

**COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT**

City of Hinesville, Georgia

FOR THE FISCAL YEAR ENDED October 31, 2007

**PREPARED BY
CITY FINANCE DEPARTMENT**



City of Hinesville, Georgia
 Comprehensive Annual Financial Report
 Table of Contents
 For the Year Ended October 31, 2007

| | <u>PAGE</u> |
|--|-------------|
| <i>INTRODUCTORY SECTION</i> | |
| Letter of Transmittal..... | i |
| Principal Officials..... | vii |
| Organization Chart..... | viii |
| Certificate of Achievement for Excellence in Financial Reporting..... | ix |
| <i>FINANCIAL SECTION</i> | |
| INDEPENDENT AUDITORS' REPORT..... | 1 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS..... | 3 |
| BASIC FINANCIAL STATEMENTS: | |
| GOVERNMENT-WIDE FINANCIAL STATEMENTS: | |
| Statement of Net Assets..... | 10 |
| Statement of Activities..... | 11 |
| FUND FINANCIAL STATEMENTS: | |
| Governmental Funds: | |
| Balance Sheet..... | 13 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances..... | 14 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities..... | 15 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances Budget to Actual - General Fund..... | 16 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances Budget to Actual - Multiple Grant Fund..... | 18 |
| Proprietary Funds: | |
| Statement of Net Assets..... | 19 |
| Statement of Revenues, Expenses, and Changes in Fund Net Assets..... | 20 |
| Statement of Cash Flows..... | 21 |
| NOTES TO THE FINANCIAL STATEMENTS..... | 22 |
| REQUIRED SUPPLEMENTARY INFORMATION: | |
| Required Supplementary Information - Schedule of Funding Progress..... | 41 |
| SUPPLEMENTARY DATA - Combing Statements and Schedules and State Mandated Program Information: | |
| Nonmajor Governmental Funds: | |
| Combining Balance Sheet..... | 42 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balance..... | 43 |
| Budgetary Comparison Schedules: | |
| Special Revenue Fund - Hotel/Motel Tax Fund..... | 44 |
| Schedule of Projects Constructed with Special Local Option Sales Tax Proceeds..... | 45 |
| Component Unit - Downtown Development Authority | |
| Balance Sheet..... | 47 |
| Statement of Revenues, Expenditures, and Changes in Fund Balance..... | 48 |

City of Hinesville, Georgia
 Comprehensive Annual Financial Report
 Table of Contents
 For the Year Ended October 31, 2007

| | <u>PAGE</u> |
|---|-------------|
| <i>STATISTICAL SECTION</i> | |
| Comment Relative to Statistical Section..... | 49 |
| FINANCIAL TRENDS | |
| Net Assets by Activity - Last Five Fiscal Years..... | 50 |
| Changes in Net Assets - Last Five Fiscal Years..... | 51 |
| Fund Balances, Governmental Funds - Last Five Fiscal Years..... | 53 |
| Changes in Fund Balances, Governmental Funds - Last Five Fiscal Years..... | 54 |
| REVENUE CAPACITY | |
| Assessed Value and Estimated Actual Value of Taxable Property - Last Ten Tax Digest Years..... | 55 |
| Property Tax Rates - Last Ten Tax Digest Years..... | 56 |
| Principal Property Taxpayers - Current Year and Five Years Ago..... | 57 |
| Property Tax Levies and Collections - Last Ten Fiscal Years..... | 58 |
| Local Option Sales Tax History - Last Ten Calendar Years..... | 59 |
| Water and Sewer Rates - Last Ten Fiscal Years..... | 60 |
| Water and Sewer Consumption - Last Ten Fiscal Years..... | 61 |
| Ten Largest Water and Sewer Customers - Current Fiscal Year..... | 62 |
| DEBT CAPACITY | |
| Ratios of Outstanding Debt by Type - Last Ten Fiscal Years..... | 63 |
| Direct and Overlapping Governmental Activities Debt..... | 64 |
| Legal Debt Margin Information - Last Ten Fiscal Years..... | 65 |
| Pledged Revenue Coverage - Last Three Fiscal Years..... | 66 |
| DEMOGRAPHIC AND ECONOMIC INFORMATION | |
| Demographic and Economic Statistics - Last Ten Fiscal Years..... | 67 |
| Demographic Profile - Census 2000..... | 68 |
| Ten Largest Employers in Liberty County - Current Year and Two Years Ago..... | 69 |
| OPERATING INFORMATION | |
| Full Time Equivalent City Employees by Department - Last Ten Fiscal Years..... | 70 |
| Public Safety Operating Indicators by Function - Last Ten Fiscal Years..... | 71 |
| Capital Assets by Function - Last Three Fiscal Years..... | 72 |
| Construction Activity - Last Ten Fiscal Years..... | 73 |
| Grant Awards - Last Five Fiscal Years..... | 74 |
| <i>COMPLIANCE SECTION</i> | |
| 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..... | 75 |
| Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133..... | 77 |
| Schedule of Expenditures of Federal Awards..... | 79 |
| Notes to the Schedule of Expenditures of Federal Awards..... | 80 |
| Schedule of Findings and Questioned Costs..... | 81 |
| Summary Schedule of Prior Year Findings..... | 82 |

INTRODUCTORY SECTION



MAYOR
James Thomas Jr.

CITY MANAGER
Billy Edwards

CITY CLERK
Sarah Lumpkin

CITY ATTORNEY
Linnie L. Darden, III

City of Hinesville

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MAYOR PRO TEM
Charles Frasier

COUNCIL MEMBERS
James Robert Ryon, Jr.
David Anderson, Sr.
Keith Jenkins
Kenneth Shaw

May 28, 2008

To the Honorable Mayor, City Council
And Citizens of City of Hinesville:

We are pleased to present the Comprehensive Annual Financial Report of the City of Hinesville, Georgia (the "City") for the fiscal year ended October 31, 2007 to Your Honorable Body, the Mayor and the citizens of Hinesville. This report consists of management's representations concerning the finances of the City of Hinesville. Consequently, management assumes full responsibility for the completeness and reliability of all information presented in this report. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operation of the various funds and account groups to the City. All disclosures necessary to enable the reader to gain a full understanding of the City's financial activities have been included.

State law requires that every local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended October 31, 2007.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the City's organizational chart and a list of principal officials. The financial section includes the Management's Discussion and Analysis, basic financial statements for governmental and proprietary funds; notes to the financial statements and the combining and individual fund statements and schedules for the non-major governmental, special revenue, capital project, and proprietary funds. The statistical section presents selected and un-audited financial and demographic information.

The City of Hinesville's primary government's financial statements have been audited by Karp, Ronning, & Tindol, P.C.'s. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Hinesville for the fiscal year ended October 31, 2007 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors have concluded, based upon their audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Hinesville and its component unit's financial statements for the fiscal year ended October 31, 2007 are fairly presented and conform to generally accepted accounting principles in the United States of America. The independent auditor's report is presented as the first component of the financial section of this report.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basis financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Hinesville's MD&A can be found immediately following the auditor's report in the financial section of this report.

The City of Hinesville received federal financial assistance through various federal grant programs. An audit in accordance with the Single Audit Act of 1984, P.L. 98-502, and Office of Management and Budget (OMB) Circular A-133, "Audits of State and Local Governments and Non-Profit Organizations", and "Government Auditing Standards" issued by the Comptroller General of the United States has been performed for the fiscal year ended October 31, 2007. The required reports are included in the Single Audit section of this report.

Profile of the Government

The City of Hinesville was incorporated on July 24, 1916 by the General Assembly of Georgia and is a designated Tree City, a certified City of Ethics and a Georgia City of Excellence. The City of Hinesville is located in northern Liberty County. The City has an estimated population of 36,420, is 21.11 square miles and consists of 919,552 acres. The City operates under a charter which provides for a Mayor-Council form of government with a city administrator. The Mayor and five council members are part-time employees.

Each Council member is elected by the entire City and serves "at large" with post assignments. An election is held every four years. It is the duty of the Council members, in general, to set policy, set millage rates, to approve budgets, to pass ordinances and to hear and act on requests for rezoning and annexation.

With its population of 30,392 (2000 census), Hinesville is the largest city in Liberty County, the third largest city in the coastal region and 17th largest city if the State of Georgia. From 1980 to 1990, Hinesville experienced a rapid period of growth and expansion. In 1980, Hinesville's population stood at 11,309 persons, which accounted for 29.8% of Liberty County's population. By 1990 the City's population grew by an astounding 91.02% to 21,603, which accounted for 41.0% of Liberty County's population. By 2000 the City's population once again showed significant growth at 30,392, a 40.68% growth accounting for 49.33% of the total population of Liberty County. Today, the population growth potential of Hinesville continues to be the highest of all the county's municipalities. The 2008 estimated population of the City is 37,000.

It is important to note, even in growth the City still retains a small town atmosphere where newcomers and longtime residents work hand-in-hand to achieve a better community. The City has an established expandable urban services system and financial ability to support its population growth. Recognized as one of the fastest growing cities in Georgia, Hinesville is understandably proud of its progressive leadership and popularity. The City provides a full range of services to its citizens, including police and fire protection; a municipal court system; curbside solid waste collection; recycling service centers; water and storm water management; as well as other general government services. Wastewater treatment is provided to the city residents by a regional sewage treatment plant located on Fort Stewart and operated by Operations Management Incorporated (OMI). OMI provides several other services to the citizens of Hinesville to include street maintenance, utility maintenance and sanitation services.

Public Safety

Police

The Hinesville Police Department is dedicated to making Hinesville a secure and pleasant place to live and work. Officers are trained to enforce city ordinances and state laws within Hinesville's city limits. In 2007, the Department responded to 56,540 calls from which the officers worked the following Part I crimes : 43 aggravated assault cases, 72 cases of auto theft, 4 homicides, 17 rape cases, 42 robbery cases, 493 cases of burglary and 5 cases of arson. In addition, the department assisted other local agencies such as the sheriff's department and the Multi-Agency Crack Enforcement team. Hinesville's police officers arrested 757 juvenile offenders and 3, 526 adult offenders during 2007. On the road, the patrol division and the traffic section worked 1,236 accidents, wrote 12,160 citations and gave 5,582 traffic warnings.

The Department continues to engage in an aggressive crime prevention program by conducting Citizens' Police academies, sponsoring active D.A. R. E. and G. R. E. A. T. programs in the schools and fostering Neighborhood Watch groups, as well as promoting and participating in National Night Out and Safe Kids Day.

Municipal Court

The municipal court represents the City of Hinesville's judicial branch of government and provides a forum for individuals charged with violations of traffic, some state law and/or city ordinances. The City of Hinesville's court is presided over by a judge that is appointed by the Mayor and City Council and remains neutral and impartial to ensure the fair hearing of each case.

The City of Hinesville also has an in house Probation Department which is closely connected with the Municipal Court. The judge will often sentence persons to probation. They are then monitored by probation officers who ensure that they comply with any court ordered counseling and complete any other programs that the judge may order.

Fire

The Hinesville Fire Department is an ISO (Insurance Services Office) Class 3 certified Fire Department. Our firefighters receive extensive training starting at the entry level positions. Training is continuous throughout each member's career and he must meet the department's Progressive Training Agenda requirements that establish training criteria for all positions within the Department. A firefighter that is just starting with the department that has no training would need to obtain approximately 794 hours of training in order to obtain his basic firefighter requirements.

The Hinesville Fire Department is the only full time department in Liberty County and has mutual aid agreements with all 7 county fire departments, Long County Fire Department and Fort Stewart Fire Department. This department responded to an average of 2,089 emergency incidents per year with an average response time within the City Limits of five minutes. Since 1994 the department has grown from five (5) personnel on shift with three (3) administrative staff to 13 personnel on shift with an administrative staff of seven (7).

Our department provides more than just fire protection to our citizens. It provides many other services to include Public Safety Education, inspections, investigations, extrication and First Responders. The department has special operation teams for hazardous material incidents, water rescue missions and provides highly trained firefighters for the Georgia Search and Rescue Team. It is a pro-active department that stresses professionalism and gives a high standard of service to our customers both external and internal.

Examples of some of the Public Safety Education opportunities provided by the department are the Fire Safety House, babysitting classes, CPR/1st Aid classes, station tours, smoke detector program, Juvenile Fire Setter Program, and the Hazard House. Over the past 5 years, this department has made contact with 63,361 people with 1,489 events. The people contacted range from very young children to senior citizens in the community. The Fire Safety House is scheduled for each elementary school in Liberty County to ensure that the children are educated in emergency procedures during a fire in their home and also to recognize fire hazards in their home.

We house the hazardous materials trailer for the 5 county HAZMAT Team. Our department will respond to any hazardous material incidents in Liberty, Long, Bryan, Wayne and McIntosh counties. The equipment was purchased with two grants received from Georgia Emergency Management Agency (GEMA). The Georgia Search and Rescue (GSAR) team was established with a grant and governed by the Savannah Fire Department in 2005. The City's fire department provides 6 personnel to this team. Each member is required to have extensive training to include rope rescue, swift water rescue, heavy machinery extrication, structural collapse, confined space and trench rescue. This training takes approximately 11 weeks for each member. The dive team has 12 members from the City of Hinesville Fire and Police Departments. These members must be dive certified to be a member of the team

The Hinesville Fire Department conducted 2,264 inspections from January 1st 2007 through December 31st 2007. The Hinesville Fire Departments Bureau of Prevention is made up of one Fire Marshal and one Deputy Fire Marshal. Both are sworn Local State Fire Marshal's, and conduct fire safety inspections on each business located in the city limits of Hinesville Georgia as well as the City Limits of Flemington Georgia. Each business is inspected once every six months. If a violation is found a follow-up inspection is conducted at 30, 15, and 7 day increments until the violation is corrected. A majority of businesses will correct the violation within the first 30 days.

Local Economy

The City of Hinesville continues to be a prosperous municipality. With over 950 registered businesses, the City also issues over 1,100 licenses and permits each year. Hinesville is home to Fort Stewart Military Reservation, one of the largest active military bases in the country and the largest Army installation east of the Mississippi River. Fort Stewart consists of approximately 280,000 acres, includes 5 counties and is adjacent to Hinesville's downtown area. The main gate into Fort Stewart is located within the City of Hinesville. Over 70% of military personnel residing off the installation live in Hinesville. Fort Stewart and the City of Hinesville are inextricably linked both economically and culturally. More than any other factor, Fort Stewart has shaped the economic health and image of Hinesville.

Downtown Revitalization

The City of Hinesville, by a resolution dated May 6, 2004, activated formulated a group of individuals to form the Hinesville Downtown Development Authority (HDDA). Its mission is to create a sustainable, revitalized, and vibrant downtown that is an economic hub, while enhancing the quality of life for the community. It is the HDDA's vision to develop the downtown as a unique, vibrant and attractive economic and cultural destination. The Board that serves on this authority consists of seven citizens. In August 2004, Mayor and Council designated the Hinesville Downtown Development Authority as the "Urban Redevelopment Agency" to implement the City's Urban Redevelopment Plan. The Urban Redevelopment Area consists of 910 acres in the heart of the City that includes the Fort Stewart main gate area, the downtown core, and surrounding residential and commercial properties.

Financial Planning

Consistent with its past practices the City adopted a conservative approach in defining the 2007 budget. By balancing planned expenditures to anticipated revenue streams the City was able to reduce the millage rate from 11.30 to 10.9 for the 2006 tax digest (or the 2007 budget). The former rate of 11.30 mills had been a consistent net rate since the 1997 tax digest year.

Each year the City performs a review of financial trends and updates its five-year financial plan. This long-range planning accomplishes two important objectives. First, it allows for the early identification of challenges. Secondly, it provides information to elected officials for policy setting. As a result, potential problems are addressed proactively.

Financial Information

The Accounting System:

The City maintains six funds: General Fund, Multiple Grant, Special Revenues, Capital Projects, Water & Sewer, Sanitation Fund, and Storm Water Utility Fund. The description of these fund types can be found in the Notes to the Financial Statements.

The accompanying financial statements and statistical tables were prepared in conformance with generally accepted accounting principles (GAAP), and with standards set forth and guidance provided by:

1. The Governmental Accounting Standards Board (GASB)
2. The American Institute of Certified Public Accountants and its committee on Governmental Accounting and Auditing.
3. The Governmental Finance Officers Association of the United States and Canada (GFOA)

Budgetary Controls

The annual budget currently serves as the foundation for the City of Hinesville's financial planning and control. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Mayor and Council. An annual operating budget is adopted for the general fund and special revenue funds. An annual operating budget is prepared for enterprise funds for planning, control, cost allocation and evaluation purposes. All annual appropriations lapse at the fiscal year end. As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

Cash Management

Investments are made in accordance with applicable state laws and the City's investment policy. The focus of the investment policy is to minimize credit and market risks while maintaining a competitive yield on the portfolio. Accordingly, demand deposit bank accounts must be collateralized by a pledge of State of Georgia or United States Treasury or Agency obligations equal to market value to 110% of the uninsured amount of the deposit. All collateral on deposits is to be held by the City, its agent or a financial institution's trust department in the City's name.

Independent Audit

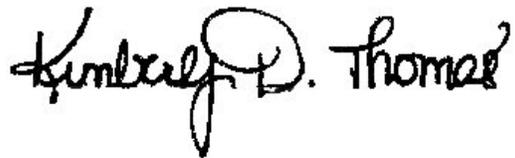
Georgia Code requires an annual audit by independent certified public accountants. The City selected the accounting firm of Karp, Ronning & Tindol, P.C. to complete the audit of the 2007 fiscal year and the Auditor's unqualified opinion has been included in this report.

Awards and Acknowledgements:

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report (CAFR) for the year ended October 31, 2006 and 2005. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized Comprehensive Annual Financial Report. This is the second consecutive year the City received this award and we are proud that we achieved this standard of excellence.

The preparation of the Comprehensive Annual Financial Report could not be accomplished without the effective and dedicated services of the entire staff of the Finance Department. We express appreciation to all City of Hinesville officials and employees who assisted and contributed to the operations of the City fiscal year 2007 and the preparation of this report.

Respectfully submitted,

A handwritten signature in black ink that reads "Kimberly D. Thomas". The signature is written in a cursive, flowing style.

Kimberly D. Thomas
Chief Financial Officer

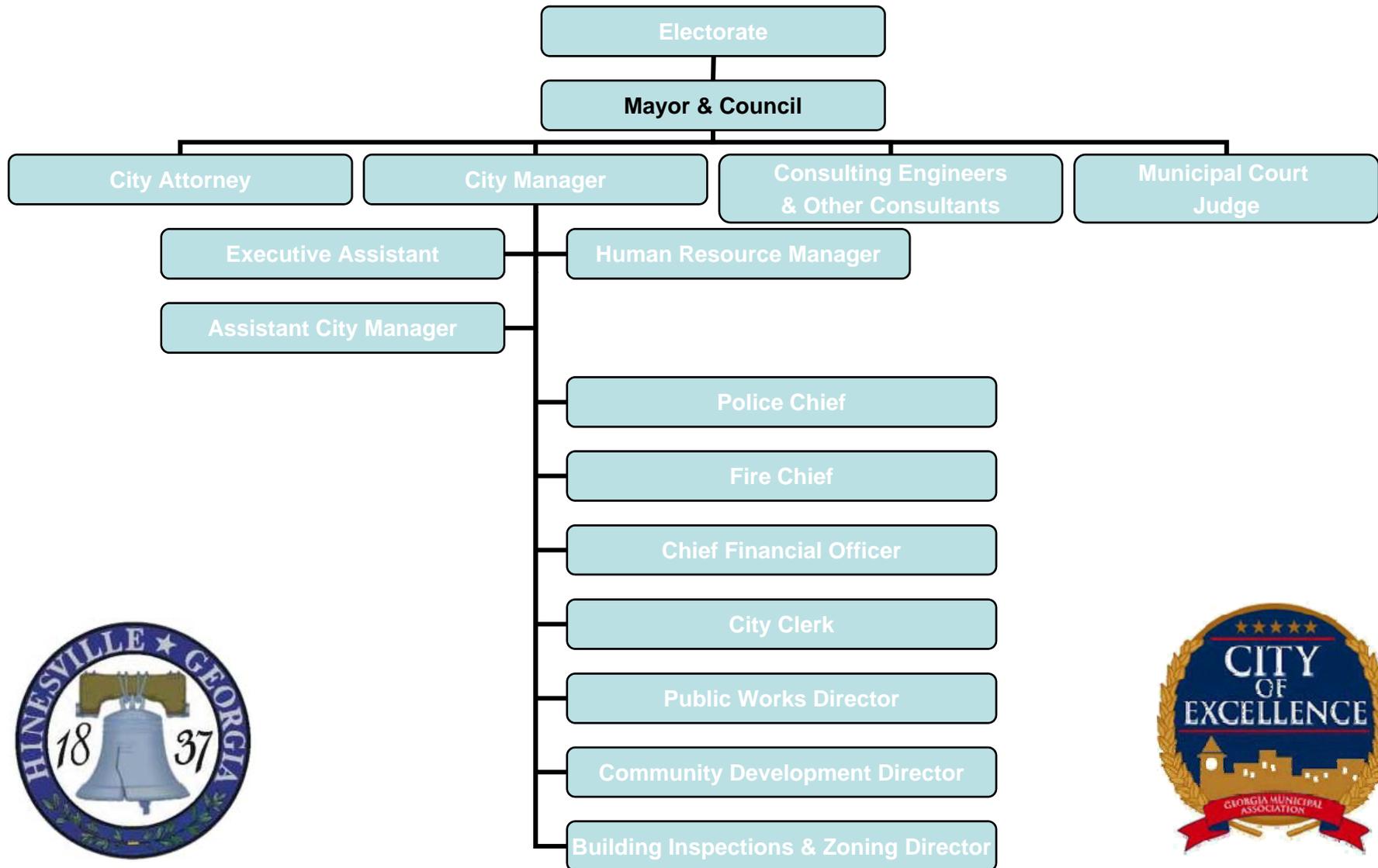
CITY OF HINESVILLE, GEORGIA

PRINCIPAL OFFICIALS

October 31, 2007

| | |
|---------------------------|------------------------------|
| Mayor | Mr. Thomas J. Ratcliffe, Jr. |
| Mayor Pro Tem | Mr. David Anderson |
| Council Member | Mr. Charles Frasier |
| Council Member | Mr. Steve Troha |
| Council Member | Mr. Jack Shuman |
| Council Member | Mr. Kenneth Shaw |
| City Manager | Mr. Billy Edwards |
| Assistant City Manager | Mr. Kenneth Howard |
| City Clerk | Mrs. Sarah Lumpkin |
| City Attorney | Mr. Jeff Arnold |
| City Auditor | Karp, Ronning & Tindol, P.C. |
| Chief Financial Officer | Ms. Kimberly Thomas |
| Fire Chief | Chief Lamar Cook |
| Police Chief | Chief George Stagmeier |
| Public Works Director | Mr. Gary Gillard |
| Public Utilities Director | Mr. Robert Norby |
| Director of Inspections | Mr. Steve Welborn |

City of Hinesville, Georgia Organizational Chart October 31, 2007



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Hinesville
Georgia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
October 31, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Charles S. Cox

President

Jeffrey R. Emer

Executive Director



FINANCIAL SECTION



KARP, RONNING & TINDOL

CERTIFIED PUBLIC ACCOUNTANTS

RICHARD D. TINDOL, CPA
DERRICK A. COWART, CPA
CHRISTOPHER T. LIGHTLE, CPA
MARTIN L. KARP, CPA
DENNIS W. RONNING, CPA
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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the
City Council
City of Hinesville, Georgia, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hinesville, Georgia (City), as of and for the year ended October 31, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of October 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and the Multiple Grant 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 a report dated May 28, 2008 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis (on pages 3 through 9) and the Schedule of Funding Progress (on page 41) are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund and discretely presented component unit financial statements and schedules, and the statistical section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedules of Projects Constructed with Special Purpose Local Option Sales Tax Proceeds are presented for the purposes of additional analysis as required by the Official Code of Georgia 48-8-21, and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules, the Schedules of Projects Constructed with Special Purpose Local Option Sales Tax Proceeds, and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and the statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Karp, Ronning & Tindol, PC

Karp, Ronning & Tindol, P.C.

