

	<u>2011</u>				<u>2010</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues					
Hotel/motel taxes	\$ 20,000	\$ 20,000	\$ 24,936	\$ 4,936	\$ 22,994
Expenditures					
Current:					
Housing and development	<u>8,000</u>	<u>11,424</u>	<u>11,424</u>	<u>-</u>	<u>9,386</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	12,000	8,576	13,512	4,936	13,608
Other Financing (Uses)					
Transfers out	<u>(12,000)</u>	<u>(12,000)</u>	<u>(13,302)</u>	<u>(1,302)</u>	<u>(14,079)</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ (3,424)</u>	210	<u>\$ 3,634</u>	(471)
Fund Balances, Beginning of Year			<u>3,777</u>		<u>4,248</u>
Fund Balances, End of Year			<u>\$ 3,987</u>		<u>\$ 3,777</u>

City of Fort Valley, Georgia
Chip Grant 04m-x-111-2-2897 Fund
Comparative Balance Sheet
September 30, 2011 and 2010

	2011		2010
Assets			
Cash and cash equivalents	\$ -		\$ 276
Due from administrator	-		35
	-		311
Total Assets	\$ -		\$ 311
Liabilities			
Interfund payable	\$ -		\$ 100
	-		100
Total Liabilities	-		100
Fund Balances			
Assigned	-		211
	-		211
Total Liabilities and Fund Balances	\$ -		\$ 311

City of Fort Valley, Georgia
Chip Grant 04m-x-111-2-2897 Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2011
(With Comparative Actual Amounts for the Year Ended September 30, 2010)

	<u>2011</u>				<u>2010</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues					
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 2,869
Expenditures					
Current:					
Housing and development	-	211	211	-	20
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(211)	(211)	-	2,849
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ (211)</u>	(211)	<u>\$ -</u>	2,849
Fund Balances, Beginning of Year			<u>211</u>		<u>(2,638)</u>
Fund Balances, End of Year			<u>\$ -</u>		<u>\$ 211</u>

City of Fort Valley, Georgia
Chip Grant 04m-x-111-2-2897 Fund
Project Schedule
From Inception Through September 30, 2011

<u>Program Activity</u>	<u>Project Budget</u>	<u>Expenditures</u>			<u>Variance with Project Budget</u>
		<u>In Prior Years</u>	<u>Current Year</u>	<u>Total</u>	
Rehabilitation of private properties	\$ 133,635	\$ 222,116	\$ -	\$ 222,116	\$ 88,481
Reconstruction of private properties	105,084	22,000	-	22,000	(83,084)
Contingencies	28,085	-	-	-	(28,085)
Administration	<u>14,042</u>	<u>22,512</u>	<u>-</u>	<u>22,512</u>	<u>8,470</u>
Total	<u>\$ 280,846</u>	<u>\$ 266,628</u>	<u>\$ -</u>	<u>\$ 266,628</u>	<u>\$ (14,218)</u>

City of Fort Valley, Georgia
CDGB 04h-x-111-2-2927 Fund
Comparative Balance Sheet
September 30, 2011 and 2010

	2011	2010
Assets		
Cash and cash equivalents	\$ -	\$ 15
Total Assets	\$ -	\$ 15
Liabilities		
Interfund payable	\$ -	\$ 15
Total Liabilities	\$ -	\$ 15
Fund Balances		
Assigned	\$ -	\$ -
Total Liabilities and Fund Balances	\$ -	\$ 15

City of Fort Valley, Georgia
CDBG 04h-x-111-2-2927 Fund
Project Schedule
From Inception Through September 30, 2011

<u>Program Activity</u>	<u>Project Budget</u>	<u>Expenditures</u>			<u>Variance with Project Budget</u>
		<u>In Prior Years</u>	<u>Current Year</u>	<u>Total</u>	
Acquisition of property (public)	\$ 3,800	\$ -	\$ -	\$ -	\$ (3,800)
Clearance	4,600	-	-	-	(4,600)
Rehabilitation of private properties	255,656	189,813	-	189,813	(65,843)
Reconstruction of private properties	146,000	69,586	-	69,586	(76,414)
Contingencies	49,404	-	-	-	(49,404)
Administration	34,583	24,800	-	24,800	(9,783)
Total	<u>\$ 494,043</u>	<u>\$ 284,199</u>	<u>\$ -</u>	<u>\$ 284,199</u>	<u>\$ (209,844)</u>

City of Fort Valley, Georgia
Chip Grant 05m-x-111-2-2925 Fund
Comparative Balance Sheet
September 30, 2011 and 2010