Savannah, Georgia
May 28, 2008

CITY OF HINESVILLE, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Hinesville (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Hinesville, Georgia for the fiscal year ended October 31, 2007. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the fiscal year by \$61,889,542 (*net assets*). Of this amount, \$7,629,239 (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$3,151,308, primarily due to increases in the governmental activities net assets.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$10,176,457, a decrease of \$151,530 in comparison with the prior year. Approximately ninety-six percent (96%) of this total amount, or \$9,738,251, is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$9,305,564, or fifty – eight percent (58%) of total general fund expenditures for the fiscal year.
- The City's total debt increased by \$15,340,323 in fiscal year 2007. This was due primarily to a GEFA loan for the new waste water treatment facility which increased a net of \$13,220,397. The City also entered into an agreement with Horse Creek Partners, LLC during fiscal year 2007. This note increased long-term obligations by a net amount of \$2,780,979. The balance of the change is a result of the scheduled debt service payments made during the year.
- The City's revenues for fiscal year 2007 total \$30,436,730. Of this amount, \$16,646,531, or fifty-five percent (55%), was generated from program revenues. The balance of \$13,790,199, or forty-five percent (45%), was generated from general revenues.
- The City's program expenses for fiscal year 2007 total \$27,285,422. Of this amount, \$18,078,282, or sixty-six percent (66%), was generated from governmental activities. The balance of \$9,207,140, or thirty-four percent (34%), was generated from business-type activities.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to City of Hinesville, Georgia's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City of Hinesville.

CITY OF HINESVILLE, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Basic Financial Statements

The first two statements (pages 10 through 12) in the basic financial statements are the *Government-wide Financial Statements*. They provide both short and long-term information about the City's financial status.

The next statements (pages 13 through 21) are *Fund Financial Statements*. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements and 3) the proprietary fund statements.

The next section of the basic financial statements is the *notes*. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, *supplemental information* is provided to show details about the City's individual funds. Budgetary information required by the state statute also can be found in this part of the statements.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two 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 is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, highways and streets, health, welfare, and culture and recreation. The business-type activities of the City consist of water and sewer services and sanitation services.

The government-wide financial statements are on pages 10 through 12 of this report.

CITY OF HINESVILLE, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fund Financial Statements

The fund financial statements provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Hinesville uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of City of Hinesville can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*, which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The City of Hinesville adopts annual budgets for the General Fund and special revenue funds, as required by state statute. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the Council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund and Multiple Grant Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the Statement of Revenues, Expenditures and Changes in Fund Balance. The statement shows four columns: 1) the original budget as adopted by the Council; 2) the final budget as amended by the Council; 3) the actual resources, charges to appropriations, and ending balances; and 4) the difference or variance between the final budget and the actual resources and charges.

The basic governmental fund financial statements can be found beginning on page 13 of this report.

Proprietary Funds – City of Hinesville has three proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. City uses enterprise funds to account for its water and sewer services, sanitation services and its newly formed storm water utility. The Storm Water Utility Fund was established September 1, 2007.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Fund, Sanitation Fund, and Storm Water Utility Fund.

The basic proprietary fund financial statements can be found on pages 19 through 21 of this report.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 22 through 40 of this report.

CITY OF HINESVILLE, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-Wide Financial Analysis

In order to allow for useful comparative analysis, government-wide financial information is provided for fiscal years ended October 31, 2007 and 2006.

City of Hinesville's Net Assets

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|--------------------------------|----------------------|---------------------------------|----------------------|----------------------|----------------------|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| Assets: | | | | | | |
| Current and other assets..... | \$ 12,816,813 | \$ 11,940,482 | \$ 1,243,024 | \$ 3,780,583 | \$ 14,059,837 | \$ 15,721,065 |
| Capital assets, net..... | 33,954,746 | 32,607,717 | 44,206,939 | 24,052,920 | 78,161,685 | 56,660,637 |
| Total assets..... | 46,771,559 | 44,548,199 | 45,449,963 | 27,833,503 | 92,221,522 | 72,381,702 |
| Liabilities: | | | | | | |
| Other liabilities..... | 1,187,154 | 2,372,174 | 3,074,708 | 8,133,263 | 4,261,862 | 3,630,040 |
| Long-term liabilities..... | 2,298,850 | 1,100,125 | 23,546,910 | 2,529,915 | 25,845,760 | 10,505,437 |
| Total liabilities..... | 3,486,004 | 3,472,299 | 26,621,618 | 10,663,178 | 30,107,622 | 14,135,477 |
| Net assets: | | | | | | |
| Invested in capital assets, net of related debt..... | 32,609,746 | 31,015,029 | 20,677,179 | 15,932,876 | 53,286,925 | 46,947,905 |
| Restricted..... | - | - | 973,378 | 1,462,728 | 973,378 | 1,462,728 |
| Unrestricted..... | 10,675,809 | 10,060,871 | (2,822,212) | (225,279) | 7,853,597 | 9,835,592 |
| Total net assets..... | \$ 43,285,555 | \$ 41,075,900 | \$ 18,828,345 | \$ 17,170,325 | \$ 62,113,900 | \$ 58,246,225 |

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City (governmental and business-type activities in total) assets exceeded liabilities by \$62,113,900 and \$58,738,234 at October 31, 2007 and 2006, respectively.

By far, the largest portion of the City's net assets (86%) reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Hinesville's net assets, \$973,378 or two percent (2%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of the City's net assets, \$7,853,597 or twelve percent (13%), are unrestricted net assets and may be used to meet the government's ongoing obligations to citizens and creditors.

CITY OF HINESVILLE, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table indicates the change in net assets for governmental and business-type activities for fiscal years 2007 and 2006.

| | City of Hinesville's Changes in Net Assets | | | | | |
|--|--|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | Governmental Activities | | Business-Type Activities | | Total | |
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charges for services..... | \$ 2,760,988 | \$ 2,228,738 | 9,625,421 | \$ 8,897,876 | \$ 12,386,409 | \$ 11,126,614 |
| Operating grants and contributions..... | 1,324,376 | 942,686 | - | - | 1,324,376 | 942,686 |
| Capital grants and contributions..... | 2,383,816 | 1,319,046 | 551,930 | 812,915 | 2,935,746 | 2,131,961 |
| General Revenues: | | | | | | |
| Taxes..... | 13,053,189 | 13,020,799 | - | - | 13,053,189 | 13,020,799 |
| Federal and state grants and other contributions not restricted to a specific function..... | 22,477 | - | - | - | 22,477 | - |
| Unrestricted investment earnings..... | 443,756 | 354,286 | 201,813 | 197,584 | 645,569 | 551,870 |
| Gain (loss) on disposition of capital assets..... | - | 15,824 | - | - | - | 15,824 |
| Miscellaneous..... | 49,718 | 548,420 | 19,246 | 411,980 | 68,964 | 960,400 |
| Total Revenues..... | 20,038,320 | 18,429,799 | 10,398,410 | 10,320,355 | 30,436,730 | 28,750,154 |
| Expenses: | | | | | | |
| General government..... | 2,194,891 | 2,351,658 | - | - | 2,194,891 | 2,351,658 |
| Judiciary..... | 307,241 | 310,188 | - | - | 307,241 | 310,188 |
| Public safety..... | 8,552,233 | 7,909,188 | - | - | 8,552,233 | 7,909,188 |
| Public works..... | 2,867,482 | 3,216,476 | - | - | 2,867,482 | 3,216,476 |
| Health and welfare..... | 481,410 | 1,664,213 | - | - | 481,410 | 1,664,213 |
| Culture and recreation..... | 1,006,902 | 431,665 | - | - | 1,006,902 | 431,665 |
| Housing and development..... | 2,590,029 | - | - | - | 2,590,029 | - |
| Interest and fiscal charges..... | 78,094 | 91,989 | - | - | 78,094 | 91,989 |
| Water and sewer..... | - | - | 6,925,859 | 6,570,595 | 6,925,859 | 6,570,595 |
| Sanitation..... | - | - | 2,103,192 | 2,177,974 | 2,103,192 | 2,177,974 |
| Stormwater utility..... | - | - | 178,089 | - | 178,089 | - |
| Total Expenses..... | 18,078,282 | 15,975,377 | 9,207,140 | 8,748,569 | 27,285,422 | 24,723,946 |
| Change in net assets before special item and transfers..... | 1,960,038 | 2,454,422 | 1,191,270 | 1,571,786 | 3,151,308 | 4,026,208 |
| Transfers..... | (466,750) | 396,794 | 466,750 | (396,794) | - | - |
| Change in net assets..... | 1,493,288 | 2,851,216 | 1,658,020 | 1,174,992 | 3,151,308 | 4,026,208 |
| Net assets - beginning (restated)..... | 41,792,267 | 38,224,684 | 17,170,325 | 15,995,333 | 58,962,592 | 54,220,017 |
| Net assets - ending..... | <u>\$ 43,285,555</u> | <u>\$ 41,075,900</u> | <u>\$ 18,828,345</u> | <u>\$ 17,170,325</u> | <u>\$ 62,113,900</u> | <u>\$ 58,246,225</u> |

Governmental activities. Governmental activities increased the City's net assets by \$1,493,288 and \$3,343,225 as of October 31, 2007 and 2006, respectively. As illustrated above, taxes constitute the largest single revenue line item at \$13,053,189 or sixty-five percent (65%) of total revenue in 2007 and \$13,020,799 or seventy-one percent (71%) in 2006. Charges for services is the second largest revenue source at \$2,760,988 or fourteen percent (14%) and \$2,228,738 or twelve percent (12%) in fiscal years 2007 and 2006, respectively.

Business-type activities: Business-type activities increased the City of Hinesville's net assets by \$1,658,020 as of October 31, 2007 and \$1,174,992 as of October 31, 2006. Charges for services constitute the major portion of revenue at \$9,625,421 or ninety-three percent (93%) of total revenue in 2007 and \$8,897,876 or eighty-six percent (86%) of total revenue in 2006.

CITY OF HINESVILLE, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the City's Funds

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

Governmental Funds. The focus of the City of Hinesville's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Hinesville's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the City of Hinesville. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$9,305,564, while total fund balance totaled \$9,743,770. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents fifty-eight percent (58%) of total General Fund expenditures, while total fund balance represents sixty-one percent (61%) of that same amount.

At October 31, 2007, the governmental funds of City of Hinesville reported a combined fund balance of \$10,176,457, a one percent (1%) decrease from last year.

General Fund Budgetary Highlights: During the fiscal year, the City revised the budget on a couple of occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

At October 31, 2007, total actual revenues exceeded total budgeted revenues in the General Fund by \$395,824. Total actual expenditures varied from total budgeted expenditures in the General Fund by \$429,203 at October 31, 2007. Administration and Highways and Streets are showing large variances. Administration and Public Works are reporting large variances. A large portion of the Administration variance is a budgeted item for operating capital reserve. These are funds that are set aside to build the City's cash reserve to a level required to run the City's operations for three months (or 25% of the City's operational budget, as stated in the City's financial policies). The City budgets this item each year for cash flow purposes but this is not truly an expense. The diligent management of funds by the City's departmental managers allowed the City to expend less than we budgeted.

Proprietary Funds. The City of Hinesville's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets at the end of the fiscal year amounted to (\$2,696,081) in the water and sewer fund, (\$30,222) in the sanitation fund and (\$95,909) in the storm water utility fund. Other factors concerning the finances of these funds have been addressed in the discussion of the City of Hinesville's business-type activities.

CITY OF HINESVILLE, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Asset and Debt Administration

Capital assets. The City of Hinesville's investment in capital assets for its governmental and business-type activities total \$78,161,685 and \$56,660,637 (net of accumulated depreciation) as of October 31, 2007 and 2006, respectively. These assets include buildings, infrastructure, land, heavy equipment, equipment, and office furniture.

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

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|--------------------------------|----------------------|---------------------------------|----------------------|----------------------|----------------------|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| Land..... | \$ 1,831,567 | \$ 1,831,567 | \$ - | \$ - | \$ 1,831,567 | \$ 1,831,567 |
| Construction in progress..... | 1,965,002 | 1,374,651 | 21,274,572 | 4,306,678 | 23,239,574 | 5,681,329 |
| Buildings and improvements..... | 3,587,310 | 3,684,583 | - | - | 3,587,310 | 3,684,583 |
| Utility plant in service..... | - | - | 19,202,895 | 18,690,333 | 19,202,895 | 18,690,333 |
| Vehicles..... | 834,921 | 787,165 | - | - | 834,921 | 787,165 |
| Heavy equipment..... | 108,732 | 237,401 | - | - | 108,732 | 237,401 |
| Equipment..... | 140,941 | 331,020 | 3,729,472 | 1,055,909 | 3,870,413 | 1,386,929 |
| Office equipment..... | 69,076 | 42,630 | - | - | 69,076 | 42,630 |
| Infrastructure..... | 25,417,197 | 24,318,700 | - | - | 25,417,197 | 24,318,700 |
| Total capital assets, net of depreciation..... | <u>\$ 33,954,746</u> | <u>\$ 32,607,717</u> | <u>\$ 44,206,939</u> | <u>\$ 24,052,920</u> | <u>\$ 78,161,685</u> | <u>\$ 56,660,637</u> |

Additional information on the City's capital assets can be found in note 6 of the basic financial statements.

Long-term Debt. As of October 31, 2007 the City of Hinesville had total bonded debt outstanding of \$7,040,000. Of this, \$1,345,000 is debt backed by the full faith and credit of the City. The remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

Additional information regarding the City of Hinesville's long-term debt can be found in notes 8 and 9 of the basic financial statements.

Economic Conditions Affecting the City

There are many economic factors that were considered when the City of Hinesville established its budget for fiscal year ended October 31, 2007. It is the City's practice to take a conservative approach when budgeting for estimated revenues. However, we realize we must be diligent in monitoring external factors that impact these estimates.

Activities at Fort Stewart have a significant financial impact on the City of Hinesville. City officials are in continuous communication with Fort Stewart officials. The City works hard to be prepared to take necessary steps to minimize any negative economic impact.

Contacting the City's Financial Management

This financial report is designed to provide a general overview of the City of Hinesville's finances, comply with finance related laws and regulations, and demonstrate the City's commitment to public accountability. Questions concerning any of the information found in this report or requests for additional information should be directed to the Chief Financial Officer, City of Hinesville, 115 East M.L. King, Jr. Drive, Hinesville, GA 31313 or (912) 876-3564.



BASIC FINANCIAL STATEMENTS



GOVERNMENT-WIDE FINANCIAL STATEMENTS



City of Hinesville, Georgia

Statement of Net Assets

October 31, 2007

| | Primary Government | | | Component Unit |
|--|----------------------------|-----------------------------|----------------------|--------------------------------------|
| | Governmental Activities | Business-type Activities | Total | Downtown Development Authority |
| ASSETS | | | | |
| Cash and cash equivalents..... | \$ 1,453,095 | \$ 590,395 | \$ 2,043,490 | \$ 52,186 |
| Investments..... | 3,887,536 | - | 3,887,536 | - |
| Receivables, net..... | 2,205,539 | 1,451,213 | 3,656,752 | - |
| Notes receivable, net..... | 53,415 | - | 53,415 | - |
| Internal balances..... | 3,045,075 | (3,045,075) | - | - |
| Due from other governments..... | 1,299,845 | - | 1,299,845 | 78,750 |
| Due from component unit..... | 111,504 | - | 111,504 | - |
| Prepaid items..... | 114,745 | 26,132 | 140,877 | - |
| Restricted assets: | | | | |
| Cash and cash equivalents..... | 646,059 | 1,364,095 | 2,010,154 | 190,772 |
| Investments..... | - | 856,264 | 856,264 | - |
| Assets held for resale..... | - | - | - | 294,397 |
| Capital assets: | | | | |
| Nondepreciable..... | 3,796,569 | 21,274,572 | 25,071,141 | - |
| Depreciable, net of accumulated depreciation..... | 30,158,177 | 22,932,367 | 53,090,544 | - |
| Total assets..... | 46,771,559 | 45,449,963 | 92,221,522 | 616,105 |
| LIABILITIES | | | | |
| Accounts payable..... | 803,868 | 1,531,339 | 2,335,207 | 16,197 |
| Accrued payables..... | 177,695 | 14,159 | 191,854 | - |
| Retainage payable..... | 35,392 | 1,070,179 | 1,105,571 | - |
| Due to the primary government..... | - | - | - | 111,504 |
| Unearned revenue..... | 164,287 | - | 164,287 | - |
| Payable from restricted assets: | | | | |
| Customer deposits..... | - | 393,880 | 393,880 | - |
| Accrued interest..... | - | 65,151 | 65,151 | - |
| Other liabilities..... | 5,912 | - | 5,912 | - |
| Long-term liabilities: | | | | |
| Due within one year | | | | |
| Notes and loans payable..... | 255,000 | 1,369,803 | 1,624,803 | - |
| Compensated absences..... | 953,850 | 17,150 | 971,000 | - |
| Due in more than one year | | | | |
| Notes and loans payable..... | 1,090,000 | 22,159,957 | 23,249,957 | - |
| Total liabilities..... | 3,486,004 | 26,621,618 | 30,107,622 | 127,701 |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt..... | 32,609,746 | 20,677,179 | 53,286,925 | - |
| Restricted for: | | | | |
| Bond retirement..... | - | 973,378 | 973,378 | - |
| Other purposes..... | - | - | - | - |
| Unrestricted..... | 10,675,809 | (2,822,212) | 7,853,597 | 488,404 |
| Total net assets..... | \$ 43,285,555 | \$ 18,828,345 | \$ 62,113,900 | \$ 488,404 |

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

City of Hinesville, Georgia

Statement of Activities

For the Year Ended October 31, 2007

| FUNCTIONS / PROGRAMS | Program Revenues | | | |
|-------------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Governmental activities: | | | | |
| General government..... | \$ 2,194,891 | \$ 725,721 | \$ - | \$ - |
| Judiciary..... | 307,241 | 149,635 | - | - |
| Public safety..... | 8,552,233 | 1,429,152 | 208,406 | 90,339 |
| Public works..... | 2,867,482 | 107,738 | - | 2,264,011 |
| Health and welfare..... | 481,410 | - | 290,074 | - |
| Culture and recreation..... | 1,006,902 | - | 69,366 | 29,466 |
| Housing and development..... | 2,590,029 | 348,742 | 756,530 | - |
| Interest on long-term debt..... | 78,094 | - | - | - |
| Total governmental activities..... | <u>18,078,282</u> | <u>2,760,988</u> | <u>1,324,376</u> | <u>2,383,816</u> |
| Business-type activities: | | | | |
| Water and sewer..... | 6,925,859 | 7,111,847 | - | 551,930 |
| Sanitation..... | 2,103,192 | 2,290,357 | - | - |
| Stormwater utility..... | 178,089 | 223,217 | - | - |
| Total business-type activities..... | <u>9,207,140</u> | <u>9,625,421</u> | <u>-</u> | <u>551,930</u> |
| Total..... | <u>\$ 27,285,422</u> | <u>\$ 12,386,409</u> | <u>\$ 1,324,376</u> | <u>\$ 2,935,746</u> |
| Component unit: | | | | |
| Downtown Development Authority..... | \$ 828,490 | \$ - | \$ 1,181,789 | \$ - |
| Total component unit..... | <u>\$ 828,490</u> | <u>\$ -</u> | <u>\$ 1,181,789</u> | <u>\$ -</u> |

GENERAL REVENUES

| |
|--|
| Taxes: |
| Property taxes, levied for general purposes..... |
| Sales taxes for general purposes..... |
| Franchise taxes..... |
| Insurance premium taxes..... |
| Alcoholic beverage taxes..... |
| Lodging taxes..... |
| Financial institution taxes..... |
| Federal and state grants and other contributions |
| not restricted to specific functions..... |
| Unrestricted investment earnings..... |
| Miscellaneous..... |
| Transfers..... |
| Total general revenues and transfers..... |
| Change in net assets..... |
| Net assets - beginning (restated)..... |
| Net assets - ending..... |

| Net (Expense) Revenue and Changes in Net Assets | | | |
|--|---------------------------------|----------------------|--|
| Governmental Activities | Business- Type Activities | Total | Component unit Downtown Development Authority |
| \$ (1,469,170) | \$ - | \$ (1,469,170) | |
| (157,606) | - | (157,606) | |
| (6,824,336) | - | (6,824,336) | |
| (495,733) | - | (495,733) | |
| (191,336) | - | (191,336) | |
| (908,070) | - | (908,070) | |
| (1,484,757) | - | (1,484,757) | |
| (78,094) | - | (78,094) | |
| <u>(11,609,102)</u> | <u>-</u> | <u>(11,609,102)</u> | |
| - | 737,918 | 737,918 | |
| - | 187,165 | 187,165 | |
| - | 45,128 | 45,128 | |
| <u>-</u> | <u>970,211</u> | <u>970,211</u> | |
| <u>(11,609,102)</u> | <u>970,211</u> | <u>(10,638,891)</u> | |
| | | | <u>\$ 353,299</u> |
| | | | <u>353,299</u> |
| 5,423,567 | - | 5,423,567 | - |
| 3,860,877 | - | 3,860,877 | - |
| 1,567,418 | - | 1,567,418 | - |
| 1,661,193 | - | 1,661,193 | - |
| 309,439 | - | 309,439 | - |
| 195,678 | - | 195,678 | - |
| 35,017 | - | 35,017 | - |
| 22,477 | - | 22,477 | - |
| 443,756 | 201,813 | 645,569 | - |
| 49,718 | 19,246 | 68,964 | - |
| (466,750) | 466,750 | - | - |
| <u>13,102,390</u> | <u>687,809</u> | <u>13,790,199</u> | <u>-</u> |
| 1,493,288 | 1,658,020 | 3,151,308 | 353,299 |
| 41,792,267 | 17,170,325 | 58,962,592 | 135,105 |
| <u>\$ 43,285,555</u> | <u>\$ 18,828,345</u> | <u>\$ 62,113,900</u> | <u>\$ 488,404</u> |