	2011	2010
Assets		
Cash and cash equivalents	\$ -	\$ 9,401
Due from administrator	-	154
	-	9,555
Total Assets	\$ -	\$ 9,555
Liabilities		
Interfund payable	\$ -	\$ 100
Deferred revenues	-	9,455
	-	9,555
Total Liabilities	\$ -	\$ 9,555
Fund Balances		
Assigned	\$ -	\$ -
Total Liabilities and Fund Balances	\$ -	\$ 9,555

City of Fort Valley, Georgia
Chip 05m-x-111-2-2925 Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2011
(With Comparative Actual Amounts for the Year Ended September 30, 2010)

	2011			2010	
	Original Budget	Final Budget	Actual	Variance with Final Budget	Actual
Revenues					
Intergovernmental	\$ -	\$ 33,150	\$ 33,150	\$ -	\$ 84,641
Expenditures					
Current:					
Housing and development	-	33,150	33,150	-	84,641
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-	-
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>	-
Fund Balances, Beginning of Year			-		-
Fund Balances, End of Year			<u>\$ -</u>		<u>\$ -</u>

City of Fort Valley, Georgia
Chip 05m-x-111-2-2925 Fund
Project Schedule
From Inception Through September 30, 2011

<u>Program Activity</u>	<u>Expenditures</u>						<u>Variance with Project Budget</u>
	<u>Original Project Budget</u>	<u>Final Project Budget</u>	<u>In Prior Years as previously stated</u>	<u>In Prior Years restated</u>	<u>Current Year</u>	<u>Total</u>	
Rehabilitation of private properties	\$ 213,816	\$ 262,986	\$ 160,225	\$ 232,506	\$ 29,350	\$ 261,856	\$ (1,130)
Reconstruction of private properties	44,028	22,014	-	22,000	-	22,000	(14)
Contingencies	27,156	-	-	-	-	-	-
Administration	15,000	15,000	20,950	11,200	3,800	15,000	-
Total	<u>\$ 300,000</u>	<u>\$ 300,000</u>	<u>\$ 181,175</u>	<u>\$ 265,706</u>	<u>\$ 33,150</u>	<u>\$ 298,856</u>	<u>\$ (1,144)</u>

City of Fort Valley, Georgia
2000 SPLOST Fund
Comparative Balance Sheet
September 30, 2011 and 2010

	2011	2010
Assets		
Cash and cash equivalents	\$ -	\$ 2,743
Total Assets	\$ -	\$ 2,743
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ -	\$ -
Fund Balances		
Restricted	-	2,743
Total Liabilities and Fund Balances	\$ -	\$ 2,743

City of Fort Valley, Georgia
2000 SPLOST Fund
Comparative Statement of Revenues, Expenditures and Changes in Fund Balances
For the Years Ended September 30, 2011 and 2010

	2011	2010
Revenues		
Interest	\$ 46	\$ 34
Total Revenues	46	34
Expenditures		
Intergovernmental	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	46	34
Other Financing Sources		
Transfers Out	(2,789)	-
Fund Balances, Beginning of Year	2,743	2,709
Fund Balances, End of Year	\$ -	\$ 2,743

City of Fort Valley, Georgia
2004 SPLOST Fund
Comparative Balance Sheet
September 30, 2011 and 2010

	2011	2010
Assets		
Cash and cash equivalents	\$ 541,015	\$ 700,453
Total Assets	\$ 541,015	\$ 700,453
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ -	\$ 40,160
Accrued expenditures	885	1,321
Interfund payable	1,050	-
Total Liabilities	\$ 1,935	\$ 41,481
Fund Balances		
Restricted	539,080	658,972
Total Liabilities and Fund Balances	\$ 541,015	\$ 700,453

City of Fort Valley, Georgia
2004 SPLOST Fund
Comparative Statement of Revenues, Expenditures and Changes in Fund Balances
For the Years Ended September 30, 2011 and 2010

	2011	2010
Revenues		
Interest	\$ 9,171	\$ 12,454
Total Revenues	9,171	12,454
Expenditures		
Capital outlay	129,063	205,629
Excess (Deficiency) of Revenues Over (Under) Expenditures	(119,892)	(193,175)
Fund Balances, Beginning of Year	658,972	852,147
Fund Balances, End of Year	<u>\$ 539,080</u>	<u>\$ 658,972</u>

SPECIAL REPORTS SECTION

BUTLER, WILLIAMS & WYCHE, LLP
CERTIFIED PUBLIC ACCOUNTANTS
915 HILL PARK
MACON, GEORGIA 31201

March 30, 2012

**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 Members
of the City Council
City of Fort Valley, Georgia**

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

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings to be material weaknesses: items 2011-2, 2011-3, and 2011-6.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and questioned costs to be significant deficiencies: items 2011-1, 2011-4, 2011-5, and 2011-7.