FUND FINANCIAL STATEMENTS



City of Hinesville, Georgia

Governmental Funds

Balance Sheet

October 31, 2007

| | General | Multiple Grant Fund | Other Governmental Funds | Total Governmental Funds |
|---|----------------------|------------------------|--------------------------------|--------------------------------|
| ASSETS | | | | |
| Cash and cash equivalents..... | \$ 974,000 | \$ 479,095 | \$ - | \$ 1,453,095 |
| Investments..... | 3,887,536 | - | - | 3,887,536 |
| Receivables, net..... | 2,186,384 | - | 19,155 | 2,205,539 |
| Note receivable, net..... | - | 53,415 | - | 53,415 |
| Due from other governments..... | 886,839 | 65,815 | 347,191 | 1,299,845 |
| Due from other funds..... | 5,704,226 | 632,772 | - | 6,336,998 |
| Due from component unit..... | 111,504 | - | - | 111,504 |
| Prepaid items..... | 114,745 | - | - | 114,745 |
| Restricted assets: | | | | |
| Cash and cash equivalents..... | 646,059 | - | - | 646,059 |
| Total assets..... | \$ 14,511,293 | \$ 1,231,097 | \$ 366,346 | \$ 16,108,736 |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities | | | | |
| Accounts payable..... | \$ 499,642 | \$ 37,634 | \$ 266,592 | \$ 803,868 |
| Accrued liabilities..... | 161,599 | - | - | 161,599 |
| Retainage payable..... | - | - | 35,392 | 35,392 |
| Due to other funds..... | 2,631,072 | 581,431 | 79,420 | 3,291,923 |
| Deferred revenue..... | 1,469,298 | 164,287 | - | 1,633,585 |
| Other liabilities..... | 5,912 | - | - | 5,912 |
| Total liabilities..... | 4,767,523 | 783,352 | 381,404 | 5,932,279 |
| Fund balances: | | | | |
| Reserved for: | | | | |
| Debt service..... | 323,461 | - | - | 323,461 |
| Prepaid items..... | 114,745 | - | - | 114,745 |
| Unreserved, reported in: | | | | |
| General fund..... | 9,305,564 | - | - | 9,305,564 |
| Special revenue funds..... | - | 447,745 | - | 447,745 |
| Capital projects funds..... | - | - | (15,058) | (15,058) |
| Total fund balances..... | 9,743,770 | 447,745 | (15,058) | 10,176,457 |
| Total liabilities and fund balances..... | \$ 14,511,293 | \$ 1,231,097 | \$ 366,346 | |

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

| | |
|--|----------------------|
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds..... | 33,954,746 |
| Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds..... | 1,469,298 |
| Certain liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds..... | (2,314,946) |
| Net assets of governmental activities..... | \$ 43,285,555 |

City of Hinesville, Georgia

Governmental Funds

Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Year Ended October 31, 2007

| | General | Multiple Grant Fund | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|------------------------|--------------------------------|--------------------------------|
| REVENUES | | | | |
| Property taxes..... | \$ 5,438,744 | \$ - | \$ - | \$ 5,438,744 |
| Sales taxes..... | 3,860,877 | - | - | 3,860,877 |
| Franchise taxes..... | 1,344,998 | - | - | 1,344,998 |
| Insurance premium taxes..... | 1,661,193 | - | - | 1,661,193 |
| Other taxes..... | 344,456 | - | 195,678 | 540,134 |
| Licenses and permits..... | 521,847 | - | - | 521,847 |
| Intergovernmental..... | 268,284 | 1,168,908 | 458,479 | 1,895,671 |
| Charges for services..... | 805,689 | - | - | 805,689 |
| Fines, forfeitures, and fees..... | 1,263,396 | - | - | 1,263,396 |
| Interest revenue..... | 417,573 | 26,183 | - | 443,756 |
| Other revenue..... | 207,469 | - | - | 207,469 |
| Total revenues..... | 16,134,526 | 1,195,091 | 654,157 | 17,983,774 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government..... | 2,149,401 | - | - | 2,149,401 |
| Judiciary..... | 307,241 | - | - | 307,241 |
| Public safety..... | 8,360,141 | 53,537 | - | 8,413,678 |
| Public works..... | 2,326,779 | - | - | 2,326,779 |
| Health and welfare..... | 285,068 | 196,341 | - | 481,409 |
| Culture and recreation..... | 530,707 | 69,366 | - | 600,073 |
| Housing and development..... | 1,106,894 | 1,187,373 | - | 2,294,267 |
| Capital outlay..... | - | - | 493,871 | 493,871 |
| Debt Service: | | | | |
| Principal..... | 247,688 | - | - | 247,688 |
| Interest and fiscal charges..... | 83,011 | - | - | 83,011 |
| Intergovernmental: | | | | |
| Assistance..... | 659,615 | - | 78,271 | 737,886 |
| Total expenditures..... | 16,056,545 | 1,506,617 | 572,142 | 18,135,304 |
| Excess (deficiency) of revenues over (under) expenditures..... | 77,981 | (311,526) | 82,015 | (151,530) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in..... | 117,407 | 329,606 | - | 447,013 |
| Transfers out..... | (329,606) | - | (117,407) | (447,013) |
| Total other financing sources (uses)..... | (212,199) | 329,606 | (117,407) | - |
| Net change in fund balances..... | (134,218) | 18,080 | (35,392) | (151,530) |
| Fund balances at beginning of year (restated)..... | 9,877,988 | 429,665 | 20,334 | 10,327,987 |
| Fund balances at end of year..... | \$ 9,743,770 | \$ 447,745 | \$ (15,058) | \$ 10,176,457 |

City of Hinesville, 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 October 31, 2007

| | | |
|--|----|-------------------------|
| Net change in Fund Balances - Total Governmental Funds..... | \$ | (151,530) |
| <p>Amounts reported for governmental activities in the statement of activities are different because:</p> | | |
| <p>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.</p> | | |
| Capital assets reported as capital outlay in governmental funds..... | \$ | 1,143,570 |
| Contributions to infrastructure by private developers..... | | 1,834,998 |
| Depreciation expense reported in the statement of activities..... | | <u>(1,164,789)</u> |
| This is the amount by which capital outlays and capital contributions exceeded depreciation in the current period..... | | 1,813,779 |
| Book value of governmental capital assets transferred to the proprietary funds..... | | (466,750) |
| <p>Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the statement of activities when earned.</p> | | |
| Deferred taxes..... | | 219,548 |
| <p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p> | | |
| Change in long-term debt and accrued interest..... | | 252,605 |
| Change in compensated absences..... | | <u>(174,364)</u> |
| Change in Net Assets of Governmental Activities..... | \$ | <u><u>1,493,288</u></u> |

City of Hinesville, Georgia

Statement of Revenues, Expenditures, and Changes in Fund Balances Budget to Actual – General Fund

For the Year Ended October 31, 2007

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|---|-------------------|-------------------|-------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Property taxes..... | \$ 5,231,644 | \$ 5,231,644 | \$ 5,438,744 | \$ 207,100 |
| Sales taxes..... | 3,898,943 | 3,898,943 | 3,860,877 | (38,066) |
| Franchise taxes..... | 1,220,000 | 1,263,670 | 1,344,998 | 81,328 |
| Insurance premium taxes..... | 1,640,312 | 1,640,312 | 1,661,193 | 20,881 |
| Other taxes..... | 368,325 | 368,325 | 344,456 | (23,869) |
| Licenses and permits..... | 531,014 | 540,064 | 521,847 | (18,217) |
| Intergovernmental..... | 289,282 | 289,282 | 268,284 | (20,998) |
| Charges for services..... | 797,704 | 797,704 | 805,689 | 7,985 |
| Fines, forfeitures, and fees..... | 1,495,021 | 1,495,021 | 1,263,396 | (231,625) |
| Interest revenue..... | 321,472 | 321,472 | 417,573 | 96,101 |
| Other revenue..... | 221,901 | 221,901 | 207,469 | (14,432) |
| Total revenues..... | 16,015,618 | 16,068,338 | 16,134,526 | 66,188 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government: | | | | |
| Administration..... | 2,390,305 | 2,357,740 | 2,149,401 | 208,339 |
| Judiciary: | | | | |
| Municipal court..... | 332,272 | 333,162 | 307,241 | 25,921 |
| Public safety: | | | | |
| Police..... | 5,729,269 | 5,788,807 | 5,878,608 | (89,801) |
| Fire..... | 2,387,239 | 2,561,654 | 2,481,533 | 80,121 |
| Total public safety..... | 8,116,508 | 8,350,461 | 8,360,141 | (9,680) |
| Public works: | | | | |
| Public works administration..... | 455,081 | 455,081 | 452,921 | 2,160 |
| Highways and streets..... | 1,754,088 | 1,827,138 | 1,472,732 | 354,406 |
| Vehicle maintenance..... | 402,015 | 402,015 | 401,126 | 889 |
| Total public works..... | 2,611,184 | 2,684,234 | 2,326,779 | 357,455 |
| Health and welfare: | | | | |
| Community development..... | 322,315 | 325,995 | 285,068 | 40,927 |
| Culture and recreation: | | | | |
| Team Hinesville..... | 62,525 | 62,525 | 63,404 | (879) |
| Parks and grounds..... | 439,471 | 452,021 | 467,303 | (15,282) |
| Total culture and recreation..... | 501,996 | 514,546 | 530,707 | (16,161) |
| Housing and development: | | | | |
| Inspections..... | 664,383 | 666,231 | 603,168 | 63,063 |
| Downtown Development Authority..... | 179,515 | 179,665 | 390,135 | (210,470) |
| Economic development..... | 123,000 | 123,000 | 113,591 | 9,409 |
| Total housing and development..... | 966,898 | 968,896 | 1,106,894 | (137,998) |

(continued)

City of Hinesville, Georgia

Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget to Actual – General Fund

For the Year Ended October 31, 2007

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|---|---------------------|---------------------|---------------------|-------------------------------|
| | Original | Final | | |
| Debt Service: | | | | |
| Principal..... | 259,338 | 259,338 | 247,688 | 11,650 |
| Interest and fiscal charges..... | 85,021 | 85,021 | 83,011 | 2,010 |
| Total debt service..... | <u>344,359</u> | <u>344,359</u> | <u>330,699</u> | <u>13,660</u> |
| Intergovernmental: | | | | |
| Liberty County Board of Commissioners..... | 126,698 | 126,698 | 119,302 | 7,396 |
| Liberty County Planning Commission..... | 319,648 | 319,648 | 280,304 | 39,344 |
| Live Oak Public Libraries..... | 260,009 | 260,009 | 260,009 | - |
| Total intergovernmental..... | <u>706,355</u> | <u>706,355</u> | <u>659,615</u> | <u>46,740</u> |
| Total expenditures..... | <u>16,292,192</u> | <u>16,585,748</u> | <u>16,056,545</u> | <u>529,203</u> |
| Excess (deficiency) of revenues over (under) expenditures..... | <u>(276,574)</u> | <u>(517,410)</u> | <u>77,981</u> | <u>595,391</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in..... | 205,876 | 205,876 | 117,407 | (88,469) |
| Transfers out..... | (442,757) | (442,757) | (329,606) | 113,151 |
| Sale of surplus property..... | 1,200 | 1,200 | - | (1,200) |
| Total other financing sources (uses)..... | <u>(235,681)</u> | <u>(235,681)</u> | <u>(212,199)</u> | <u>23,482</u> |
| Net change in fund balances..... | <u>(512,255)</u> | <u>(753,091)</u> | <u>(134,218)</u> | <u>618,873</u> |
| Fund balances at beginning of year (restated)..... | 9,877,988 | 9,877,988 | 9,877,988 | - |
| Fund balances at end of year..... | <u>\$ 9,365,733</u> | <u>\$ 9,124,897</u> | <u>\$ 9,743,770</u> | <u>\$ 618,873</u> |

(concluded)

City of Hinesville, Georgia

Statement of Revenues, Expenditures, and Changes in Fund Balances Budget to Actual – Multiple Grant Fund

For the Year Ended October 31, 2007

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|---|-------------------|-------------------|-------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental..... | \$ 2,010,206 | \$ 2,010,206 | \$ 1,168,908 | \$ (841,298) |
| Charges for services..... | 1,020,000 | 1,020,000 | - | (1,020,000) |
| Interest revenue..... | - | - | 26,183 | 26,183 |
| Total revenues..... | <u>3,030,206</u> | <u>3,030,206</u> | <u>1,195,091</u> | <u>(1,835,115)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public safety: | | | | |
| Police..... | 13,314 | 13,314 | 53,537 | (40,223) |
| Health and welfare: | | | | |
| Community development..... | 231,772 | 231,772 | 196,341 | 35,431 |
| Culture and recreation: | | | | |
| Parks and grounds..... | 444,627 | 444,627 | 69,366 | 375,261 |
| Housing and development: | | | | |
| Conservation projects..... | 154,000 | 154,000 | 74,767 | 79,233 |
| Urban redevelopment and housing..... | 2,711,616 | 2,711,616 | 758,029 | 1,953,587 |
| Planning and zoning..... | 56,338 | 56,338 | 354,577 | (298,239) |
| Total housing and development..... | <u>2,921,954</u> | <u>2,921,954</u> | <u>1,187,373</u> | <u>1,734,581</u> |
| Total expenditures..... | <u>3,611,667</u> | <u>3,611,667</u> | <u>1,506,617</u> | <u>2,105,050</u> |
| Excess (deficiency) of revenues over (under) expenditures..... | <u>(581,461)</u> | <u>(581,461)</u> | <u>(311,526)</u> | <u>269,935</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in..... | 643,087 | 643,087 | 329,606 | (313,481) |
| Transfers out..... | (215,426) | (215,426) | - | 215,426 |
| Total other financing sources (uses)..... | <u>427,661</u> | <u>427,661</u> | <u>329,606</u> | <u>(98,055)</u> |
| Net change in fund balances..... | (153,800) | (153,800) | 18,080 | 171,880 |
| Fund balances at beginning of year..... | 429,665 | 429,665 | 429,665 | - |
| Fund balances at end of year..... | <u>\$ 275,865</u> | <u>\$ 275,865</u> | <u>\$ 447,745</u> | <u>\$ 171,880</u> |

City of Hinesville, Georgia

Proprietary Funds

Statement of Net Assets

October 31, 2007

| | Water and Sewer Fund | Sanitation Fund | Other Proprietary Fund Storm Water Utility Fund | Total Business-type Activities |
|--|-------------------------|--------------------|---|--------------------------------------|
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents..... | \$ 590,395 | \$ - | \$ - | \$ 590,395 |
| Receivable, net..... | 1,451,213 | - | - | 1,451,213 |
| Due from other funds..... | 1,998,300 | 2,290,129 | 223,217 | 4,511,646 |
| Prepaid items..... | 26,132 | - | - | 26,132 |
| Restricted assets: | | | | |
| Cash and cash equivalents..... | 1,364,095 | - | - | 1,364,095 |
| Investments..... | 856,264 | - | - | 856,264 |
| Total current assets..... | 6,286,399 | 2,290,129 | 223,217 | 8,799,745 |
| Capital assets: | | | | |
| Capital assets, nondepreciable..... | 21,274,572 | - | - | 21,274,572 |
| Capital assets, net of accumulated depreciation..... | 21,889,506 | 435,074 | 607,787 | 22,932,367 |
| Total capital assets..... | 43,164,078 | 435,074 | 607,787 | 44,206,939 |
| Total assets..... | 49,450,477 | 2,725,203 | 831,004 | 53,006,684 |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable..... | 1,474,690 | 56,649 | - | 1,531,339 |
| Accrued expenses..... | 14,159 | - | - | 14,159 |
| Retainage payable..... | 1,070,179 | - | - | 1,070,179 |
| Due to other funds..... | 4,973,893 | 2,263,702 | 319,126 | 7,556,721 |
| Payable from restricted assets: | | | | |
| Customer deposits..... | 393,880 | - | - | 393,880 |
| Accrued interest..... | 65,151 | - | - | 65,151 |
| Total current liabilities..... | 7,991,952 | 2,320,351 | 319,126 | 10,631,429 |
| Noncurrent liabilities: | | | | |
| Due within one year: | | | | |
| Current portion of revenue bonds payable..... | 626,659 | - | - | 626,659 |
| Current portion of notes payable..... | 743,144 | - | - | 743,144 |
| Compensated absences..... | 17,150 | - | - | 17,150 |
| Due in more than one year: | | | | |
| Bonds payable, long-term portion..... | 4,370,013 | - | - | 4,370,013 |
| Notes payable, long-term portion..... | 17,789,944 | - | - | 17,789,944 |
| Total noncurrent liabilities..... | 23,546,910 | - | - | 23,546,910 |
| Total liabilities..... | 31,538,862 | 2,320,351 | 319,126 | 34,178,339 |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt..... | 19,634,318 | 435,074 | 607,787 | 20,677,179 |
| Restricted for: | | | | |
| Revenue bond retirement..... | 973,378 | - | - | 973,378 |
| Unrestricted..... | (2,696,081) | (30,222) | (95,909) | (2,822,212) |
| Total net assets..... | \$ 17,911,615 | \$ 404,852 | \$ 511,878 | \$ 18,828,345 |

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

City of Hinesville, Georgia

Proprietary Funds

Statement of Revenues, Expenses, and Changes in Fund Net Assets

For the Year Ended October 31, 2007

| | Water and Sewer Fund | Sanitation Fund | Other Proprietary Fund Storm Water Utility Fund | Total Business-type Activities |
|---|-------------------------|--------------------|---|--------------------------------------|
| OPERATING REVENUES | | | | |
| Water fees..... | \$ 2,654,372 | \$ - | \$ - | \$ 2,654,372 |
| Sewer fees..... | 2,372,060 | - | - | 2,372,060 |
| Fort Stewart sewer fees..... | 656,295 | - | - | 656,295 |
| Water and sewer impact fees..... | 1,079,632 | - | - | 1,079,632 |
| Sanitation fees..... | - | 2,290,357 | - | 2,290,357 |
| Storm water fees..... | - | - | 223,217 | 223,217 |
| Miscellaneous..... | 368,734 | - | - | 368,734 |
| Total operating revenues | 7,131,093 | 2,290,357 | 223,217 | 9,644,667 |
| OPERATING EXPENSES | | | | |
| Salaries..... | 280,255 | - | - | 280,255 |
| Employee benefits..... | 60,254 | - | - | 60,254 |
| Vehicle operating expenses..... | 78,906 | 259,090 | - | 337,996 |
| Office supplies and postage..... | 90,205 | - | - | 90,205 |
| General insurance..... | 53,137 | - | - | 53,137 |
| Professional fees..... | 81,017 | - | - | 81,017 |
| Computer services..... | 53,508 | 616 | - | 54,124 |
| Equipment rental and repairs..... | 29,525 | - | - | 29,525 |
| Schools and training..... | 8,296 | - | - | 8,296 |
| Operating supplies..... | 95,709 | 31,992 | - | 127,701 |
| Utilities..... | 498,060 | 26,802 | - | 524,862 |
| Operations, wastewater treatment plant: | | | | |
| City of Hinesville..... | 299,239 | - | - | 299,239 |
| Fort Stewart..... | 299,239 | - | - | 299,239 |
| O.M.I. Operations..... | 1,612,953 | 1,410,730 | 70,841 | 3,094,524 |
| Repairs and materials..... | 902,014 | 680 | - | 902,694 |
| Depreciation..... | 1,561,990 | 93,580 | 107,248 | 1,762,818 |
| Drinking water program..... | 10,050 | - | - | 10,050 |
| Miscellaneous..... | 36,305 | - | - | 36,305 |
| Disposal..... | - | 204,303 | - | 204,303 |
| Grinding Services..... | - | 75,399 | - | 75,399 |
| Administrative fees..... | 310,608 | - | - | 310,608 |
| Total operating expenses..... | 6,361,270 | 2,103,192 | 178,089 | 8,642,551 |
| Operating income..... | 769,823 | 187,165 | 45,128 | 1,002,116 |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Investment income..... | 201,813 | - | - | 201,813 |
| Interest and fiscal charges..... | (564,589) | - | - | (564,589) |
| Total nonoperating revenues (expenses)..... | (362,776) | - | - | (362,776) |
| Income before transfers and contributions..... | 407,047 | 187,165 | 45,128 | 639,340 |
| Capital contributions..... | 551,930 | - | 466,750 | 1,018,680 |
| Change in net assets..... | 958,977 | 187,165 | 511,878 | 1,658,020 |
| Net assets, beginning of year..... | 16,952,638 | 217,687 | - | 17,170,325 |
| Net assets, end of year..... | \$ 17,911,615 | \$ 404,852 | \$ 511,878 | \$ 18,828,345 |

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

City of Hinesville, Georgia

Proprietary Funds

Statement of Cash Flows

For the Year Ended October 31, 2007

| | Water and Sewer Fund | Sanitation Fund | Other Proprietary Fund Storm Water Utility Fund | Total Business-type Activities |
|---|-------------------------|--------------------|---|--------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Cash received from customers and users..... | \$ 6,944,076 | \$ 2,290,357 | \$ 223,217 | \$ 9,457,650 |
| Cash payments to suppliers for goods and services..... | (4,741,564) | (1,974,905) | (70,841) | (6,787,310) |
| Cash payments to employees for services..... | (336,415) | - | - | (336,415) |
| Net cash provided (used) by operating activities..... | <u>1,866,097</u> | <u>315,452</u> | <u>152,376</u> | <u>2,333,925</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Due from other funds..... | (1,920,437) | (2,290,129) | (223,217) | (4,433,783) |
| Due to other funds..... | 3,048,493 | 2,137,750 | 319,126 | 5,505,369 |
| Net cash provided by noncapital financing activities..... | <u>1,128,056</u> | <u>(152,379)</u> | <u>95,909</u> | <u>1,071,586</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Proceeds from capital debt..... | 16,427,443 | - | - | 16,427,443 |
| Principal paid on capital debt..... | (1,136,066) | - | - | (1,136,066) |
| Interest paid on capital debt..... | (438,891) | - | - | (438,891) |
| Acquisition and construction of capital assets..... | (19,727,717) | (163,073) | (248,285) | (20,139,075) |
| Net cash provided (used) by capital and related financing activities..... | <u>(4,875,231)</u> | <u>(163,073)</u> | <u>(248,285)</u> | <u>(5,286,589)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Proceeds from investments..... | 512,557 | - | - | 512,557 |
| Interest on investments..... | 201,813 | - | - | 201,813 |
| Net cash provided (used) by investing activities..... | <u>714,370</u> | <u>-</u> | <u>-</u> | <u>714,370</u> |
| Net increase (decrease) in cash and cash equivalents..... | (1,166,708) | - | - | (1,166,708) |
| Cash and cash equivalents, beginning of year..... | 3,121,198 | - | - | 3,121,198 |
| Cash and cash equivalents, end of year..... | <u>\$ 1,954,490</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,954,490</u> |
| CLASSIFIED AS: | | | | |
| Cash and cash equivalents..... | \$ 590,395 | \$ - | \$ - | \$ 590,395 |
| Restricted assets - cash and cash equivalents..... | 1,364,095 | - | - | 1,364,095 |
| Cash and cash equivalents, end of year..... | <u>\$ 1,954,490</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,954,490</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | | | | |
| Operating income (loss)..... | <u>\$ 769,823</u> | <u>\$ 187,165</u> | <u>\$ 45,128</u> | <u>\$ 1,002,116</u> |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | | |
| Depreciation..... | 1,561,990 | 93,580 | 107,248 | 1,762,818 |
| Change in assets and liabilities: | | | | |
| Decrease (increase) in accounts receivables..... | (213,463) | - | - | (213,463) |
| (Decrease) Increase in prepaid items..... | 172 | - | - | 172 |
| (Decrease) Increase in accounts payable | (282,965) | 34,707 | - | (248,258) |
| (Decrease) Increase in accrued expenses..... | 163 | - | - | 163 |
| (Decrease) increase in customer deposits..... | 26,446 | - | - | 26,446 |
| (Decrease) increase in compensated absences..... | 3,931 | - | - | 3,931 |
| Total adjustments..... | <u>1,096,274</u> | <u>128,287</u> | <u>107,248</u> | <u>1,331,809</u> |
| Net cash provided (used) by operating activities..... | <u>\$ 1,866,097</u> | <u>\$ 315,452</u> | <u>\$ 152,376</u> | <u>\$ 2,333,925</u> |

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



NOTES TO THE FINANCIAL STATEMENTS



City of Hinesville, Georgia

Notes to the Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Hinesville, Georgia (the City) was organized in 1837. The City operates under a charter which provides for a mayor-council form of Government with a City Administrator. The city provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, planning and zoning, public improvements, water and sewer service and general administrative services.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Reporting Entity

An elected five-member council governs the City. As required by generally accepted accounting principles, the accompanying financial statements of the reporting entity include those of the City of Hinesville, Georgia (the primary government) and its component unit, an entity for which the city is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government wide financial statements to emphasize that it is legally separate from the City.

The Downtown Development Authority (the "Authority") has been included as a discretely presented component unit in the accompanying financial statements. The Authority plans and develops the downtown area of the city in order to attract new business and residences. The City possesses the authority to review, approve, and revise the budget and governs collection and disbursement of funds. The governing body of the Authority is appointed by the City. Separate financial statements for the Downtown Development Authority are not available.

B. Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities display information about the primary government (the City) and its component unit. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. Interfund services provided and used are not eliminated in the process of consolidation. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

City of Hinesville, Georgia

Notes to the Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The City reports the following major governmental fund:

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

Multiple Grant Fund. This special revenue fund accounts for grant revenues and expenditures relating to various short lived projects.

The City reports the following major enterprise funds:

Water and Sewer Fund. This fund accounts for the operation and maintenance of the City's water and sewer system.

Sanitation Fund. This fund accounts for the operation and maintenance of the City's sanitation department.

Additionally, the City reports the following fund types:

- Special revenue fund to account for hotel/motel tax collections and related expenditures.
- Capital project fund to account for Special Purpose Local Option – Sales Tax (SPLOST) proceeds and expenditures related to capital acquisition or construction of capital assets.

C. Basis of Accounting and Measurement Focus

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

City of Hinesville, Georgia

Notes to the Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of year end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

In accounting and reporting for its governmental and business-type activities and its proprietary funds, the City applies GASB pronouncements and all Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989. Such FASB pronouncements are applied unless they conflict or contradict GASB pronouncements.

Those revenues susceptible to accrual are property taxes, franchise taxes, licenses, interest revenue and charges for services. Sales taxes collected and held by the state at year-end on behalf of the City are recognized as revenue. Fines and permits are not susceptible to accrual because they generally are not measurable until received in cash.

D. Budgetary Data

Budgets are adopted on a basis consistent with generally accepted accounting principles. An annual operating budget is legally adopted each fiscal year for the general fund and special revenue funds. An annual operating budget is prepared for the enterprise funds for planning, control, cost allocation, and evaluation purposes. All annual appropriations lapse at fiscal year end. Project-length financial budgets are adopted for all capital projects funds.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting- under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation- is utilized in the governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. At October 31, 2007, there were no encumbrances outstanding.

City of Hinesville, Georgia

Notes to the Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

E. Cash and Investments

For purposes of the statement of cash flows, cash includes all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

State statutes authorize the City to invest in obligations of the U. S. Government and agencies of corporations of the U.S. Government; obligations of any state; obligations of any political subdivision of any state; certificates of deposit or time deposits of any national state bank or savings and loan which have deposits insured by the FDIC or FSLIC; prime bankers acceptances; repurchase agreements; and the Local Government Investment Pool of the State of Georgia (Georgia Fund 1). Georgia Fund 1, created under OCGA 36-83-8, is a stable net asset value investment pool, which follows Standard and Poor's criteria for AAAM rated money market funds and is regulated by the Georgia Office of Treasury and Fiscal Services. However, Georgia Fund 1 operates in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940 and is considered to be a 2a-7 like pool. The pool is not registered with the SEC as an investment company. The pool's primary objectives are the safety of capital, investment income, liquidity and diversification while maintaining principal (\$1 per share value). Net asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participant's shares sold and redeemed based on \$1 per share.

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. Investments that do not have an established market are reported at estimated fair values.

F. Prepaid Items

Prepaid balances are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year. The City had only prepaid insurance as of October 31, 2007.

G. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet in the fund financial statements and as "internal balances" in the Statement of Net Assets in the government-wide financial statements.

H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

City of Hinesville, Georgia

Notes to the Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include all such items regardless of their acquisition date. The City was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend useful lives are expensed as incurred.

Major outlays for capital assets and major improvements are capitalized as projects are constructed. Interest incurred during the construction period of capital assets of the business-type activities is included as part of the capitalized value of the assets constructed. The amount of interest capitalized is calculated by offsetting interest expense incurred (from the date of borrowing until the date of completion of the project) with interest earned on investment proceeds over the same period. During the fiscal year ended October 31, 2007, the City did not capitalize interest.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

| <u>Asset Class</u> | <u>Estimated Useful Lives</u> | <u>Asset Class</u> | <u>Estimated Useful Lives</u> |
|--------------------|-------------------------------|--------------------------|-------------------------------|
| Infrastructure | 20 - 50 | Equipment and vehicles | 5 - 20 |
| Buildings | 20 - 50 | Utility plant in service | 3 - 8 |
| Improvements | 20 - 50 | Other Equipment | 3 - 10 |

I. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

J. Compensated Absences

The personnel policy of the City provides for the accumulation of annual leave up to 96 hours for regular employees and 288 hours for fixed pay fluctuating hours employees with such leave being fully vested when earned. It also provides for the accumulation of sick leave up to 400 hours for regular employees and 557.75 hours for fixed pay fluctuating hours employees. Sick leave will be paid to employees separating from service with the City at a rate of 25% of the accumulated hours. For the City's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

City of Hinesville, Georgia

Notes to the Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Net Assets/Fund Balances

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments.

In the governmental fund financial statements, reservations of fund balance represent amounts that cannot be appropriated or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

L. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of assets and liabilities during the reporting period. Actual results could differ from those estimates.

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS

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

The government fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets – governmental activities* as reported in the governmental-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$2,314,946 difference are as follows:

| | |
|---|----------------------------|
| Accrued interest payable | \$ 16,096 |
| Certificate of participation | 1,345,000 |
| Compensated absences | <u>953,850</u> |
| Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at net assets - <i>governmental activities</i> | <u><u>\$ 2,314,946</u></u> |

City of Hinesville, Georgia

Notes to the Financial Statements

NOTE 3 – LEGAL COMPLIANCE - BUDGETS

A. Budgetary Information

The following procedures are used by the City in establishing the budgetary data reflected in the financial statements:

1. The City Charter establishes the fiscal year as the twelve-month period beginning November 1 and ending on October 31. Generally, in September the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing November 1. The operating budget includes proposed expenditures and the means of financing them for the following departments: General, Administrative, Police and Fire, Inspections, Streets and Public Works.
2. Upon receipt of the budget estimates, the Council holds a first meeting on the Budget Ordinance. Information about the Budget Ordinance is then published in the official newspaper of the City. The Council is precluded from passing the Budget Ordinance until ten days have passed after the Ordinance Publication.
3. During November, the budget is then legally enacted through the passage of the Budget Ordinance.
4. Budgeted amounts can be transferred between departments within any fund by the City Manager; however, any revisions of the budget, which alter the total expenditures of a fund, must be approved by the City Council.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, special revenue funds, Water and Sewer Fund and Sanitation Fund.
6. A budget for the General Fund and special revenue funds was adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Budgeted amounts are as originally adopted or as amended by the City Council.
8. The level of control (level at which expenditures may not legally exceed the budget) is exercised by the Mayor and Council at the department level.

B. Excess of Expenditures over Appropriations

The following general fund functions had excesses of actual expenditures over appropriations in the amount shown for the fiscal year ended October 31, 2007.

General Fund:

Current:

| | | | |
|----------------------|-----------|-----------------------------------|-----------|
| Police..... | \$ 89,801 | Parks and grounds..... | \$ 15,282 |
| Team Hinesville..... | 879 | Downtown Development Authority... | 210,470 |

Multiple Grant Fund:

Current:

| | | | |
|-------------|-----------|--------------------------|------------|
| Police..... | \$ 40,223 | Planning and zoning..... | \$ 298,239 |
|-------------|-----------|--------------------------|------------|

City of Hinesville, Georgia

Notes to the Financial Statements

NOTE 3 – LEGAL COMPLIANCE – BUDGETS (continued)

C. Deficit Fund Equity

It has been the City’s practice to fund special purpose local option sales tax (SPLOST) projects, and then request reimbursement for the costs from the County. At October 31, 2007, the City had not requested reimbursement for a portion of the retainage payable liability. Thus, the deficit fund equity of \$15,058 in the SPLOST fund will be eliminated once the City requests the reimbursement from the County.

NOTE 4 – DEPOSITS AND INVESTMENTS

Total deposits and investments as of October 31, 2007, are summarized as follows:

As reported in the Statement of Net Assets:

Primary government:

| | |
|--|---------------------|
| Cash and cash equivalents..... | \$ 2,043,490 |
| Investments..... | 3,887,536 |
| Restricted assets - cash and cash equivalents..... | 2,010,154 |
| Restricted assets - investments..... | 856,264 |
| | <u>\$ 8,797,444</u> |

| | |
|---|---------------------|
| Cash deposited with financial institutions..... | \$ 7,682,140 |
| Cash deposited with Georgia Fund 1..... | 540,620 |
| Investments in US Government Securities..... | 480,643 |
| Investments in Federated securities..... | 94,041 |
| | <u>\$ 8,797,444</u> |

Component unit:

| | |
|--|-------------------|
| Cash and cash equivalents..... | \$ 52,186 |
| Restricted assets - cash and cash equivalents..... | 190,772 |
| | <u>\$ 242,958</u> |

| | |
|---|-------------------|
| Cash deposited with financial institutions..... | <u>\$ 242,958</u> |
|---|-------------------|

Credit risk – state statutes authorize the City to invest in obligations of the U.S. government and agencies of corporations of the U.S. Government; obligations of any state; obligations of any political subdivision of any state; certificates of deposit or time deposits of any national state bank or savings and loan which have deposits insured by the FDIC or FSLIC; prime bankers’ acceptances; repurchase agreements; and the Local Government Investment Pool of the State of Georgia (Georgia Fund 1). As of October 31, 2007, the U.S. Government Securities were rated AAA by Moody’s and the City’s investment in Georgia Fund 1 was rated AAAM by Standard and Poor’s.

City of Hinesville, Georgia

Notes to the Financial Statements

NOTE 4 – DEPOSITS AND INVESTMENTS (*continued*)

At October 31, 2007 the City had the following investments:

| <u>Investment</u> | <u>Maturities</u> | <u>Fair Value</u> |
|----------------------------|--------------------------|---------------------|
| Georgia Fund 1 | 24 day weighted average | \$ 540,620 |
| U.S. Government Securities | June 2009 | 83,756 |
| U.S. Government Securities | January 2035 | 24,123 |
| U.S. Government Securities | July 2035 | 17,571 |
| U.S. Government Securities | July 2036 | 138,671 |
| U.S. Government Securities | October 2036 | 51,131 |
| U.S. Government Securities | November 2036 | 47,552 |
| U.S. Government Securities | February 2037 | 28,089 |
| Certificates of Deposit | May 2009 | 39,829 |
| Certificates of Deposit | December 2009 | 49,920 |
| Certificates of Deposit | 216 day weighted average | 4,263,158 |
| Federated Treasury | N/A | 94,041 |
| Total | | <u>\$ 5,378,461</u> |

Interest rate risk – the City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial credit risk – deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties or municipalities. The City does not have a formal policy for custodial credit risk. As of October 31, 2007, the City did not have any deposits which were uninsured and under collateralized as defined by GASB pronouncements.

Custodial credit risk – investments. Custodial credit risk for deposits is the risk that, in the event of the failure of the counterparty, a government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. The City does not have a formal policy for custodial credit risk. As of October 31, 2007, the City did not have any investments exposed to this risk as all investments are in the name of the City.

NOTE 5 – RECEIVABLES – ALLOWANCE FOR DOUBTFUL ACCOUNTS

Prior to November 1, 2001, the City billed and collected its own property taxes. Liberty County now bills and collects the City's property taxes and remits collections on a weekly basis to the City. Property taxes levied for the year ending October 31, 2007 are recorded as receivables, net of estimated uncollectible.

Real and personal property taxes were levied in October 2007. The taxes are based on the January 1, 2007 assessed values and are due on February 22, 2008, after which date liens can be attached. The net receivables collected during the year ended October 31, 2007 and expected to be collected by December 31, 2007, are recognized as revenues in the year ended October 31, 2007. Net receivables estimated to be collectible subsequent to December 31, 2007 are recorded as revenue when received. Prior year levies were recorded using substantially the same principles, and remaining receivables are reevaluated annually.

City of Hinesville, Georgia

Notes to the Financial Statements

NOTE 5 – RECEIVABLES – ALLOWANCE FOR DOUBTFUL ACCOUNTS (continued)

The amounts presented in the statement of net assets and the governmental funds balance sheet are net of the allowances for doubtful accounts:

| Receivables: | General | Nonmajor Governmental | Water and Sewer | Total |
|---|---------------------|--------------------------|---------------------|---------------------|
| Taxes..... | \$ 1,825,004 | \$ 19,155 | \$ - | \$ 1,844,159 |
| Accounts..... | 42,258 | - | 1,823,702 | 1,865,960 |
| Accrued interest..... | 120,234 | - | 13,136 | 133,370 |
| Gross receivables..... | <u>1,987,496</u> | <u>19,155</u> | <u>1,836,838</u> | <u>3,843,489</u> |
| Less allowance for uncollectible accounts..... | (25,470) | - | (385,625) | (411,095) |
| Net total receivables..... | <u>\$ 1,962,026</u> | <u>\$ 19,155</u> | <u>\$ 1,451,213</u> | <u>\$ 3,432,394</u> |

Notes Receivable - The City has established a zero interest revolving loan program to help finance the rehabilitation of homes of qualifying low-income residents within the City. As of October 31, 2007, the outstanding balance of these notes receivable, net of an allowance of \$43,241, was \$53,415.

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended October 31, 2007, was as follows:

| Governmental Activities | Beginning Balances | Increases | Decreases | Transfers | Ending Balances |
|--|-----------------------|---------------------|-------------|---------------------|----------------------|
| <i>Capital assets not being depreciated:</i> | | | | | |
| Land and improvements..... | \$ 1,831,567 | \$ - | \$ - | \$ - | \$ 1,831,567 |
| Construction in progress..... | 1,374,651 | 590,351 | - | - | 1,965,002 |
| Total capital assets, not being depreciated..... | <u>3,206,218</u> | <u>590,351</u> | <u>-</u> | <u>-</u> | <u>3,796,569</u> |
| <i>Capital assets being depreciated:</i> | | | | | |
| Buildings and improvements..... | 4,841,411 | - | - | - | 4,841,411 |
| Vehicles..... | 3,934,031 | 443,944 | - | (544,940) | 3,833,035 |
| Heavy equipment..... | 1,316,698 | - | - | (715,533) | 601,165 |
| Equipment..... | 580,077 | 63,919 | - | (251,565) | 392,431 |
| Office equipment..... | 166,946 | 45,356 | - | - | 212,302 |
| Infrastructure..... | 37,738,758 | 1,834,998 | - | - | 39,573,756 |
| Total capital assets, being depreciated..... | <u>48,577,921</u> | <u>2,388,217</u> | <u>-</u> | <u>(1,512,038)</u> | <u>49,454,100</u> |
| <i>Less accumulated depreciation for:</i> | | | | | |
| Buildings and improvements..... | (1,156,828) | (97,273) | - | - | (1,254,101) |
| Vehicles..... | (3,146,866) | (259,719) | - | 408,471 | (2,998,114) |
| Heavy equipment..... | (1,079,297) | (29,002) | - | 615,866 | (492,433) |
| Equipment..... | (249,057) | (23,384) | - | 20,951 | (251,490) |
| Office equipment..... | (124,316) | (18,910) | - | - | (143,226) |
| Infrastructure..... | (13,420,058) | (736,501) | - | - | (14,156,559) |
| Total accumulated depreciation..... | <u>(19,176,422)</u> | <u>(1,164,789)</u> | <u>-</u> | <u>1,045,288</u> | <u>(19,295,923)</u> |
| Total capital assets, being depreciated, net..... | <u>29,401,499</u> | <u>1,223,428</u> | <u>-</u> | <u>(466,750)</u> | <u>30,158,177</u> |
| Governmental activity capital assets, net..... | <u>\$ 32,607,717</u> | <u>\$ 1,813,779</u> | <u>\$ -</u> | <u>\$ (466,750)</u> | <u>33,954,746</u> |
| Less related long-term debt outstanding..... | | | | | <u>(1,345,000)</u> |
| Investment in capital assets, net of related debt..... | | | | | <u>\$ 32,609,746</u> |

City of Hinesville, Georgia
Notes to the Financial Statements

NOTE 6 – CAPITAL ASSETS (continued)

| Business-type Activities | Beginning Balances | Increases | Decreases | Transfers | Ending Balances |
|--|-----------------------|----------------------|------------------|--------------------|----------------------|
| <i>Capital assets not being depreciated:</i> | | | | | |
| Construction in progress..... | \$ 4,306,678 | \$ 16,967,894 | \$ - | \$ - | \$ 21,274,572 |
| Total capital assets, not being depreciated..... | <u>4,306,678</u> | <u>16,967,894</u> | <u>-</u> | <u>-</u> | <u>21,274,572</u> |
| <i>Capital assets being depreciated:</i> | | | | | |
| Utility plant in service..... | 42,450,326 | 3,642,909 | - | - | 46,093,235 |
| Other equipment..... | 2,475,811 | 839,283 | 589,408 | 1,512,038 | 5,416,540 |
| Total capital assets, being depreciated..... | <u>44,926,137</u> | <u>4,482,192</u> | <u>589,408</u> | <u>1,512,038</u> | <u>51,509,775</u> |
| Less accumulated depreciation for: | | | | | |
| Utility plant in service..... | (23,759,993) | (1,762,817) | (589,408) | (1,045,288) | (27,157,506) |
| Other equipment..... | (1,419,902) | - | - | - | (1,419,902) |
| Total accumulated depreciation | <u>(25,179,895)</u> | <u>(1,762,817)</u> | <u>(589,408)</u> | <u>(1,045,288)</u> | <u>(28,577,408)</u> |
| Total capital assets, being depreciated, net..... | <u>19,746,242</u> | <u>2,719,375</u> | <u>-</u> | <u>466,750</u> | <u>22,932,367</u> |
| Business-type activity capital assets, net..... | <u>\$ 24,052,920</u> | <u>\$ 19,687,269</u> | <u>\$ -</u> | <u>\$ 466,750</u> | 44,206,939 |
| Less related long-term debt outstanding..... | | | | | <u>(23,529,760)</u> |
| Investment in capital assets, net of related debt..... | | | | | <u>\$ 20,677,179</u> |

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

| | |
|--|---------------------|
| Governmental activities: | |
| General government..... | \$ 21,081 |
| Public safety..... | 333,715 |
| Public works..... | 788,603 |
| Culture and recreation..... | 6,556 |
| Housing and development..... | 14,834 |
| Total depreciation expense - governmental activities..... | <u>\$ 1,164,789</u> |
| Business-type activities: | |
| Water and sewer..... | \$ 1,561,989 |
| Sanitation..... | 93,580 |
| Stormwater Utility..... | 107,248 |
| Total depreciation expense - business-type activities..... | <u>\$ 1,762,817</u> |

NOTE 7 – DEFERRED REVENUE

Under the accrual method of accounting, revenue must be recognized as soon as it is earned, regardless of availability. Thus, deferred revenue is reported as income on the statement of activities. Conversely, under the modified accrual basis of accounting, revenue cannot be recognized until it is available to liquidate liabilities of the current period. Thus deferred revenue is reported as a liability on the fund financial statements.

Deferred revenue of \$1,244,940 in the General Fund relates primarily to \$938,787 in franchise tax and \$194,083 property tax revenue that was not collected within sixty days of the City's fiscal year end.

Cash received by the City in advance of expenditures for certain grant programs in the amount of \$164,287 has been recorded as deferred revenue in the Multiple Grant Fund. As these funds are spent during fiscal year 2008, revenue will be recorded.

City of Hinesville, Georgia

Notes to the Financial Statements

NOTE 8 – CHANGES IN LONG-TERM LIABILITIES

The following schedule details the City’s long-term liability activity for the year ended October 31, 2007.