Compliance and Other Matters

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

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

We noted certain matters that we reported to the management of the City of Fort Valley, Georgia, in a separate letter dated March 30, 2012.

This report is intended solely for the information and use of the Mayor and City Council, management, others in the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Butler, Williams & Stycbe, LLP

Macon, Georgia

*City of Fort Valley, Georgia
Schedule of Findings
For the Year Ended September 30, 2011*

- 2011-1** **Criteria:** Duties should be segregated between employees so that the responsibility for authorizing transactions, recording transactions, and maintaining custody of assets are assigned to different personnel in order to prevent and/or detect unauthorized use of assets.
- Condition:** Certain employees who record transactions in the accounting records also have access to cash and perform bank reconciliations.
- Cause of Condition:** The lack of segregation of duties is due to the limited number of employees that are trained to work on financial records.
- Effect of Condition:** Failure to properly segregate between recording, receipt/distribution, and reconciliation of accounts can result in intentional or unintentional errors that could occur without being promptly detected.
- Recommendation:** To the extent possible, given the availability of personnel, steps should be taken to separate employee duties so that no one individual has access to both physical assets and the related accounting records, or to all phases of the transaction.
- Response/Corrective Action Plan:** We concur. The City has segregated the responsibility of finances as much as possible with the limited staff. We will continue to review the duties performed by the staff available and work to further segregate as much as possible.
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- 2011-2** **Criteria:** When grant funds are received, revenue should be recognized only when grant conditions have been met. Deferred revenues should be recorded if the revenue is earned but unavailable.
- Condition:** In the General Fund, qualifying expenditures were made, but the City failed to record the proper entries for both grant revenues and deferred revenues.
- Cause of Condition:** Insufficient internal controls over grant recording led to the under-reporting of grant revenues and deferred revenues in the General Fund.
- Effect of Condition:** Grant revenues and deferred revenues in the General Fund were understated by \$90,363. Audit adjustments were necessary to correct these misstatements.
- Recommendation:** We recommend the City review its grant revenue and deferred revenue reporting to ensure that revenues are recorded when qualifying expenditures have been made.
- Response/Corrective Action Plan:** We concur. The City will review and monitor grant/deferred revenue accounts in the future and ensure that they are properly recorded.
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- 2011-3** **Criteria:** Generally, revenue should be recorded for amounts earned within the fiscal period and received within the period of availability. Expenditures should be recorded for amounts obligated within the fiscal period.
- Condition:** The City failed to accrue revenue for Local Option Sales Tax receipts received within 60 days. The City also failed to accrue expenditures for salary and health claim amounts obligated during the fiscal year but paid after year end.
- Cause of Condition:** The City only recorded LOST amounts received within the fiscal year. The City only recorded payroll and health claim expenditures paid within the fiscal year.
- Effect of Condition:** Audit adjustments were needed to increase the City's revenues and receivables in the General Fund by \$204,429. Audit adjustments were also needed to increase the City's expenditures and payables in the General Fund by \$90,857.

*City of Fort Valley, Georgia
Schedule of Findings
For the Year Ended September 30, 2011*

Recommendation: We recommend that the City review its year end adjustments to verify that its accruals are properly recorded.

Response/Corrective Action Plan: We concur. The City will review year-end payables and receivables and properly record all liabilities in the future.

2011-4 **Criteria:** In proprietary funds, payments of debt principal should be recorded as a reduction in the debt liability, not as a debt service expense. Also, in proprietary funds, interest expense should be recorded on a full accrual basis.

Condition: The City recorded its capital lease payment for equipment in the Sanitation fund as a debt service expenditure in the General Fund.

Cause of Condition: The City's internal controls were not sufficient to identify the debt payment as belonging to the Sanitation fund.

Effect of Condition: Audit adjustments were needed to decrease debt service expenditures in the General Fund by \$22,566. Audit adjustments were also needed to decrease Sanitation fund capital lease liability by \$15,236 and increase Sanitation fund interest expense by \$6,167.

Recommendation: We recommend the City review debt expenditures to ensure they are properly recorded.

Response/Corrective Action Plan: We concur. The City will review debt payments and ensure that they are properly recorded in the future.

2011-5 **Criteria:** Capital outlay expenditures should only be recorded by an entity when the capital asset is owned by the entity.