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|--|------------------------------|----------------------|-----------------------|---------------------------|--------------------------------|
| Governmental activities | | | | | |
| Certificates of participation..... | \$ 1,590,000 | \$ - | \$ (245,000) | \$ 1,345,000 | \$ 255,000 |
| Note payable..... | 2,688 | - | (2,688) | - | - |
| Total certificate and notes payable..... | <u>1,592,688</u> | <u>-</u> | <u>(247,688)</u> | <u>1,345,000</u> | <u>255,000</u> |
| Other long-term liabilities - | | | | | |
| Compensated absences..... | 779,486 | 923,953 | (749,589) | 953,850 | 953,850 |
| Total governmental activities..... | <u>\$ 2,372,174</u> | <u>\$ 923,953</u> | <u>\$ (997,277)</u> | <u>\$ 2,298,850</u> | <u>\$ 1,208,850</u> |
| Business-type activities | | | | | |
| Revenue bonds: | | | | | |
| Revenue bonds..... | \$ 6,405,000 | \$ - | \$ (710,000) | \$ 5,695,000 | \$ 745,000 |
| Unamortized discount, issuance cost..... | (816,669) | - | 118,341 | (698,328) | (118,341) |
| Total revenue bonds..... | <u>5,588,331</u> | <u>-</u> | <u>(591,659)</u> | <u>4,996,672</u> | <u>626,659</u> |
| GEFA loans payable..... | 2,531,712 | 13,336,463 | (116,066) | 15,752,109 | 460,744 |
| Note payable - Horse Creek Partners..... | - | 3,090,979 | (310,000) | 2,780,979 | 282,400 |
| Total bonds, loans, and notes payable..... | <u>8,120,043</u> | <u>16,427,442</u> | <u>(1,017,725)</u> | <u>23,529,760</u> | <u>1,369,803</u> |
| Other long-term liabilities - | | | | | |
| Compensated absences..... | 13,219 | 32,719 | (28,788) | 17,150 | 17,150 |
| Total business-type activities..... | <u>\$ 8,133,262</u> | <u>\$ 16,460,161</u> | <u>\$ (1,046,513)</u> | <u>\$ 23,546,910</u> | <u>\$ 1,386,953</u> |

For governmental activities, compensated absences are generally liquidated by the General Fund.

NOTE 9 – LONG-TERM DEBT

Certificates of Participation

In fiscal year 1997, the City issued \$3,300,000 Georgia Municipal Association Essential Facilities Certificates of Participation (COPS), Series 1997A for the purpose of constructing a new law enforcement center. The certificates are due February 1 and August 1 each year with interest rates varying from 3.75% to 5.5% annually. The debt is expected to be repaid using general fund revenues.

Debt service requirements to maturity are as follows:

| Fiscal Year Ending October 31, | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------------|---------------------|-------------------|---------------------|
| 2008 | \$ 255,000 | \$ 68,461 | \$ 323,461 |
| 2009 | 270,000 | 55,004 | 325,004 |
| 2010 | 285,000 | 40,627 | 325,627 |
| 2011 | 300,000 | 25,075 | 325,075 |
| 2012 | 235,000 | 6,463 | 241,463 |
| Total | <u>\$ 1,345,000</u> | <u>\$ 195,630</u> | <u>\$ 1,540,630</u> |

City of Hinesville, Georgia

Notes to the Financial Statements

NOTE 9 – LONG-TERM DEBT (continued)

Revenue Bonds

The City issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at October 31, 2007 are as follows:

| <u>Purpose</u> | <u>Original Amount</u> | <u>Interest Rate</u> | <u>Due Date</u> | <u>Amount</u> |
|---|----------------------------|--------------------------|-----------------|---------------------|
| Water and Sewer Fund improvements | \$ 5,785,000 | 4.80% - 5.70% | 2013 | \$ 2,450,000 |
| Water and Sewer Fund improvements | 4,640,000 | 4.00% - 4.625% | 2014 | 3,245,000 |
| Total revenue bonds payable..... | | | | 5,695,000 |
| Unamortized discount/issuance costs, net..... | | | | (698,328) |
| Less current portion | | | | (745,000) |
| Long-term portion of revenue bonds..... | | | | <u>\$ 4,251,672</u> |

The discounts and issuance costs of the above revenue bonds are being amortized over the life of the debt as a component of interest expense. Amortization costs as of October 31, 2007 were \$118,341.

Revenue bond debt service requirements to maturities, including interest, are as follows:

| Fiscal Year Ending October 31, | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------------|---------------------|---------------------|---------------------|
| 2008 | \$ 745,000 | \$ 282,993 | \$ 1,027,993 |
| 2009 | 780,000 | 246,223 | 1,026,223 |
| 2010 | 815,000 | 207,230 | 1,022,230 |
| 2011 | 810,000 | 165,793 | 975,793 |
| 2012 | 805,000 | 123,896 | 928,896 |
| 2013 - 2014 | 1,740,000 | 122,713 | 1,862,713 |
| Totals | <u>\$ 5,695,000</u> | <u>\$ 1,148,848</u> | <u>\$ 6,843,848</u> |

Georgia Environmental Facilities Authority Loans

During the year ended October 31, 2002 the City's Water and Sewer Fund entered into a loan agreement up to \$2,840,000 with the Georgia Environmental Facilities Authority (GEFA) for the upgrade and improvement of the City's wastewater treatment plant. In May 2004, the City requested and received an additional GEFA funding in the amount of \$275,000 for a total of \$3,115,000. The loan is due in 198 monthly installments of \$20,499 including interest at 4.45% through May 2023.

City of Hinesville, Georgia

Notes to the Financial Statements

NOTE 9 – LONG-TERM DEBT (continued)

During the year ended October 31, 2006, the City’s Water and Sewer Fund entered into a loan agreement up to \$10,000,000 with GEFA for the construction of a new wastewater treatment plant. During the year ended October 31, 2007, the City applied for a second phase of GEFA funding for the same project in the amount of \$16,186,145 for total GEFA funding of \$26,186,145. As of October 31, 2007, the City has drawn down \$12,998,785. Of this amount, \$10,156,179 is in repayment status and \$2,842,606 is in construction status. The amount in repayment status is the \$10,000,000 principal of the original GEFA note plus capitalized interest in the amount of \$156,179. The City still has the option to draw down an additional \$13,343,539. The loan is due in 240 monthly installments of \$62,080 including interest of 4.10% through October 2027.

GEFA loans outstanding at October 31, 2007 are as follows:

| Purpose | Original Amount | Interest Rate | Due Date | Amount |
|---|--------------------|--------------------------|----------|----------------------|
| Water and Sewer Fund improvements | \$ 3,115,000 | 4.45% | 2023 | \$ 2,753,324 |
| Wastewater Treatment | 10,156,179 | 4.10% | 2027 | 10,156,179 |
| Wastewater Treatment | 2,842,606 | (In Construction Status) | | 2,842,606 |
| Total GEFA loans payable..... | | | | 15,752,109 |
| Less: GEFA loan payable in construction status..... | | | | (2,842,606) |
| Long-term portion in repayment status..... | | | | 12,909,503 |
| Less current portion | | | | (460,744) |
| Long-term portion of GEFA loans..... | | | | <u>\$ 12,448,759</u> |

GEFA loan debt service requirements to maturities, including interest, are as follows:

| Fiscal Year Ending October 31, | Principal | Interest | Total |
|--------------------------------------|----------------------|---------------------|----------------------|
| 2008 | \$ 460,744 | \$ 530,220 | \$ 990,964 |
| 2009 | 480,627 | 510,338 | 990,965 |
| 2010 | 501,104 | 489,861 | 990,965 |
| 2011 | 522,540 | 468,425 | 990,965 |
| 2012 | 544,822 | 446,143 | 990,965 |
| 2013 - 2017 | 3,094,857 | 1,859,971 | 4,954,828 |
| 2018 - 2022 | 3,816,206 | 1,138,617 | 4,954,823 |
| 2023 - 2027 | 3,488,603 | 363,865 | 3,852,468 |
| Total | <u>\$ 12,909,503</u> | <u>\$ 5,807,440</u> | <u>\$ 18,716,943</u> |

The above debt service requirements to maturities table does not include provision for the construction agreement with GEFA, of which \$2,842,606 had been drawn as of October 31, 2007. This obligation is in the drawdown phase as of October 31, 2007, and repayment will be determined when all draws have been made.

City of Hinesville, Georgia

Notes to the Financial Statements

NOTE 9 – LONG-TERM DEBT (continued)

Note Payable – Horse Creek Partners

During the year ended October 31, 2007, the City entered into an agreement with Horse Creek Partners, LLC. Horse Creek Partners, LLC agreed to develop water and sewer infrastructure on property they are developing (the “Independence Project”). The City agreed to assess and collect an infrastructure fee of \$1,000 per equivalent residential unit at such time as a building permit is issued for the construction of vertical improvements on any subdivided lot or tract in this project. The City must remit all fees collected to Horse Creek Partners, LLC at the end of each calendar quarter for the costs incurred by the developer. Once the entirety of the funds has been remitted to Horse Creek Partners, LLC, the City will continue to collect the infrastructure fees until the City has been reimbursed for costs incurred. The City does not guaranty full or complete reimbursement to Horse Creek Partners, LLC. The current portion of this obligation is an estimate of the amount of fees to be collected during fiscal year 2008.

Prior Year Defeasance of Debt

In prior years, the City defeased certain outstanding revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City’s financial statements. On October 31, 2007, the outstanding amount of bonds considered defeased is \$2,320,000.

NOTE 10 – INTERFUND BALANCES AND TRANSFERS

Interfund receivable and payable balances as of October 31, 2007 are as follows:

| Due To | Due From | | | | | | Total |
|----------------------|---------------------|-------------------|-----------------------|---------------------|---------------------|----------------------|----------------------|
| | General | Multiple Grant | Nonmajor Governmental | Water and Sewer | Sanitation | Nonmajor Proprietary | |
| General Fund | \$ - | \$ 581,431 | \$ 79,420 | \$ 2,460,547 | \$ 2,263,702 | \$ 319,126 | \$ 5,704,226 |
| Multiple Grant Fund | 632,772 | - | - | - | - | - | 632,772 |
| Water and Sewer Fund | 1,998,300 | - | - | - | - | - | 1,998,300 |
| Sanitation Fund | - | - | - | 2,290,129 | - | - | 2,290,129 |
| Nonmajor Proprietary | - | - | - | 223,217 | - | - | 223,217 |
| Total | \$ 2,631,072 | \$ 581,431 | \$ 79,420 | \$ 4,973,893 | \$ 2,263,702 | \$ 319,126 | \$ 10,848,644 |

Interfund receivables and payables from timing differences related to payroll and other year end transactions which normally clear within one to two months.

Interfund transfers for the year ended October 31, 2007 consisted of the following:

| Transfer In | Transfer Out | Purpose | Amount |
|---------------------------------------|------------------------|-----------------------------|-------------------|
| General Fund | Hotel / Motel Tax Fund | Distribution of tax revenue | \$ 117,407 |
| Multiple Grant Fund | General Fund | Grant program assistance | 329,606 |
| Total interfund transfers..... | | | \$ 447,013 |

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that the statute or budget require to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

City of Hinesville, Georgia

Notes to the Financial Statements

NOTE 11 – PENSION PLAN

A. Plan Description

The City of Hinesville Pension Plan (the Plan) is a noncontributory plan covering all full-time employees. The Plan is administered by the Georgia Municipal Employees Benefit System (GMEBS), a statewide, agent multiple-employer type plan. GMEBS handles all administrative and investment functions relative to the Plan. Benefits are fully vested after 10 years of service. Participants become eligible to retire at age 65, with 5 years of participation in the Plan. Upon eligibility to retire, participants are entitled to an annual benefit in the amount of 1.0% of final average earnings up to a participant's amount of covered compensation, plus 1.75% of final average earnings in excess of the participant's amount of covered compensation, all multiplied by the participant's years of total credited service. These benefit provisions and all other requirements are established and amended by local ordinance. The GMEBS issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to GMEBS, 201 Pryor Street, SW, Atlanta, Georgia 30303.

B. Funding Policy

The City's policy is to contribute the actuarially determined amount as recommended by GMEBS. The Board of Trustees of GMEBS has adopted an actuarial funding policy for determination of annual contributions and the systematic funding of liabilities arising under the plan. The annual recommended contribution is the sum of 1) the normal cost, 2) the level dollar amortization of the unfunded actuarial accrued liability (initial unfunded actuarial accrued liability over 30 years from 1981 and 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 from the end of the year during which such changes arise), and 3) interest on these amounts from the valuation date to the date contributions are paid (assumed monthly).

The recommended contributions under this policy for 2007 and 2006 are shown below.

| | 2007 | 2006 |
|---|------------|------------|
| Normal Cost | | |
| Plan Benefits | \$ 326,028 | \$ 293,914 |
| Administrative Expenses | 21,866 | 20,752 |
| Payment on unfunded (surplus) actuarial accrued liability | 38,745 | (8,831) |
| Interest | 15,432 | 12,484 |
| Recommended Contribution | 401,230 | 324,586 |
| Covered Payroll | 6,597,142 | 5,762,420 |
| Recommended Contribution as a Percentage of Covered Payroll | 6.0% | 5.6% |

The above contributions exceed the estimated minimum annual contribution under Public Retirement Systems Standards Law (Georgia Code Section 47-20-10).

City of Hinesville, Georgia

Notes to the Financial Statements

NOTE 11 – PENSION PLAN (continued)

C. Annual Pension Cost

For the fiscal year ended October 31, 2007, the City’s annual pension cost was \$337,360. Recommended contributions of \$401,230 and \$324,586 were determined as part of the July 1, 2007 and 2006 actuarial valuations, respectively, using the projected unit credit actuarial cost method and the asset valuation method for developing the actuarial value of assets. The actuarial value of assets is determined by rolling forward the prior year’s actuarial value with contributions, disbursements, and expected return on investments, plus 10% of investment gains (losses) during the prior 10 years. The actuarial assumptions include (a) 8.0% investment rate of return and (b) projected salary increases for inflation of 5% per year and for merit of seniority of .5% per year. The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 1981 and current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions, and 30 years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods, if applicable, are closed for this plan year.

D. Trend information

Trend information, which gives an indication of the progress made in accumulating sufficient assets to pay benefits when due, is presented below.

| Fiscal Year Ending | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|--------------------------|---------------------------------|-------------------------------------|------------------------------|
| 10/31/2005 | \$ 285,374 | 100 % | \$ - |
| 10/31/2006 | 316,423 | 100 | - |
| 10/31/2007 | 337,360 | 100 | - |

NOTE 12 – RELATED ORGANIZATIONS

The City’s governing council is responsible for all of the board appointments of the Hinesville Housing Authority. However, the City has no further accountability for this organization. For the year ending October 31, 2007, the City did not provide any contributions to the Hinesville Housing Authority.

NOTE 13 – JOINT VENTURES

Under Georgia Law, the City, in conjunction with other cities and counties in the nine county coastal Georgia region, is a member of the Coastal Georgia Regional Development Center (RDC) and is required to pay annual dues thereto. During its year ended October 31, 2007, the City paid \$29,268 in such dues. Membership in an RDC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the RDC in Georgia. The RDC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RDC. Separate financial statements may be obtained from the Coastal Georgia Regional Development Center, 127 “F” Street, Brunswick, Georgia 31520.

City of Hinesville, Georgia

Notes to the Financial Statements

NOTE 14 – HOTEL/MOTEL LODGING TAX

The government has levied a 5% lodging tax. Forty percent of the tax received is paid to the Liberty County Development Authority (LCDA). A summary of the transactions for the year ending October 31, 2007 follows:

| | |
|--|-------------------|
| Total lodging tax receipts | <u>\$ 195,678</u> |
| 40% of tax receipts owed to the LCDA for October 31, 2007 | \$ 78,271 |
| Tax receipts owed at October 31, 2006 | 25,504 |
| Disbursements to the LCDA during the year ended October 31, 2007 | <u>(90,514)</u> |
| Balance of lodging tax funds on hand at October 31, 2007 | <u>\$ 13,261</u> |

NOTE 15 – RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency Property and Liability Insurance Fund and the Georgia Municipal Association Group Self-Insurance Workers Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for member local governments.

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

The funds are to defend and protect the: members of the funds against liability or loss as prescribed in the member government contract and in accordance with the worker's compensation law of Georgia. The funds are to pay all cost taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

Settled claims in the past three years have not exceeded the coverages.

The City pays unemployment claims to the state department of labor on a reimbursement basis. Liabilities for such claims are immaterial and are not accrued.

NOTE 16 – DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time government employees at their option, permits participation to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency. In accordance with GASB Statement No. 32 "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans," no assets or liabilities of the City's Deferred Compensation Plan are included in the City's financial statements.

City of Hinesville, Georgia

Notes to the Financial Statements

NOTE 17 – COMMITMENTS AND CONTINGENCIES

Litigation

The City is involved in several pending lawsuits. Liability, if any, which might result from these proceedings, would not, in the opinion of management and legal counsel, have a material adverse effect on the financial position of the City.

Contractual Obligations

The City has contracted with Operations Management International, Inc. (O.M.I) for the operation of the wastewater treatment plant, meter reading, construction and maintenance, and water lab and pump maintenance of the Water and Sewer Enterprise Fund. It has further contracted with O.M.I. for the operation of all of its “Public Works” departments. This includes streets, vehicle maintenance, sanitation, public works, mosquito control, and parks and grounds in the General Fund and sanitation services in the Sanitation Enterprise Fund.

In addition to the liabilities enumerated in the balance sheet at October 31, 2007, the City has contractual commitments on uncompleted construction contracts of approximately \$3,615,000 for various SPLOST projects.

Grant Contingencies

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to the disallowance of certain expenditures previously reimbursed by those agencies. Based upon prior experience, management of the City believes such disallowances, if any, will not be significant.

NOTE 18 – NEW FUND

In September 2007 the Storm Water Utility Fund was established to create a more fair and equitable method for paying for storm water services. Charges represent the cost of providing services to each customer so everyone pays their fair share of the cost of storm water management.

NOTE 19 – PRIOR PERIOD ADJUSTMENTS

Beginning fund balance in the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds was overstated by \$224,358 as a result of improper recognition of franchise taxes in the City’s fund financial statements. Additionally, franchise taxes receivable on the Balance Sheet of Governmental Funds was understated by \$716,367 for franchise tax receivables omitted in the prior year.

The net change in beginning net assets of governmental activities is an increase of \$716,367.

The effect of the prior period adjustments are as follows:

| | Governmental Activities Net Assets | General Fund Fund Balance |
|---|--|---------------------------------|
| Ending balance, as reported, October 31, 2006..... | \$ 41,075,900 | \$ 10,102,346 |
| Overstatement of franchise tax revenue..... | - | (224,358) |
| Omission of franchise tax receivable..... | 716,367 | - |
| Beginning balance, as restated, November 1, 2006..... | <u>\$ 41,792,267</u> | <u>\$ 9,877,988</u> |



REQUIRED SUPPLEMENTARY INFORMATION



City of Hinesville, Georgia

Required Supplementary Information

Schedule of Funding Progress

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability [AAL] (b) | Unfunded (Surplus) AAL [UAAL] (b) - (a) | Funded Ratio (a) / (b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll* [(b) - (a)] / (c) |
|--------------------------------|--|---|---|------------------------------|---------------------------|--|
| 7/1/2005 | \$ 7,973,795 | \$ 8,193,215 | \$ 219,420 | 97.32 % | \$ 5,173,757 | 4.24 % |
| 7/1/2006 | 8,542,220 | 8,434,852 | (107,368) | 101.27 | 5,762,420 | 0.00 |
| 7/1/2007 | 9,156,018 | 9,436,798 | 280,780 | 97.02 | 6,597,142 | 4.26 |

* Not less than zero



SUPPLEMENTARY DATA

**COMBINING STATEMENTS AND SCHEDULES
STATE MANDATED PROGRAM INFORMATION**



City of Hinesville, Georgia
 Nonmajor Governmental Funds
 Combining Balance Sheet
 October 31, 2007

| | Hotel/Motel Tax Fund | SPLOST | Total Nonmajor Governmental Funds |
|--|-------------------------|-------------------|--|
| ASSETS | | | |
| Receivables, net..... | \$ 19,155 | \$ - | \$ 19,155 |
| Due from other governments..... | - | 347,191 | 347,191 |
| Total assets..... | <u>\$ 19,155</u> | <u>\$ 347,191</u> | <u>\$ 366,346</u> |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities | | | |
| Accounts payable..... | \$ 13,261 | \$ 253,331 | \$ 266,592 |
| Retainage payable..... | - | 35,392 | 35,392 |
| Due to other funds..... | 5,894 | 73,526 | 79,420 |
| Total liabilities..... | <u>19,155</u> | <u>362,249</u> | <u>381,404</u> |
| Fund balances: | | | |
| Unreserved, reported in: | | | |
| Total fund balances..... | - | (15,058) | (15,058) |
| Total fund balances..... | <u>-</u> | <u>(15,058)</u> | <u>(15,058)</u> |
| Total liabilities and fund balances..... | <u>\$ 19,155</u> | <u>\$ 347,191</u> | <u>\$ 366,346</u> |

City of Hinesville, Georgia

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

For the Year Ended October 31, 2007

| | Hotel/Motel Tax Fund | SPLOST | Total Nonmajor Governmental Funds |
|---|-------------------------|--------------------|--|
| REVENUES | | | |
| Taxes..... | \$ 195,678 | \$ - | \$ 195,678 |
| Intergovernmental..... | - | 458,479 | 458,479 |
| Total revenues..... | <u>195,678</u> | <u>458,479</u> | <u>654,157</u> |
| EXPENDITURES | | | |
| Capital outlay..... | - | 493,871 | 493,871 |
| Intergovernmental: | | | |
| Assistance..... | 78,271 | - | 78,271 |
| Total expenditures..... | <u>78,271</u> | <u>493,871</u> | <u>572,142</u> |
| Excess (deficiency) of revenues over (under) expenditures..... | <u>117,407</u> | <u>(35,392)</u> | <u>82,015</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers out..... | (117,407) | - | (117,407) |
| Total other financing sources (uses)..... | <u>(117,407)</u> | <u>-</u> | <u>(117,407)</u> |
| Net change in fund balances..... | - | (35,392) | (35,392) |
| Fund balances at beginning of year..... | - | 20,334 | 20,334 |
| Fund balances at end of year..... | <u>\$ -</u> | <u>\$ (15,058)</u> | <u>\$ (15,058)</u> |

City of Hinesville, Georgia
 Budgetary Comparison Schedule
 Special Revenue Fund – Hotel/Motel Tax Fund
 For the Year Ended October 31, 2007

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with</u> |
|---|-------------------------|------------------|------------------|----------------------|
| | <u>Original</u> | <u>Final</u> | | <u>Final Budget</u> |
| | | | | <u>Positive</u> |
| | | | | <u>(Negative)</u> |
| REVENUES | | | | |
| Taxes..... | \$ 206,300 | \$ 206,300 | \$ 195,678 | \$ (10,622) |
| Total revenues..... | <u>206,300</u> | <u>206,300</u> | <u>195,678</u> | <u>(10,622)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government..... | 82,520 | 82,520 | 78,271 | 4,249 |
| Total expenditures..... | <u>82,520</u> | <u>82,520</u> | <u>78,271</u> | <u>4,249</u> |
| Excess (deficiency) of revenues over | | | | |
| (under) expenditures..... | <u>123,780</u> | <u>123,780</u> | <u>117,407</u> | <u>(6,373)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out..... | (123,780) | (123,780) | (117,407) | 6,373 |
| Total other financing sources (uses)..... | <u>(123,780)</u> | <u>(123,780)</u> | <u>(117,407)</u> | <u>6,373</u> |
| Net change in fund balance..... | - | - | - | - |
| Fund balance, beginning of year..... | - | - | - | - |
| Fund balance, end of year..... | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

City of Hinesville, Georgia

Schedule of Projects Constructed with Special Purpose Local Option Sales Tax Proceeds

October 31, 2007

| | Original Estimated Cost | Revised Estimated Cost | Prior Years | Current Year | Total Cost |
|---|-------------------------------|------------------------------|---------------------|-------------------|---------------------|
| <u>Prior Resolution</u> | | | | | |
| Airport Road drainage crossing..... | \$ 66,650 | \$ 66,650 | \$ 38,128 | \$ - | \$ 38,128 |
| Azalea Street..... | - | 450,000 | - | - | - |
| Barry McCaffery Blvd, Kelly Drive..... | 769,172 | 701,854 | 794,467 | - | 794,467 |
| Barry McCaffery Blvd, Phase III..... | - | 422,766 | 505,664 | - | 505,664 |
| Bradwell Street..... | - | - | 135,190 | - | 135,190 |
| Brickyard Road / Nottingham Drive..... | - | 81,334 | 80,350 | - | 80,350 |
| Buck Road..... | - | 48,692 | 69,495 | - | 69,495 |
| Bouy Lane..... | - | - | 19,826 | 6,598 | 26,424 |
| Byrum Drive..... | - | 20,507 | 8,840 | - | 8,840 |
| Cherokee Trail..... | 49,075 | 36,073 | 35,443 | - | 35,443 |
| Deal Street..... | 478,803 | 478,803 | 13,463 | - | 13,463 |
| Dean Street..... | 159,600 | 171,020 | 162,583 | - | 162,583 |
| Folker sidewalk..... | 32,890 | 23,210 | 20,572 | - | 20,572 |
| Forest Street..... | 98,895 | 110,114 | 104,712 | - | 104,712 |
| Frank Cochran Drive sidewalks..... | 150,000 | 151,913 | 132,262 | - | 132,262 |
| Frank Cochran Drive widening..... | 374,000 | 374,000 | 233,160 | 36,985 | 270,145 |
| Fraser / Norman / Layton Streets..... | 194,084 | 185,211 | 189,555 | - | 189,555 |
| Gray Fox Road..... | 252,886 | 252,886 | 23,137 | - | 23,137 |
| Irene Thomas Park..... | 75,000 | 256,000 | 5,043 | 245,634 | 250,677 |
| Justice Center..... | - | - | 7,830 | 5,376 | 13,206 |
| Lewis Fraser sidewalks..... | 28,350 | 28,350 | 2,915 | - | 2,915 |
| Memorial Drive right of way acquisition..... | - | 797,482 | 1,073,975 | - | 1,073,975 |
| MLK Jr. Highway 84..... | - | 600,000 | 16,964 | - | 16,964 |
| Pineland Avenue improvements..... | 658,824 | 704,047 | 1,361,265 | - | 1,361,265 |
| Pipkin Road drainage crossing..... | 72,550 | 72,550 | 34,852 | - | 34,852 |
| Regency Apartments / Frasier Retention..... | - | 340,633 | 320,518 | 5,925 | 326,443 |
| Hendry Street / General Screven Intersection..... | - | 18,000 | - | - | - |
| Milling..... | - | 32,000 | - | - | - |
| Reserve..... | - | 356,000 | - | - | - |
| Total all Projects..... | \$ 3,460,779 | \$ 6,780,095 | \$ 5,390,209 | \$ 300,518 | \$ 5,690,727 |

City of Hinesville, Georgia

Schedule of Projects Constructed with Special Purpose Local Option Sales Tax Proceeds

October 31, 2007

| | Original Estimated Cost | Revised Estimated Cost | Prior Years | Current Year | Total Cost |
|--|-------------------------------|------------------------------|-------------------|-------------------|-------------------|
| <u>2004 Resolution</u> | | | | | |
| South Commerce St. stormwater retention project..... | \$ 313,620 | \$ 313,620 | \$ - | \$ - | \$ - |
| Mid-Coast Business Park entry road..... | 800,000 | 800,000 | - | - | - |
| Memorial Drive realignment project: | | | | | |
| Section 1..... | 1,127,438 | 1,127,438 | 227,919 | 114,315 | 342,234 |
| Section 2..... | 1,298,499 | 1,298,499 | - | - | - |
| Section 3..... | 1,089,803 | 1,089,803 | - | - | - |
| Section 4 - Main Street..... | 308,230 | 308,230 | - | - | - |
| Section 4 - Memorial Drive (mid section)..... | 251,758 | 251,758 | - | - | - |
| Section 4 - Main Street and Welborn Street..... | 567,320 | 567,320 | - | - | - |
| South Anchor project..... | - | - | - | - | - |
| East ML King Jr. Drive improvements..... | - | - | 1,000 | - | 1,000 |
| Fraser Acres drainage diversion project..... | - | - | - | - | - |
| Bryant Commons stormwater retention facility..... | - | - | - | - | - |
| Hinesville public works expansion..... | 531,000 | 531,000 | - | - | - |
| Hinesville City Hall expansion..... | 369,000 | 369,000 | - | - | - |
| Total all Projects..... | <u>\$ 6,656,668</u> | <u>\$ 6,656,668</u> | <u>\$ 228,919</u> | <u>\$ 114,315</u> | <u>\$ 343,234</u> |



COMPONENT UNIT



City of Hinesville, Georgia

Component Unit – Downtown Development Authority

Balance Sheet

October 31, 2007

Assets

| | |
|--|-------------------|
| Cash..... | \$ 52,186 |
| Due from the Liberty County Development Authority..... | 78,750 |
| Restricted cash..... | 190,772 |
| Assets held for resale..... | 294,397 |
| Total assets..... | <u>\$ 616,105</u> |

Liabilities

| | |
|--------------------------------|----------------|
| Accounts payable..... | \$ 16,197 |
| Due to primary government..... | 111,504 |
| Total liabilities..... | <u>127,701</u> |

Fund Balance

| | |
|-------------------------------|-------------------|
| Unreserved, undesignated..... | 488,404 |
| Total fund balance..... | <u>\$ 488,404</u> |

City of Hinesville, Georgia

Component Unit – Downtown Development Authority

Statement of Revenues, Expenditures, and Changes in Fund Balance

Year Ended October 31, 2007

| | |
|--------------------------------------|--------------------------|
| Revenues | |
| Intergovernmental..... | \$ 1,181,789 |
| Total revenues..... | <u>1,181,789</u> |
| Expenditures..... | <u>828,490</u> |
| Net change in fund balance..... | 353,299 |
| Fund balance, beginning of year..... | <u>135,105</u> |
| Fund balance, end of year..... | <u><u>\$ 488,404</u></u> |

STATISTICAL SECTION

This part of the City of Hinesville’s *Comprehensive Annual Financial Report* presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government’s overall financial health.

| Contents | Page |
|--|-------------|
| Financial Trends | 50 |
| <i>These schedules contain trend information to help the reader understand how the city's financial position has changed over time.</i> | |
| Revenue Capacity | 55 |
| <i>These schedules contain information to help the reader understand and assess the factors affecting the city's ability to generate its most significant local revenue sources, the property tax and the sales tax.</i> | |
| Debt Capacity | 63 |
| <i>These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.</i> | |
| Demographic and Economic Information | 67 |
| <i>These schedules offer economic and demographic indicators to help the reader understand the environment within which the city's financial activities take place and to provide information that facilitates comparisons of financial information over time and among governments.</i> | |
| Operating Information | 70 |
| <i>These schedules contain service and infrastructure data to help the reader understand how the information in the city's financial report relates to the services the city provides and the activities it performs.</i> | |

Sources: Unless otherwise noted, the information in these schedules is derived from the *Comprehensive Annual Financial Reports* for the relevant year.



City of Hinesville, Georgia
Net Assets by Activity
Last Five Fiscal Years
(Accrual Basis of Accounting)

| | Fiscal Year | | | | |
|--|--------------------|-------------------|-------------------|-------------------|-------------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 |
| Governmental activities | | | | | |
| Invested in capital assets, net of related debt | \$ 26,181,168 | \$ 26,557,255 | \$ 26,531,993 | \$ 31,015,029 | \$ 32,609,746 |
| Restricted | - | - | - | - | - |
| Unrestricted | 6,320,590 | 7,799,256 | 11,692,691 | 10,060,871 | 10,451,451 |
| Total governmental activities net assets | 32,501,758 | 34,356,511 | 38,224,684 | 41,075,900 | 43,061,197 |
| Business-type activities | | | | | |
| Invested in capital assets, net of related debt | 11,578,816 | 11,566,321 | 11,440,310 | 15,932,876 | 20,677,179 |
| Restricted | 2,308,989 | 2,388,126 | 2,120,389 | 1,462,728 | 973,378 |
| Unrestricted | 2,118,669 | 1,943,822 | 2,434,634 | (225,279) | (2,822,212) |
| Total business-type activities net assets | 16,006,474 | 15,898,269 | 15,995,333 | 17,170,325 | 18,828,345 |
| Primary government | | | | | |
| Invested in capital assets, net of related debt | 37,759,984 | 38,123,576 | 37,972,303 | 46,947,905 | 53,286,925 |
| Restricted | 2,308,989 | 2,388,126 | 2,120,389 | 1,462,728 | 973,378 |
| Unrestricted | 8,439,259 | 9,743,078 | 14,127,325 | 9,835,592 | 7,629,239 |
| Total primary government net assets | 48,508,232 | 50,254,780 | 54,220,017 | 58,246,225 | 61,889,542 |

City of Hinesville, Georgia
Changes in Net Assets
Last Five Fiscal Years
(Accrual Basis of Accounting)

| | Fiscal Year | | | | |
|---|--------------------|---------------------|--------------------|---------------------|---------------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 |
| Expenses | | | | | |
| Primary government: | | | | | |
| Governmental activities: | | | | | |
| General government | \$ 1,768,719 | \$ 1,953,572 | \$ 1,952,769 | \$ 2,351,658 | \$ 2,194,891 |
| Judicial ^(e) | | - | - | 310,188 | 307,241 |
| Public safety | 6,533,385 | 6,943,658 | 7,581,847 | 7,909,188 | 8,552,233 |
| Highways and streets | 2,231,243 | 2,644,094 | 2,906,748 | 3,216,476 | 2,867,482 |
| Sanitation ^(a) | 2,313,361 | - | - | - | - |
| Health and Welfare ^(g) | 726,562 | 745,803 | 669,126 | 822,567 | 481,410 |
| Welfare | 286,033 | 422,777 | 733,852 | 841,646 | - |
| Culture and recreation | 350,139 | 374,324 | 352,428 | 431,665 | 1,006,902 |
| Housing and development ^(g) | | - | - | - | 2,590,029 |
| Interest and fiscal changes | 132,612 | 119,569 | 111,312 | 91,989 | 78,094 |
| Total governmental activities expenses | 14,342,054 | 13,203,797 | 14,308,082 | 15,975,377 | 18,078,282 |
| Business-type activities: | | | | | |
| Water and sewer | 5,686,867 | 6,192,010 | 6,182,700 | 6,570,595 | 6,925,859 |
| Sanitation ^(a) | - | 1,978,291 | 2,040,141 | 2,177,974 | 2,103,192 |
| Stormwater utility ^(f) | | - | - | - | 178,089 |
| Total business-type activities expenses | 5,686,867 | 8,170,301 | 8,222,841 | 8,748,569 | 9,207,140 |
| Total primary government expenses | 20,028,921 | 21,374,098 | 22,530,923 | 24,723,946 | 27,285,422 |
| Program revenues | | | | | |
| Primary government: | | | | | |
| Governmental activities: | | | | | |
| Charges for services ^(d) | 3,689,876 | 1,657,158 | 2,065,204 | 2,228,738 | 2,760,988 |
| Operating grants and contributions | 536,171 | 466,299 | 775,003 | 942,686 | 1,324,376 |
| Capital grants and contributions ^(b) | 1,875,399 | 138,894 | 1,756,388 | 1,319,046 | 2,383,816 |
| Total governmental activities program revenues | 6,101,446 | 2,262,351 | 4,596,595 | 4,490,470 | 6,469,180 |
| Business-type activities: | | | | | |
| Charges for services | 5,230,409 | 7,977,844 | 7,610,791 | 8,897,876 | 9,625,421 |
| Operating grants and contributions | - | - | - | - | - |
| Capital grants and contributions ^(b) | 917,136 | - | 576,772 | 812,915 | 551,930 |
| Total business-type activities program revenues | 6,147,545 | 7,977,844 | 8,187,563 | 9,710,791 | 10,177,351 |
| Total primary government program revenues | 12,248,991 | 10,240,195 | 12,784,158 | 14,201,261 | 16,646,531 |
| Net (expense) / revenue | | | | | |
| Governmental activities | (8,240,608) | (10,941,446) | (9,711,487) | (11,484,907) | (11,609,102) |
| Business-type activities | 460,678 | (192,457) | (35,278) | 962,222 | 970,211 |
| Total primary government net (expense) / revenue | (7,779,930) | (11,133,903) | (9,746,765) | (10,522,685) | (10,638,891) |

(Continued)

City of Hinesville, Georgia
Changes in Net Assets
Last Five Fiscal Years
(Accrual Basis of Accounting)

| | Fiscal Year | | | | |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 |
| General revenues and other changes in net assets | | | | | |
| Primary government: | | | | | |
| Governmental activities: | | | | | |
| Taxes ^(c) | 10,117,890 | 11,807,735 | 12,845,757 | 13,020,799 | 13,053,189 |
| Licenses and permits ^(d) | 422,884 | 436,086 | - | - | - |
| Federal and state grants and other contributions not restricted to specific functions ^(h) | - | - | - | - | 22,477 |
| Investment earnings | 67,913 | 84,886 | 194,943 | 354,286 | 443,756 |
| Other revenues | 31,763 | 77,976 | 145,877 | 548,420 | 49,718 |
| Gain on sale of assets | - | - | 40,603 | 15,824 | - |
| Transfers | 251,339 | 389,516 | 352,480 | 396,794 | (466,750) |
| Total governmental activities general revenues and other changes in net assets | 10,891,789 | 12,796,199 | 13,579,660 | 14,336,123 | 13,102,390 |
| Business-type activities: | | | | | |
| Other revenues | 358,044 | 381,223 | 363,311 | 411,980 | 19,246 |
| Investment earnings | 64,777 | 92,545 | 121,511 | 197,584 | 201,813 |
| Transfers | (251,339) | (389,516) | (352,480) | (396,794) | 466,750 |
| Total business type activities general revenues and other changes in net assets | 171,482 | 84,252 | 132,342 | 212,770 | 687,809 |
| Total primary government general revenues and other changes in net assets | 11,063,271 | 12,880,451 | 13,712,002 | 14,548,893 | 13,790,199 |
| Change in net assets | | | | | |
| Governmental activities | 2,651,181 | 1,854,753 | 3,868,173 | 2,851,216 | 1,493,288 |
| Business-type activities | 632,160 | (108,205) | 97,064 | 1,174,992 | 1,658,020 |
| Total primary government change in net assets | \$ 3,283,341 | \$ 1,746,548 | \$ 3,965,237 | \$ 4,026,208 | \$ 3,151,308 |
| | | | | | (Concluded) |

^(a) Beginning in fiscal year 2004, sanitation activities were taken out of the general fund and recorded in a separate enterprise fund.

^(b) 2003 and 2005 revenues included significant amounts of infrastructure donated by local contractors as new developments were completed.

^(c) Tax revenues have continued to increase as the City has enjoyed continued growth and a thriving economy.

^(d) Beginning in fiscal year 2005, license and permits were classified as charges for services.

^(e) Beginning in fiscal year 2006, the Municipal Court activities were reclassified as judicial expenditures from public safety.

^(f) Beginning in fiscal year 2007, the City began reporting a storm water utility enterprise fund.

^(g) Beginning in fiscal year 2007, housing and development expenditures were reclassified from welfare, and health and welfare expenditures are reported as one function.

^(h) Beginning in fiscal year 2007, payments in lieu of taxes were reclassified as general revenues.

City of Hinesville, Georgia
Fund Balances, Governmental Funds
Last Five Fiscal Years
(Modified Accrual Basis of Accounting)

| | Fiscal Year ^(a) | | | | |
|------------------------------------|-----------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 |
| General Fund | | | | | |
| Reserved | \$ 415,803 | \$ 496,768 | \$ 480,611 | \$ 501,215 | \$ 438,206 |
| Unreserved | 5,909,014 | 7,118,075 | 8,242,597 | 9,601,131 | 9,305,564 |
| Total General fund | <u>6,324,817</u> | <u>7,614,843</u> | <u>8,723,208</u> | <u>10,102,346</u> | <u>9,743,770</u> |
| All Other Governmental Funds | | | | | |
| Unreserved, reported in: | | | | | |
| Special revenue funds | 378,901 | 301,849 | 362,665 | 429,665 | 447,745 |
| Capital projects funds | 6,990 | 20,516 | 20,334 | 20,334 | (15,058) |
| Total all other governmental funds | <u>\$ 385,891</u> | <u>\$ 322,365</u> | <u>\$ 382,999</u> | <u>\$ 449,999</u> | <u>\$ 432,687</u> |

^(a) Information prior to fiscal year 2003 was not readily available.

City of Hinesville, Georgia
Changes in Fund Balances, Governmental Funds
Last Five Fiscal Years
(Modified Accrual Basis of Accounting)

| | Fiscal Year ^(e) | | | | |
|---|----------------------------|---------------------|---------------------|---------------------|---------------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 |
| Revenues: | | | | | |
| Taxes | \$ 10,085,090 | \$ 11,484,494 | \$ 13,067,293 | \$ 13,139,164 | \$ 12,845,946 |
| Licenses and permits | 474,444 | 458,071 | 449,481 | 524,968 | 521,847 |
| Intergovernmental | 560,613 | 605,193 | 937,145 | 1,247,708 | 1,895,671 |
| Charges for services | 2,210,087 | 46,625 | 33,615 | 44,824 | 805,689 |
| Fines, forfeitures, and fees | 1,130,906 | 1,335,548 | 1,198,644 | 1,641,696 | 1,263,396 |
| Interest revenues | 67,913 | 84,886 | 194,943 | 354,286 | 443,756 |
| Other revenues | 380,646 | 352,961 | 457,431 | 548,420 | 207,469 |
| Total revenues | 14,909,699 | 14,367,778 | 16,338,552 | 17,501,066 | 17,983,774 |
| Expenditures: | | | | | |
| Current: | | | | | |
| General government | 1,739,924 | 1,934,253 | 2,018,049 | 2,615,256 | 2,149,401 |
| Judiciary ^(b) | - | - | - | 310,188 | 307,241 |
| Public safety | 6,219,517 | 7,176,900 | 7,460,198 | 7,790,319 | 8,413,678 |
| Highways and streets | 1,487,697 | 1,895,753 | 2,289,907 | 2,974,786 | 2,326,779 |
| Sanitation ^(a) | 2,233,291 | 760,489 | - | - | - |
| Health and welfare ^(c) | 717,878 | 420,721 | 630,691 | 805,112 | 481,409 |
| Welfare | 287,763 | 369,395 | 734,225 | 842,418 | - |
| Culture and recreation | 339,949 | 662,296 | 347,789 | 440,885 | 600,073 |
| Housing and development ^(c) | - | - | - | - | 2,294,267 |
| Capital outlay | 481,801 | - | 1,679,889 | 304,829 | 493,871 |
| Debt service: | | | | | |
| Principal | 264,887 | 277,871 | 290,022 | 288,613 | 247,688 |
| Interest and fiscal charges | 135,196 | 122,365 | 111,866 | 95,140 | 83,011 |
| Intergovernmental: | | | | | |
| Assistance ^(d) | - | - | - | - | 737,886 |
| Total expenditures | 13,907,903 | 13,620,043 | 15,562,636 | 16,467,546 | 18,135,304 |
| Excess of revenues over expenditures | 1,001,796 | 747,735 | 775,916 | 1,033,520 | (151,530) |
| Other financing sources (uses) | | | | | |
| Proceeds from the sale of capital assets | - | - | 40,603 | 15,824 | - |
| Transfers in | 740,137 | 707,193 | 442,535 | 524,994 | 447,013 |
| Transfers out | (488,798) | (228,428) | (90,055) | (128,200) | (447,013) |
| Total other financing sources (uses) | 251,339 | 478,765 | 393,083 | 412,618 | - |
| Net change in fund balances | \$ 1,253,135 | \$ 1,226,500 | \$ 1,168,999 | \$ 1,446,138 | \$ (151,530) |
| Debt service as a percentage of noncapital expenditures | | | | | |
| | 2.98% | 2.94% | 2.89% | 2.37% | 1.95% |

^(a) Beginning in fiscal year 2004, sanitation activities were taken out of the general fund and recorded in a separate enterprise fund.

^(b) Beginning in fiscal year 2006, the Municipal Court activities were reclassified as judicial expenditures from public safety.

^(c) Beginning in fiscal year 2007, housing and development expenditures were reclassified from welfare, and health and welfare expenditures are reported as one function.

^(d) Beginning in fiscal year 2007, certain intergovernmental assistance payments were reclassified from functional expenditures.

^(e) Information prior to fiscal year 2003 was not readily available.