Condition: The City recorded grant expenditures for home renovations as capital outlay. These home renovations were for the homes of citizens and did not improve any property held by the City.

Cause of Condition: The City failed to distinguish between expenditures related to its own capital assets and expenditures related to capital assets owned by others.

Effect of Condition: Capital outlay, and therefore capital assets, was overstated by \$33,150. Audit adjustments were required to correct this misstatement.

Recommendation: We recommend that the City review its capital outlay expenditures to determine that it has possession over the items created or improved.

Response/Corrective Action Plan: We concur. We will review capital outlay purchases and determine proper ownership and record them properly in the future.

2011-6 **Criteria:** Investments owned by the City should be recorded on its books at fair market value.

Condition: The City failed to record investments received from a trust fund.

Cause of Condition: The investments received are reserved for parks and playground facilities. As the City had not determined how these reserved assets were to be spent, it had not yet recorded them.

Effect of Condition: Audit adjustments were needed to record investments in the General Fund for \$139,047.

*City of Fort Valley, Georgia
Schedule of Findings
For the Year Ended September 30, 2011*

Recommendation: We recommend the City obtain and review documentation needed to record its investments at year end at fair market value.

Response/Corrective Action Plan: We concur. We will review and properly record all investments in the future.

Fort Valley Main Street/Downtown Development Authority

2011-7 **Criteria:** Duties should be segregated between employees so that the responsibility for authorizing transactions, recording transactions, and maintaining custody of assets are assigned to different personnel in order to prevent and/or detect unauthorized use of assets.

Condition: For much of the fiscal year, Fort Valley Main Street/Downtown Development Authority had only one employee.

Cause of Condition: The Executive Director left mid-year and was not replaced.

Effect of Condition: Failure to properly segregate between recording, receipt/distribution, and reconciliation of accounts can result in intentional or unintentional errors that could occur without being promptly detected.

Recommendation: To the extent possible, given the availability of personnel, steps should be taken to separate employee duties so that no one individual has access to both physical assets and the related accounting records, or to all phases of the transaction.

Response/Corrective Action Plan: We concur. A part time administrative assistant has been employed and the duties have been segregated.

City of Fort Valley, Georgia
Schedule of Prior Year Findings
For the Year Ended September 30, 2011

- 2010-1** **Condition:** Certain employees who record transactions in the accounting records also have access to cash and perform bank reconciliations.
- Recommendation:** To the extent possible, given the availability of personnel, steps should be taken to separate employee duties so that no one individual has access to both physical assets and the related accounting records, or to all phases of the transaction.
- Status:** Unresolved. See 2011-1
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- 2010-2** **Condition:** Internal controls were not sufficient to detect material misstatements in the reporting of the City's cash, liabilities, and related expenditure/expenses.
- Recommendation:** We recommend that the City review its year end adjustments to verify that its accruals are properly recorded.
- Status:** Partially resolved. See 2011-4.
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- 2010-3** **Condition:** Internal controls were not sufficient to detect or prevent the under-reporting of grant revenues and deferred revenues in the General Fund, as well as the over-reporting of grant revenues in the non-major funds
- Recommendation:** We recommend the City review its grant revenue/deferred revenue reporting to ensure that revenues are recorded when qualifying expenditures have been made.
- Status:** Unresolved. See 2011-2.
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- 2010-4** **Condition:** The city recorded grant expenditures for home renovations as capital outlay. These home renovations were for the homes of citizens and did not improve any property held by the City.
- Recommendation:** We recommend that the City review its capital outlay expenditures to determine that it has possession over the items created or improved.
- Status:** Unresolved. See 2011-5.

Fort Valley Main Street/Downtown Development Authority

- 2010-5** **Condition:** Insufficient internal controls over grant reporting led to the over-reporting of grant revenues.
- Recommendation:** We recommend Fort Valley Main Street review its grant revenue reporting to ensure that revenues are recorded when qualifying expenditures have been made.
- Status:** Resolved.
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- 2010-6** **Condition:** As part of the prior year audit process, we proposed material adjustments to Fort Valley Main Street's financial statements
- Recommendation:** We recommend Fort Valley Main Street record all agreed-upon audit adjustments
- Status:** Resolved.

City of Fort Valley, Georgia
Schedule of Projects Undertaken
With Special Purpose Sales Tax Proceeds
For the Year Ended September 30, 2011

<u>2004 Referendum</u>	Original	Expenditures			Estimated
	Estimated Cost	In Prior Years	Current Year	Total	
Storm Water Drainage Improvements	\$ 1,250,000	\$ 831,164	\$ 129,063	\$ 960,227	76.8%