City of Hinesville, Georgia
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Tax Digest Years

| Tax Digest Year | Real Property | | | | | Other Personal Property | Less: Tax Exempt | Total Taxable | Total Direct Tax Rate | Estimated Actual Taxable Value | Assessed Value as a Percentage of Actual Value |
|------------------------|----------------------|-------------------|---------------------|-----------------------|----------------------|--------------------------------|-------------------------|----------------------|------------------------------|---------------------------------------|---|
| | Residential | Commercial | Mobile Homes | Motor Vehicles | Real Property | | Assessed Value | | | | |
| 1997 ⁽¹⁾ | \$ 190,997,142 | \$ 60,992,895 | \$ 2,984,928 | \$ 26,862,165 | \$ 18,466,030 | \$ (39,346) | \$ 300,263,814 | 11.30 | \$ 750,659,535 | 40% | |
| 1998 ⁽¹⁾ | 203,298,915 | 68,985,375 | 2,486,588 | 27,600,407 | 18,516,870 | (39,346) | 320,848,809 | 11.30 | 802,122,023 | 40% | |
| 1999 ⁽¹⁾ | 206,375,557 | 72,834,303 | 4,211,807 | 31,413,472 | 19,134,617 | (1,043,190) | 332,926,566 | 11.30 | 832,316,415 | 40% | |
| 2000 ⁽²⁾ | 207,737,200 | 75,041,705 | 3,179,632 | 31,010,731 | 23,541,815 | (1,245,359) | 339,265,724 | 11.30 | 848,164,310 | 40% | |
| 2001 ⁽²⁾ | 220,561,427 | 80,077,405 | 4,908,523 | 33,104,740 | 24,907,296 | (1,383,839) | 362,175,552 | 11.30 | 905,438,880 | 40% | |
| 2002 ⁽²⁾ | 227,757,411 | 82,610,219 | 4,908,523 | 33,827,980 | 25,478,325 | (1,597,458) | 372,985,000 | 11.30 | 932,462,500 | 40% | |
| 2003 ⁽²⁾ | 263,851,868 | 93,306,362 | 5,030,387 | 35,034,980 | 24,378,710 | (2,921,813) | 418,680,494 | 11.30 | 1,046,701,235 | 40% | |
| 2004 ⁽²⁾ | 270,518,473 | 95,725,444 | 4,435,665 | 35,127,590 | 25,978,614 | (3,247,563) | 428,538,223 | 11.30 | 1,071,345,558 | 40% | |
| 2005 ⁽²⁾ | 314,726,569 | 107,984,300 | 3,613,167 | 36,838,860 | 28,961,659 | (4,185,699) | 487,938,856 | 11.30 | 1,219,847,140 | 40% | |
| 2006 ⁽²⁾ | 314,729,005 | 107,995,366 | 3,613,167 | 36,838,860 | 29,018,502 | (4,191,845) | 488,003,055 | 11.30 | 1,220,007,638 | 40% | |

⁽¹⁾ Source: Georgia Department of Revenue Property Tax Division Consolidation Summary

⁽²⁾ Source: Liberty County Tax Commissioner

City of Hinesville, Georgia

Property Tax Rates Last Ten Tax Digest Years

| Tax Digest Year | Total Millage Rate | City of Hinesville | Liberty County | Board of Education | Board of Education Bonds | Industrial Authority | Hospital Authority | State of Georgia |
|----------------------------|-----------------------------------|-------------------------------|---------------------------|-------------------------------|---|---------------------------------|-------------------------------|-----------------------------|
| 1997 | 45.410 | 11.300 | 12.060 | 17.800 | - | 2.000 | 2.000 | 0.250 |
| 1998 | 45.400 | 11.300 | 12.050 | 17.800 | - | 2.000 | 2.000 | 0.250 |
| 1999 | 45.370 | 11.300 | 12.020 | 17.800 | - | 2.000 | 2.000 | 0.250 |
| 2000 | 44.850 | 11.300 | 11.500 | 17.800 | - | 2.000 | 2.000 | 0.250 |
| 2001 | 44.331 | 11.300 | 11.250 | 17.581 | - | 1.975 | 1.975 | 0.250 |
| 2002 | 44.165 | 11.300 | 11.193 | 17.492 | - | 1.965 | 1.965 | 0.250 |
| 2003 | 46.165 | 11.300 | 14.615 | 16.000 | - | 2.000 | 2.000 | 0.250 |
| 2004 | 44.829 | 11.300 | 13.279 | 16.000 | - | 2.000 | 2.000 | 0.250 |
| 2005 | 44.780 | 11.300 | 13.230 | 16.000 | - | 2.000 | 2.000 | 0.250 |
| 2006 | 43.751 | 10.900 | 12.684 | 16.000 | - | 2.000 | 1.917 | 0.250 |

Source: Liberty County Tax Commissioner

City of Hinesville, Georgia
Principal Property Taxpayers
Current Year and Five Years Ago

| Taxpayer | 2006 Tax Digest | | | 2001 Tax Digest | | |
|-------------------------|-------------------------------|-------------|---|-------------------------------|-------------|---|
| | Taxable Assessed Value | Rank | Percentage of Total Taxable Assessed Value | Taxable Assessed Value | Rank | Percentage of Total Taxable Assessed Value |
| Georgia Power Company | 6,016,634 | 1 | 0.012330713 | 4,564,914 | 2 | 1.26% |
| Wal-Mart Stores | 3,043,435 | 2 | 0.006237329 | 2,975,971 | 4 | 0.82% |
| Coastal Utilities | 2,971,913 | 3 | 0.006090749 | 7,762,507 | 1 | 2.14% |
| Lowes Home Centers | 2,727,182 | 4 | 0.005589188 | | | |
| Wal-Mart Real Estate | 2,716,977 | 5 | 0.005568273 | 2,693,115 | 5 | 0.74% |
| The Hinesville Group | 2,524,647 | 6 | 0.005174105 | | | |
| Lowes Center | 2,236,713 | 7 | 0.004584003 | | | |
| Raintree Associates LTD | 1,985,722 | 8 | 0.004069612 | 1,614,240 | 6 | 0.45% |
| The Heritage Bank | 1,689,002 | 9 | 0.003461503 | 1,575,334 | 7 | 0.43% |
| Perlis-Ellin LLC | 1,583,112 | 10 | 0.003244488 | | | |
| Sec Of VA | | | | 3,683,203 | 3 | 1.02% |
| Arnov Jake & Etal | | | | 1,560,039 | 8 | 0.43% |
| Robert Glenn Carter | | | | 1,478,789 | 9 | 0.41% |
| Comcast | | | | 1,477,236 | 10 | |
| Total | \$ 27,495,337 | | 5.63% | \$ 29,385,348 | | 7.71% |

Note: Information on principal property taxpayers prior to 2001 was not available.

City of Hinesville, Georgia
Property Tax Levies and Collections

Last Ten Fiscal Years

| Tax Year | Taxes Levied | Errors, Releases or Adjustments | Adjusted Tax Levy | Collected within the Fiscal Year of the Levy | | Collections in Subsequent Years | Total Collections to Date | |
|-----------------|---------------------|--|------------------------------|---|------------------|--|----------------------------------|------------------|
| | | | | Amount | % of Levy | | Amount | % of Levy |
| 1997 | \$ 3,392,981 | NA | NA | NA | NA | NA | NA | NA |
| 1998 | 3,625,592 | NA | NA | NA | NA | NA | NA | NA |
| 1999 | 3,762,070 | NA | NA | NA | NA | NA | NA | NA |
| 2000 | 3,833,703 | NA | NA | NA | NA | NA | NA | NA |
| 2001 | 4,092,584 | (19,171) | 4,073,413 | 3,943,154 | 96.35% | 111,966 | 4,055,120 | 99.08% |
| 2002 | 4,214,731 | (14,934) | 4,199,797 | 4,070,097 | 96.57% | 85,452 | 4,155,549 | 98.60% |
| 2003 | 4,731,090 | (18,676) | 4,712,414 | 3,791,148 | 80.13% | 798,846 | 4,589,994 | 97.02% |
| 2004 | 4,842,482 | (15,402) | 4,827,080 | 4,614,326 | 95.29% | - | 4,614,326 | 95.29% |
| 2005 | 4,709,366 | (21,957) | 4,687,410 | 4,563,910 | 96.91% | - | 4,563,910 | 96.91% |
| 2006 | 4,745,877 | (73,727) | 4,672,150 | 4,544,117 | 95.75% | - | 4,544,117 | 95.75% |

N/A = Not Available

Source: Liberty County Tax Commissioner

City of Hinesville, Georgia

Local Option Sales Tax History

Last Ten Calendar Years

| | <u>1998</u> | <u>1999</u> | <u>2000</u> | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> |
|---------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| January | \$ 130,901 | \$ 132,957 | \$ 135,538 | \$ 158,400 | \$ 184,427 | \$ 198,132 | \$ 258,444 | \$ 262,173 | \$ 343,937 | \$ 305,827 |
| February | 134,508 | 144,293 | 170,644 | 161,197 | 177,037 | 194,122 | 246,442 | 238,449 | 332,347 | 322,925 |
| March | 124,517 | 130,168 | 174,323 | 171,765 | 169,113 | 199,978 | 251,401 | 259,671 | 341,208 | 297,523 |
| April | 134,735 | 157,404 | 201,419 | 166,198 | 174,951 | 183,117 | 282,944 | 249,009 | 371,688 | 353,351 |
| May | 132,637 | 167,989 | 152,837 | 181,708 | 184,751 | 243,398 | 284,671 | 253,999 | 325,321 | 335,296 |
| June | 141,547 | 137,747 | 166,940 | 156,778 | 164,486 | 219,501 | 261,218 | 244,409 | 344,359 | 276,242 |
| July | 153,079 | 148,385 | 160,390 | 174,694 | 172,771 | 240,269 | 279,032 | 262,231 | 335,228 | 344,954 |
| August | 148,235 | 140,392 | 161,276 | 154,546 | 158,037 | 278,400 | 267,370 | 263,971 | 343,579 | 303,050 |
| September | 140,503 | 156,497 | 160,711 | 160,612 | 168,511 | 262,122 | 262,355 | 245,563 | 404,044 | 333,310 |
| October | 138,189 | 140,447 | 150,650 | 168,415 | 160,090 | 225,701 | 243,724 | 204,811 | 221,151 | 306,839 |
| November | 135,902 | 148,971 | 149,670 | 164,908 | 188,191 | 229,159 | 244,607 | 242,812 | 276,025 | 279,588 |
| December | 136,640 | 156,686 | 165,024 | 174,953 | 217,970 | 224,136 | 276,895 | 276,836 | 341,095 | 342,997 |
| Pro Rata Adjustment | 54,629 | - | 8,105 | - | 15,616 | 10,110 | 21,149 | 10,316 | 14,896 | 14,440 |
| Total | <u>\$ 1,706,022</u> | <u>\$ 1,761,937</u> | <u>\$ 1,957,528</u> | <u>\$ 1,994,175</u> | <u>\$ 2,135,950</u> | <u>\$ 2,708,146</u> | <u>\$ 3,180,254</u> | <u>\$ 3,014,248</u> | <u>\$ 3,994,877</u> | <u>\$ 3,816,342</u> |

City of Hinesville, Georgia
Water and Sewer Rates
Last Ten Fiscal Years

| Fiscal Years ended October 31, | Water | | Sewer | |
|--------------------------------------|-----------------|---|-----------------|---|
| | Gallons | Charge | Gallons | Charge |
| 1996 - 2000 | up to 3,000 | \$9.50 | up to 5,000 | \$9.50 |
| | 3,001 - 7,000 | \$9.50+\$1.25 x [(consumption/1,000)-5] | 5,001 - 7,000 | \$9.50+\$1.25 x [(consumption/1,000)-5] |
| | 7,001 - 12,000 | \$14.50+\$1.35 x [(consumption/1,000)-7] | 7,001 - 12,000 | \$12.00+\$1.35 x [(consumption/1,000)-7] |
| | 12,001 - 20,000 | \$21.25+\$1.50 x [(consumption/1,000)-12] | 12,001 - 20,000 | \$18.75+\$1.50 x [(consumption/1,000)-12] |
| | 20,001 - Over | \$33.25+\$1.70 x [(consumption/1,000)-20] | 20,001 - Over | \$30.75+\$1.70 x [(consumption/1,000)-20] |
| 2001 | up to 3,000 | \$10.50 | up to 5,000 | \$10.50 |
| | 3,001 - 7,000 | \$10.50+\$1.30 x [(consumption/1,000)-5] | 5,001 - 7,000 | \$10.50+\$1.30 x [(consumption/1,000)-5] |
| | 7,001 - 12,000 | \$15.70+\$1.40 x [(consumption/1,000)-7] | 7,001 - 12,000 | \$13.10+\$1.40 x [(consumption/1,000)-7] |
| | 12,001 - 20,000 | \$22.70+\$1.50 x [(consumption/1,000)-12] | 12,001 - 20,000 | \$20.10+\$1.50 x [(consumption/1,000)-12] |
| | 20,001 - Over | \$34.70+\$1.70 x [(consumption/1,000)-20] | 20,001 - Over | \$32.10+\$1.70 x [(consumption/1,000)-20] |
| 2003 | up to 3,000 | \$11.10 | up to 5,000 | \$11.10 |
| | 3,001 - 7,000 | \$11.10+\$1.50 x [(consumption/1,000)-5] | 5,001 - 7,000 | \$11.10+\$1.50 x [(consumption/1,000)-5] |
| | 7,001 - 12,000 | \$17.10+\$1.60 x [(consumption/1,000)-7] | 7,001 - 12,000 | \$14.10+\$1.60 x [(consumption/1,000)-7] |
| | 12,001 - 20,000 | \$25.10+\$1.70 x [(consumption/1,000)-12] | 12,001 - 20,000 | \$21.10+\$1.70 x [(consumption/1,000)-12] |
| | 20,001 - Over | \$38.70+\$1.90 x [(consumption/1,000)-20] | 20,001 - Over | \$34.70+\$1.90 x [(consumption/1,000)-20] |
| 2004 - 2005 | up to 3,000 | \$11.20 | up to 5,000 | \$11.20 |
| | 3,001 - 7,000 | \$11.20+\$1.60 x [(consumption/1,000)-5] | 5,001 - 7,000 | \$11.20+\$1.60 x [(consumption/1,000)-5] |
| | 7,001 - 12,000 | \$17.20+\$1.70 x [(consumption/1,000)-7] | 7,001 - 12,000 | \$14.20+\$1.70 x [(consumption/1,000)-7] |
| | 12,001 - 20,000 | \$25.20+\$1.80 x [(consumption/1,000)-12] | 12,001 - 20,000 | \$22.20+\$1.80 x [(consumption/1,000)-12] |
| | 20,001 - Over | \$38.80+\$2.00 x [(consumption/1,000)-20] | 20,001 - Over | \$35.80+\$2.00 x [(consumption/1,000)-20] |
| 2006 - 2007 | up to 3,000 | \$11.50 | up to 5,000 | \$11.50 |
| | 3,001 - 7,000 | \$11.50+\$1.60 x [(consumption/1,000)-5] | 5,001 - 7,000 | \$11.50+\$1.60 x [(consumption/1,000)-5] |
| | 7,001 - 12,000 | \$17.90+\$1.70 x [(consumption/1,000)-7] | 7,001 - 12,000 | \$14.70+\$1.70 x [(consumption/1,000)-7] |
| | 12,001 - 20,000 | \$26.40+\$1.80 x [(consumption/1,000)-12] | 12,001 - 20,000 | \$23.20+\$1.80 x [(consumption/1,000)-12] |
| | 20,001 - Over | \$40.80+\$2.00 x [(consumption/1,000)-20] | 20,001 - Over | \$37.60+\$2.00 x [(consumption/1,000)-20] |

Source: City of Hinesville Water Department

City of Hinesville, Georgia
Water and Sewer Consumption
 Last Ten Fiscal Years

| Fiscal Year Ended October 31, | Total Number Water Customers | Daily Water Consumption | | Total Number Sewer Customers | Daily Sewer Consumption | | Annual Water Consumption by Type (in thousands of gallons) | | | |
|----------------------------------|------------------------------|-------------------------|---------------|------------------------------|-------------------------|---------------|--|------------|------------|------------|
| | | Peak (MGD) | Average (MGD) | | Peak (MGD) | Average (MGD) | Residential | Industrial | Commercial | Government |
| 1998 | 9,970 | 4.200 | 3.210 | 9,913 | 4.270 | 3.420 | NA | NA | NA | NA |
| 1999 | 8,750 | 4.210 | 3.250 | 8,710 | 3.830 | 3.120 | 773,942 | 2 | 167,342 | 158 |
| 2000 | 8,897 | 4.290 | 3.290 | 8,710 | 3.406 | 3.128 | 875,641 | 62 | 172,253 | 2,823 |
| 2001 | 9,152 | 4.930 | 2.990 | 8,798 | 4.290 | 3.230 | 757,237 | 771 | 164,839 | 4,465 |
| 2002 | 9,155 | 3.730 | 3.120 | 9,870 | 3.340 | 3.030 | 796,771 | 777 | 162,457 | 3,680 |
| 2003 | 9,281 | 3.257 | 2.949 | 9,108 | 4.918 | 3.849 | 772,050 | 1,054 | 165,119 | 6,692 |
| 2004 | 9,449 | 3.573 | 3.182 | 9,302 | 4.251 | 3.660 | 886,285 | 897 | 175,196 | 10,104 |
| 2005 | 9,649 | 3.160 | 2.919 | 9,487 | 3.990 | 3.470 | 820,033 | 2,672 | 166,387 | 11,526 |
| 2006 | 9,657 | 3.569 | 3.171 | 9,504 | 4.036 | 3.421 | 879,785 | 4,981 | 167,190 | 11,502 |
| 2007 | 9,565 | 3.545 | 2.989 | 9,413 | 5.677 | 4.644 | 796,367 | 3,584 | 195,677 | 7,902 |

MGD = Millions of Gallons per Day

N/A = Not Available

Source: City of Hinesville Water Department

City of Hinesville, Georgia
 Ten Largest Water and Sewer Customers
 Current Fiscal Year

| Customer | Gallons Metered | Water Revenue | Sewer Revenue | Total Revenue |
|--------------------------|----------------------------|----------------------|----------------------|----------------------|
| Raintree Apts | 140,600 | \$ 28,675 | \$ 28,652 | \$ 57,327 |
| Summerwind Condos | 129,058 | 26,237 | 26,067 | 52,304 |
| Woodwind South | 126,740 | 25,358 | 25,319 | 50,677 |
| Alston Ridge MHP | 86,770 | 18,167 | 17,445 | 35,612 |
| Liberty Co. Jail | 84,547 | 17,057 | 16,881 | 33,938 |
| Grove Point | 23,600 | 15,353 | 15,353 | 30,705 |
| Northgate Association | 72,284 | 14,466 | 14,428 | 28,894 |
| Lakeside HMP 2 | 67,631 | 13,538 | 13,503 | 27,040 |
| Treetop Association | 63,650 | 13,255 | 13,226 | 26,482 |
| The Pines at Willowbrook | 46,100 | 11,942 | 11,933 | 23,875 |
| Totals | 840,980 | \$ 184,048 | \$ 182,806 | \$ 366,854 |

Source: City of Hinesville Water Department

City of Hinesville, Georgia
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

| Fiscal Year Ended October 31, | Governmental Activities | | Business-type Activities | | Total Primary Government | Percentage of Personal Income ⁽¹⁾ | Per Capita ⁽¹⁾ |
|----------------------------------|----------------------------------|---------------|--------------------------|---------------|-----------------------------|--|---------------------------|
| | Certificates of Participation | Notes Payable | Revenue Bonds | Notes Payable | | | |
| 1998 | \$ 3,130,000 | \$ 33,862 | \$ 11,010,000 | \$ - | \$ 14,173,862 | 1.55 % | \$ 232 |
| 1999 | 2,985,000 | 30,963 | 10,525,000 | 141,123 | 13,682,086 | 1.39 | 221 |
| 2000 | 2,820,000 | 27,823 | 10,020,000 | 102,982 | 12,970,805 | 1.25 | 211 |
| 2001 | 2,640,000 | 24,423 | 9,485,000 | 62,892 | 12,212,315 | 1.15 | 204 |
| 2002 | 2,450,000 | 20,740 | 8,930,000 | 20,773 | 11,421,513 | 1.05 | 188 |
| 2003 | 2,250,000 | 16,752 | 8,345,000 | 2,275,226 | 12,886,978 | 1.13 | 216 |
| 2004 | 2,040,000 | 12,433 | 7,730,000 | 2,367,288 | 12,149,721 | 1.03 | 201 |
| 2005 | 1,820,000 | 7,755 | 7,080,000 | 2,619,336 | 11,527,091 | 0.95 | 200 |
| 2006 | 1,590,000 | 2,688 | 6,405,000 | 2,531,713 | 10,529,401 | 0.68 | 150 |
| 2007 | 1,345,000 | - | 5,695,000 | 18,533,089 | 25,573,089 | 1.65 | 364 |

Note: Details regarding the City's long term debt can be found in the notes to the financial statements.

⁽¹⁾ See Schedule of Demographics and Economic Statistics for personal income and population data.

City of Hinesville, Georgia
Direct and Overlapping Governmental Activities Debt
As of October 31, 2007

| Jurisdiction | Amount of Authorized Overlapping Debt | Amount of Outstanding Debt as of 10/31/2007 | Percentage Applicable to the City of Hinesville ^(a) | Amount Applicable to the City of Hinesville |
|---|--|--|---|--|
| City of Hinesville, Georgia - Direct Debt | | | | |
| Georgia Municipal Association Essential Facilities Certificates of Participation - Series 1997A | \$ 3,300,000 | \$ 1,345,000 | 100.00% | \$ 1,345,000 |
| Subtotal direct debt | | | | <u>1,345,000</u> |
| Liberty County, Georgia - Overlapping Debt | | | | |
| Public Facilities Authority Bonds | 1,265,000 | 1,455,000 | 47.62% | 692,847 |
| Sales Tax #4 General Obligation Sales Tax Bonds | 2,285,000 | 3,350,000 | 47.62% | 1,595,215 |
| Subtotal overlapping debt | | | | <u>2,288,062</u> |
| Total direct and overlapping debt | | | | <u><u>3,633,062</u></u> |

Sources: Assessed value data used to estimate applicable percentages provided by the Liberty County Tax Assessors Office. Liberty County, Georgia debt issuances and outstanding debt provided by the County Finance Department.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that could place burden on the residents and businesses of the City of Hinesville. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account.

^(a) The percentage of overlapping debt applicable is estimated using the assessed gross digest. Applicable percentages were estimated by determining the portion of the City's assessed taxable value that is within the County's boundaries and dividing it by the County's total gross digest.

City of Hinesville, Georgia
Legal Debt Margin Information

Last Ten Fiscal Years

| Fiscal Year Ended October 31, | Assessed Value of Taxable Property | Debt Limit (10% of Assesed Value) | Amount of Outstanding Debt Applicable to Debt Limit | Legal Debt Margin | Total Net Debt Applicable to the Limit as a Percentage of Debt Limit |
|--|---|--|--|------------------------------|---|
| 1998 | \$ 300,263,814 | \$ 30,026,381 | \$ - | \$ 30,026,381 | 0.00 % |
| 1999 | 320,848,809 | 32,084,881 | - | 32,084,881 | 0.00 |
| 2000 | 332,926,566 | 33,292,657 | - | 33,292,657 | 0.00 |
| 2001 | 339,265,724 | 33,926,572 | - | 33,926,572 | 0.00 |
| 2002 | 362,175,552 | 36,217,555 | - | 36,217,555 | 0.00 |
| 2003 | 372,985,000 | 37,298,500 | - | 37,298,500 | 0.00 |
| 2004 | 418,680,494 | 41,868,049 | - | 41,868,049 | 0.00 |
| 2005 | 428,538,223 | 42,853,822 | - | 42,853,822 | 0.00 |
| 2006 | 487,938,856 | 48,793,886 | - | 48,793,886 | 0.00 |
| 2007 | 488,003,055 | 48,800,306 | - | 48,800,306 | 0.00 |

City of Hinesville, Georgia

Pledged Revenue Coverage

Last Three Fiscal Years

| Water Revenue Bonds | | | | | | |
|----------------------------|------------------------|--------------------------------|----------------------|------------------------------------|-----------------|-----------------|
| Fiscal Year | Utility Service | Less: Operating | Net Available | Debt Service ^(b) | | Coverage |
| | Charges | Expenses ^(a) | Revenue | Principal | Interest | |
| 2005 | \$ 5,816,219 | \$ 4,134,827 | \$ 1,681,392 | \$ 733,889 | \$ 488,018 | 1.38 |
| 2006 | 7,118,352 | 4,496,363 | 2,621,989 | 762,624 | 450,663 | 2.16 |
| 2007 | 7,131,093 | 4,799,280 | 2,331,813 | 1,136,066 | 438,891 | 1.48 |

Note: Information prior to 2005 was not available.

^(a) Operating expenses do not include interest, depreciation, amortization expenses, or support departments such as administration & finance.

^(b) Details regarding the City's outstanding debt can be found in the notes to the financial statements.

City of Hinesville, Georgia
Demographic and Economic Statistics

Last Ten Fiscal Years

| Fiscal Year | Population ⁽¹⁾ | Personal Income ⁽¹⁾ | Per Capita Personal Income ⁽¹⁾ | Median Age ⁽²⁾ | Unemployment Rate ⁽³⁾ | School Enrollment ⁽⁴⁾ | | |
|----------------|---------------------------|-----------------------------------|--|------------------------------|-------------------------------------|----------------------------------|--------|------------------|
| | | | | | | Private | Public | Home Schooled |
| 1998 | 61,223 | \$ 915,457,000 | \$ 14,953 | 23.1 | 7.80% | 258 | 10,906 | N/A |
| 1999 | 61,987 | 981,046,000 | 15,827 | 23.1 | 7.50% | 314 | 10,848 | N/A |
| 2000 | 61,610 | 1,036,698,000 | 16,913 | 25.0 | 5.50% | 302 | 10,931 | N/A |
| 2001 | 59,815 | 1,065,762,000 | 17,816 | 25.0 | 5.40% | 302 | 11,275 | N/A |
| 2002 | 60,787 | 1,088,175,000 | 17,898 | 25.0 | 4.00% | 354 | 11,276 | N/A |
| 2003 | 59,698 | 1,139,653,000 | 19,064 | 25.0 | 4.90% | 356 | 10,923 | N/A |
| 2004 | 60,493 | 1,177,262,000 | 19,461 | 25.0 | 6.30% | 308 | 11,122 | N/A |
| 2005 | 57,544 | 1,216,111,000 | 21,134 | 25.0 | 5.40% | 430 | 11,500 | N/A |
| 2006 | 70,237 | 1,547,458,000 | 22,032 | 25.0 | 6.20% | 311 | 10,906 | 187 |
| 2007 | 70,237 | 1,547,458,000 | 22,032 | 25.0 | 5.20% | 380 | 10,720 | 166 |

NOTE: 2004 and 2005 population, per capita, and personal income are estimates based on past regional trends.

⁽¹⁾ Source: Bureau of Economic Analysis: Regional Economic Accounts

⁽²⁾ Source: U.S. Bureau of the Census, Census 1990 and 2000

⁽³⁾ Source: State Department of Labor

⁽⁴⁾ Source: Liberty County Board of Education

City of Hinesville, Georgia

Demographic Profile

Census 2000

| | <u>City of Hinesville</u> | <u>Liberty County</u> | <u>State of Georgia</u> | <u>National</u> |
|---|---------------------------|-----------------------|-------------------------|-----------------|
| Population, 2000 | 30,392 | 61,610 | 8,186,453 | 281,421,906 |
| Population percent change, 1990-2000 | 39.60 % | 16.80 % | 26.40 % | 13.10 % |
| Persons under 5 years old, percent | 10.60 | 10.40 | 7.30 | 6.80 |
| Persons under 18 years old, percent | 34.20 | 32.00 | 26.50 | 25.70 |
| Persons 65 years old and over, percent | 3.10 | 3.90 | 9.60 | 12.40 |
| Female persons, percent | 50.70 | 47.30 | 50.80 | 50.90 |
| White persons, percent | 41.50 | 46.60 | 65.10 | 75.10 |
| Black or African American persons, percent | 46.00 | 42.80 | 28.70 | 12.30 |
| American Indian and Alaska Native persons, percent | 0.50 | 0.50 | 0.30 | 0.90 |
| Asian persons, percent | 2.30 | 1.80 | 2.10 | 3.60 |
| Native Hawaiian and Other Pacific Islander, percent | 0.60 | 0.40 | 0.10 | 0.10 |
| Persons reporting some other race, percent | 5.00 | 4.40 | 2.40 | 5.50 |
| Persons reporting two or more races, percent | 4.20 | 3.40 | 1.40 | 2.40 |
| High school graduates, percent of persons age 25+ | 90.00 | 86.80 | 78.60 | 80.40 |
| Bachelor's degree or higher, percent of persons age 25+ | 17.30 | 14.50 | 24.30 | 24.40 |
| Households | 10,528 | 19,383 | 3,006,369 | 105,480,101 |
| Persons per household | 2.89 | 2.93 | 2.65 | 2.59 |
| Median household income, 1999 | \$ 35,013 | \$ 33,477 | \$ 42,433 | \$ 41,994 |
| Per capita money income, 1999 | 14,300 | 13,855 | 21,154 | 21,587 |
| Median value of owner-occupied housing units | 77,700 | 79,800 | 111,200 | 119,600 |
| Land area, 2000 (square miles) | 16 | 519 | 57906 | 3,537,438 |

Source: Year 2000 U.S. Census Report

City of Hinesville, Georgia
Ten Largest Employers in Liberty County
Current Year and Two Years Ago

| Business | 2007 | | | 2005 | | |
|---------------------------------------|---|-------------|---|---|-------------|---|
| | Number of Employees ⁽¹⁾ | Rank | Percentage of Total County Employment ⁽²⁾ | Number of Employees ⁽¹⁾ | Rank | Percentage of Total County Employment ⁽²⁾ |
| Fort Stewart Civilian Employees | 3,560 | 1 | 13.32 % | 3,044 | 1 | 11.39 % |
| Liberty County Board of Education | 1,750 | 2 | 6.55 | 1,622 | 2 | 6.07 |
| SNF, Inc. | 812 | 3 | 3.04 | 650 | 3 | 2.43 |
| Target | 603 | 4 | 2.26 | - | - | - |
| Liberty Regional Medical Center | 550 | 5 | 2.06 | 510 | 5 | 1.91 |
| Wal-Mart Super Center | 540 | 6 | 2.02 | 570 | 4 | 2.13 |
| Liberty County Board of Commissioners | 390 | 7 | 1.46 | 325 | 6 | 1.22 |
| Ther Heritage Bank | 318 | 8 | 1.19 | 273 | 7 | 1.02 |
| Interstate Paper Corporation | 286 | 9 | 1.07 | 237 | 8 | 0.89 |
| City of Hinesville | 200 | 10 | 0.75 | 185 | 9 | 0.69 |

Note: Information prior to 2005 was not available.

⁽¹⁾ Source: Liberty County Development Authority

⁽²⁾ Source: U.S. Bureau of Labor Statistics

City of Hinesville, Georgia
 Full Time Equivalent City Employees By Department
 Last Ten Fiscal Years

| Fiscal Year Ended October 31, | General Government | Police Department | Fire Department | Inspections | Total |
|--|-------------------------------|------------------------------|----------------------------|--------------------|--------------|
| 1998 | 18 | 93 | 21 | 10 | 142 |
| 1999 | 19 | 100 | 21 | 10 | 150 |
| 2000 | 20 | 100 | 26 | 12 | 158 |
| 2001 | 20 | 103 | 29 | 13 | 165 |
| 2002 | 24 | 103 | 39 | 13 | 179 |
| 2003 | 24 | 103 | 39 | 13 | 179 |
| 2004 | 24 | 105 | 45 | 13 | 187 |
| 2005 | 27 | 105 | 45 | 11 | 188 |
| 2006 | 37 | 97 | 45 | 13 | 192 |
| 2007 | 37 | 96 | 46 | 13 | 192 |

Source: City of Hinesville Human Resources Department

City of Hinesville, Georgia
Public Safety Operating Indicators by Function
Last Ten Fiscal Years

| Function | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Police | | | | | | | | | | |
| Citations issued ⁽¹⁾ | 14,272 | 11,071 | 10,347 | 10,600 | 8,050 | 9,615 | 9,432 | 10,951 | 13,596 | 12,160 |
| DUI Citations issued ⁽¹⁾ | 269 | 283 | 241 | 222 | 184 | 147 | 137 | 127 | 161 | 133 |
| Warnings issued ⁽¹⁾ | 7,709 | 5,776 | 5,606 | 5,528 | 4,521 | 4,759 | 5,825 | 5,926 | 4,909 | 5,582 |
| Crime Statistics: ⁽²⁾ | | | | | | | | | | |
| Aggravated Assault | 55 | 50 | 31 | 45 | 53 | 37 | 40 | 35 | 46 | 43 |
| Auto Theft | 51 | 47 | 56 | 73 | 67 | 75 | 83 | 64 | 59 | 72 |
| Murder | - | 1 | 5 | - | 7 | 3 | - | - | 6 | 3 |
| Rape | 20 | 26 | 15 | 9 | 16 | 10 | 16 | 22 | 16 | 17 |
| Robbery | 39 | 38 | 31 | 39 | 48 | 63 | 60 | 53 | 50 | 42 |
| Burglary | 258 | 293 | 266 | 252 | 365 | 302 | 385 | 416 | 417 | 494 |
| Theft | 1,031 | 1,111 | 1,205 | 1,264 | 1,522 | 1,537 | 1,622 | 1,513 | 1,726 | 1,675 |
| Fire ⁽³⁾ | | | | | | | | | | |
| Incident responses | NA | NA | 1,902 | 1,975 | 1,875 | 1,804 | 2,092 | 1,781 | 2,051 | 2,271 |
| Public Safety Education | | | | | | | | | | |
| Events | NA | NA | NA | 125 | 108 | 86 | 419 | 113 | 245 | 681 |
| Persons contacted | NA | NA | NA | 19,726 | 8,925 | 7,668 | 15,882 | 16,621 | 11,647 | 14,483 |

⁽¹⁾ Source: Hinesville Municipal Court

⁽²⁾ Source: Hinesville Police Department

⁽³⁾ Source: Hinesville Fire Department

City of Hinesville, Georgia
Capital Asset Statistics by Function
Last Three Fiscal Years

| <u>Function/Program</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> |
|---|--------------------|--------------------|--------------------|
| Police | | | |
| Stations | 1 | 1 | 1 |
| Patrol units | 74 | 83 | 82 |
| Fire | | | |
| Fire stations | 2 | 2 | 2 |
| Units (SUV, Cars) | - | - | 9 |
| Dive Van | - | - | 1 |
| Dive Boat | - | - | 1 |
| Fire Safety House | - | - | 1 |
| Rehab Trailer | - | - | 1 |
| HazMat Unit | - | - | 1 |
| Engine | 3 | 3 | 3 |
| Ladder | 1 | 1 | 1 |
| Tanker | 1 | 1 | 1 |
| Service trucks | 1 | 1 | 1 |
| Rescue | 3 | 3 | 3 |
| Public works | | | |
| Streets owned & maintained (miles) ^(a) | 0.85 | 0.85 | 0.85 |
| Right-of-ways maintained (miles) ^(a) | 45 | 45 | 45 |
| Trucks | 23 | 23 | 23 |
| Heavy Equip | 21 | 21 | 21 |
| Water | | | |
| Service trucks | 7 | 7 | 7 |
| Fire hydrants | 1,043 | 1,043 | 1,044 |
| Storage capacity (millions of gallons) ^(b) | 4.50 | 4.50 | 4.50 |
| Wastewater | | | |
| Treatment capacity per day (millions of gallons) #1 | 7.15 | 7.15 | 7.15 |
| Treatment capacity per day (millions of gallons) #2 | - | - | 2.00 |
| Solid Waste | | | |
| Garbage can collection trucks | 7 | 8 | 8 |
| Other collection trucks ^(c) | 9 | 9 | 15 |

Source: Various City departments.

Note: No capital asset indicators are available for the general government functions.

Note: Information prior to 2005 was not available

^(a) Data presented is in sq. miles.

^(b) Water storage is available in six city-owned water towers.

^(c) Other collection trucks include trucks to dispose of white goods, bulky items, and yard waste.

City of Hinesville, Georgia

Construction Activity

Last Ten Fiscal Years

| Fiscal Year Ended October 31, | Residential Permits Issued | Residential Water ERUs | Residential Sewer ERUs | Commercial Permits Issued | Commercial Water ERUs | Commercial Sewer ERUs |
|--|---|-----------------------------------|-----------------------------------|--|----------------------------------|----------------------------------|
| 1998 | 183 | 232.10 | 246.15 | 13 | 59.35 | 88.62 |
| 1999 | 173 | 182.18 | 259.23 | 23 | 51.26 | 125.70 |
| 2000 | 116 | 106.24 | 157.65 | 17 | 32.68 | 66.03 |
| 2001 | 97 | 102.55 | 172.82 | 20 | 21.19 | 47.09 |
| 2002 | 108 | 112.63 | 342.28 | 17 | 25.58 | 36.40 |
| 2003 | 183 | 154.33 | 256.00 | 12 | 26.95 | 55.38 |
| 2004 | 115 | 99.00 | 97.00 | 14 | 10.68 | 23.33 |
| 2005 | 108 | 109.90 | 111.50 | 5 | 27.00 | 33.97 |
| 2006 | 90 | 203.90 | 229.00 | 28 | 83.71 | 119.26 |
| 2007 | 83 | 70.33 | 170.31 | 14 | 19.29 | 4.43 |

Source: City of Hinesville Department of Inspections

Note: ERU as defined is an Equivalent Residential Unit. One sewer ERU is equal to 350 gallons per day and one water ERU is equal to the flow from a 3/4" meter.

City of Hinesville, Georgia

Grant Awards

Last Five Fiscal Years

| Grant | Fiscal Year Ended October 31, | | | | |
|-----------------------------------|-------------------------------|------------|------------|--------------|------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 |
| Advanced Planning Grant | \$ - | \$ - | \$ 175,000 | \$ - | \$ - |
| Brownfields | - | - | 200,000 | - | 200,000 |
| Bryne Memorial | - | - | 25,694 | 14,080 | 22,529 |
| Bulletproof Vest Program | - | 6,718 | 1,073 | - | 4,960 |
| Community Development Block Grant | 800,000 | - | - | - | - |
| Community Home Investment Program | 300,000 | - | - | - | - |
| Emergency Shelter Grant | - | 10,000 | 10,000 | 10,000 | 10,000 |
| Entitlement Grant | - | 367,000 | 344,261 | 311,618 | 305,787 |
| GMA Safety & Liability Grant | - | 9,650 | - | - | 9,650 |
| GREAT | - | 29,478 | - | 35,367 | - |
| Homeland Security Program | 242,231 | - | - | - | - |
| Local Law Enforcement Block Grant | 25,653 | 13,677 | - | - | - |
| Local Assistance | 21,000 | - | - | - | - |
| Secure Our Schools | - | - | 43,023 | - | - |
| Stormwater Management Program | - | 43,637 | - | - | - |
| Streetscape Plan | - | 7,000 | - | - | - |
| Supportive Housing | - | - | 187,639 | - | - |
| Transportation Enhancement | - | - | - | 500,000 | - |
| DOT State Aid Funds | - | - | - | 640,000 | - |
| Local Development Fund | - | - | - | 20,000 | - |
| Assets for Independence | - | - | - | - | 50,000 |
| ESRI National Vacant Properties | - | - | - | - | 1,500 |
| Emergency Food and Shelter Grant | - | - | - | - | 6,000 |
| | \$ 1,388,884 | \$ 487,160 | \$ 986,690 | \$ 1,531,065 | \$ 610,426 |

Source: City of Hinesville Community Development Department



COMPLIANCE SECTION



KARP, RONNING & TINDOL

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

Honorable Mayor and Members of the
City Council
City of Hinesville, Georgia

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hinesville, Georgia (City), as of and for the year ended October 31, 2007, and have issued our report thereon dated May 28, 2008. 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's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We noted no deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We noted no material weaknesses in internal control over financial reporting.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City in a separate letter dated May 28, 2008.

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

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

Karp, Ronning & Tindol, PC

Karp, Ronning & Tindol, P.C.

Savannah, Georgia
May 28, 2008

KARP, RONNING & TINDOL

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

Honorable Mayor and Members of the
City Council
City of Hinesville, Georgia

Compliance

We have audited the compliance of the City of Hinesville, Georgia (City), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended October 31, 2007. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended October 31, 2007.

Internal Control Over Compliance

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

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the City's internal control that might be significant deficiencies or material weaknesses as defined above. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Karp, Ronning & Tindol, PC

Karp, Ronning & Tindol, P.C.

Savannah, Georgia
May 28, 2008

City of Hinesville, Georgia

Schedule of Expenditures of Federal Awards
Year Ended October 31, 2007

| Federal Grantor / Pass-through Grantor / Program or Cluster | Federal CFDA No. | Pass-through Entity Identifying Number | Federal Expenditures |
|---|---------------------|--|-------------------------|
| U.S. Department of Housing and Urban Development | | | |
| Direct programs: | | | |
| Supportive Housing Program | 14.235 | GA01B401026 | \$ 31,326 |
| Pass-through programs from: | | | |
| <i>Georgia Department of Community Affairs</i> | | | |
| Community Development Block Grants - Entitlement Grants | 14.218 | B-04-MC-13-0013 | 87,577 |
| Community Development Block Grants - Entitlement Grants | 14.218 | B-05-MC-13-0013 | 15,320 |
| Community Development Block Grants - Entitlement Grants | 14.218 | B-06-MC-13-0013 | 232,225 |
| Subtotal Community Development Block Grants - Entitlement Grants..... | | | <u>335,122</u> |
| Community Development Block Grants - State's Program | 14.228 | 03b-x-089-2-2880 | 391,953 |
| Emergency Shelter Grants Program | 14.231 | 2006 01 HTF ES 06C085 | 5,000 |
| Subtotal pass-through programs..... | | | <u>732,075</u> |
| Total U.S. Department of Housing and Urban Development..... | | | <u>763,401</u> |
| U.S. Department of Justice | | | |
| Direct programs: | | | |
| Bulletproof Vest Partnership Program | 16.607 | 2006BUBX06132227 | 2,976 |
| Public Safety Partnership and Community Policing Grants | 16.710 | 2005CKW X0517 | 38,046 |
| Gang Resistance Education and Training | 16.737 | 2006-JV-FX-0030 | 26,925 |
| Edward Bryne Memorial Justice Assistance Grant Program | 16.738 | 2005-DJ-BX-0188 | 2,741 |
| Edward Bryne Memorial Justice Assistance Grant Program | 16.738 | 2006-DJ-BX-0408 | 14,080 |
| Subtotal Edward Bryne Memorial Justice Assistance Grant Program..... | | | <u>16,821</u> |
| Subtotal direct programs..... | | | <u>84,768</u> |
| Pass-through programs from: | | | |
| <i>Liberty County Board of Commissioners</i> | | | |
| Edward Bryne Memorial Formula Grant Program: | | | |
| Multi Agency Crack Enforcement Program | 16.579 | B06-8-010 | 131,403 |
| Multi Agency Crack Enforcement Program | 16.579 | B07-8-029 | 20,600 |
| Subtotal pass-through programs..... | | | <u>152,003</u> |
| Total U.S. Department of Justice..... | | | <u>236,771</u> |
| U.S. Department of Transportation | | | |
| Pass-through programs from: | | | |
| <i>Georgia Department of Transportation</i> | | | |
| Federal Transit Metropolitan Planning Grants | 20.505 | MTG00 0120-00-011 | 99,536 |
| U.S. Environmental Protection Agency | | | |
| Direct programs: | | | |
| Brownfields Assessment and Cleanup Cooperative Agreements | 66.818 | BF-96431205-0 | 29,506 |
| U.S. Department of Homeland Security | | | |
| Pass-through programs from: | | | |
| <i>Georgia Emergency Management Agency</i> | | | |
| State Domestic Preparedness Equipment Support Program | 97.004 | - | 22,525 |
| <i>The United Way</i> | | | |
| Emergency Food and Shelter National Board Program | 97.024 | 196000-013 | 6,000 |
| Total U.S. Department of Homeland Security..... | | | <u>28,525</u> |
| Total Expenditure of Federal Awards..... | | | <u>\$ 1,157,739</u> |

City of Hinesville, Georgia

Notes to the Schedule of Expenditures of Federal Awards
Year Ended October 31, 2007

NOTE 1 – BASIS OF PRESENTATION

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

NOTE 2 – SUBRECIPIENTS

Of the federal expenditures presented in this schedule, the City of Hinesville, Georgia provided federal awards to subrecipients as follows:

| <u>Program Title</u> | <u>Federal CFDA No.</u> | <u>Amount Provided to Subrecipients</u> |
|---|-----------------------------|---|
| Community Development Block Grants - Entitlement Grants | 14.218 | \$ 20,897 |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 9,347 |
| | | <u>\$ 30,244</u> |

City of Hinesville, Georgia

Schedule of Findings and Questioned Costs
For the Year Ended October 31, 2007

I. SCHEDULE OF FINDINGS AND QUESTIONED COSTS

A. Summary of Auditors' Results

Financial Statements

1. The auditors' report expresses an unqualified opinion on the basic financial statements of the City of Hinesville, Georgia.
2. Internal control over financial reporting:
 - a Material weakness(es) identified? _____ yes X no
 - b Reportable condition(s) identified that are not considered to be material weaknesses? _____ yes X none reported
3. Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

4. Internal control over major programs:
 - a Material weakness(es) identified? _____ yes X no
 - b Reportable condition(s) identified that are not considered to be material weaknesses? _____ yes X none reported
5. The auditors' report expresses an unqualified opinion for all major programs.
6. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? _____ yes X no

7. The programs tested as major programs include:

| <u>Name of Federal Program</u> | <u>CFDA Number</u> |
|--------------------------------|--------------------|
| CDBG - Entitlement Grant | 14.218 |
| CDBG - State's Program Grant | 14.228 |

8. The threshold for distinguishing Type A and B programs was \$300,000.
9. The City was determined to be a low-risk auditee.

B. Findings – Financial Statement Audit

None reported.

C. Findings and Questioned Costs – Major Federal Awards Programs Audit

None reported.

City of Hinesville, Georgia

Summary Schedule of Prior Year Findings
For the Year Ended October 31, 2007

II. FINANCIAL STATEMENT FINDINGS AND RESPONSES

No findings were reported relative to Major Federal Award Programs for the year ended October 31, 2006.