



CITY OF HINESVILLE, GEORGIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
OCTOBER 31, 2006

Prepared by:
Hinesville Finance Department

CITY OF HINESVILLE, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FICAL YEAR ENDED OCTOBER 31, 2006

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INTRODUCTORY SECTION

MAYOR
Thomas J. Ratcliffe, Jr.

CITY MANAGER
Billy Edwards

CITY CLERK
Sarah Lumpkin

CITY ATTORNEY
Jeffery L. Arnold

City of Hinesville

115 East M.L. King , Jr. Drive

Hinesville, Georgia 31313-3699

Phone – (912) 876-3564
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MAYOR PRO TEM
David Anderson, Sr.

COUNCIL MEMBERS
Charles Frasier
Kenneth Shaw
Jack Shuman
Steve Troha

April 20, 2007

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, 2006 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 activities of the City. All disclosures necessary to enable the reader to gain a full understanding of the City's financial activities have been included.

Georgia 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, 2006.

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 Mauldin and Jenkins, LLC. 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, 2006 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, 2006 are fairly presented and conform with accounting principles generally accepted 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 principals 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, 2006. 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 a population of 30,392, is 21.09 square miles and consists of 13,515.28 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 in 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 2006 estimated population of the City is 36,000.

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.

As the City of Hinesville is in the midst of launching a tremendous downtown revitalization effort, its focus has never changed. Hinesville's emphasis on family values and quality of life has always remained its foundation for development and revitalization. The City's Community Development Department (CDD) plays a lead role in implementing these efforts. The CDD, consisting of seven employees, is primarily responsible for obtaining and administering grant funds for the city. In the past four years, the City of Hinesville has remarkably received nearly \$4.5 million in grant funds. These funds are used for an array of activities such as planning, housing assistance, parks and grounds, downtown revitalization, storm water management, education and purchasing equipment for the fire and police departments.

Public Safety

Police

The City of Hinesville Police Department received state certification on July 25, 2006 through the Georgia Association of Chiefs of Police. The Department was recognized at the Georgia Association of Chiefs of Police summer conference in Savannah, Georgia. As a part of the on-going effort to provide professional police services to the community, the Department is committed to adhering to the 115 critical standards required for state certification. Hinesville's certification officer will continue to monitor certification requirements to ensure that this agency's policies and procedures comply with state standards and will lead to a successful recertification in 2009.

The 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 12 months, the Department responded to 57,312 calls with an average response time of 4.8 minutes per call. In addition, the department assisted other local agencies such as the sheriff's department and the Multi-Agency Crack Enforcement team. For example, during the present school year, Hinesville police officers were requested by the Liberty County Board of Education to patrol several of the school campuses to deter gang member activity. The Department also continues to engage in an aggressive crime prevention program, works to reduce crimes and responds to calls for assistance throughout the year.

In 2006, the department continued to emphasize citizen education and awareness as ways to combat crime in the community. The department offered two Citizens' Police Academy sessions which acquaint participants with the goals, objectives, organizational structure and general operating procedures of the police department. The Citizens' Police Academy strives to promote mutual understanding and to encourage community support for common goals and objectives. The 22 graduates of the Citizens' Academy assist with special functions such as parades, football games and court bailiff duties. They are also able to assist with administrative duties when and where needed. Department personnel also conducted other educational programs such as Gang Awareness; Reporting Suspicious People; Activities and Vehicles; Business and Home Security Checks; Alcohol Sales Identification, and Shoplifting Prevention Training. Hinesville's police officers taught In-service training to members of other police agencies and to police academy students.

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 seven county fire departments, Long County Fire Department and Fort Stewart Fire Department. This department responded to an average of 1,905 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 six (6).

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 five years, this department has made contact with 68,822 people with 851 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 five 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 nine 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.

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, 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 2006 budget. By balancing planned expenditures to anticipated revenue streams the City was able to maintain a proposed millage rate of 11.30 for the 2005 tax digest (or the 2006 budget), which has 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, SPLOST, Multiple Grant, Hotel/Motel Tax, Water & Sewer and Sanitation 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 Mauldin & Jenkins, LLC to complete the audit of the 2006 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, 2005. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized Comprehensive Annual Financial Report. This was the first year the City applied for this award and we are proud that we achieved this standard of excellence.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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 2006 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 style with a large, looped initial "K".

Kimberly D. Thomas
Chief Financial Officer

CITY OF HINESVILLE, GEORGIA

PRINCIPAL OFFICIALS

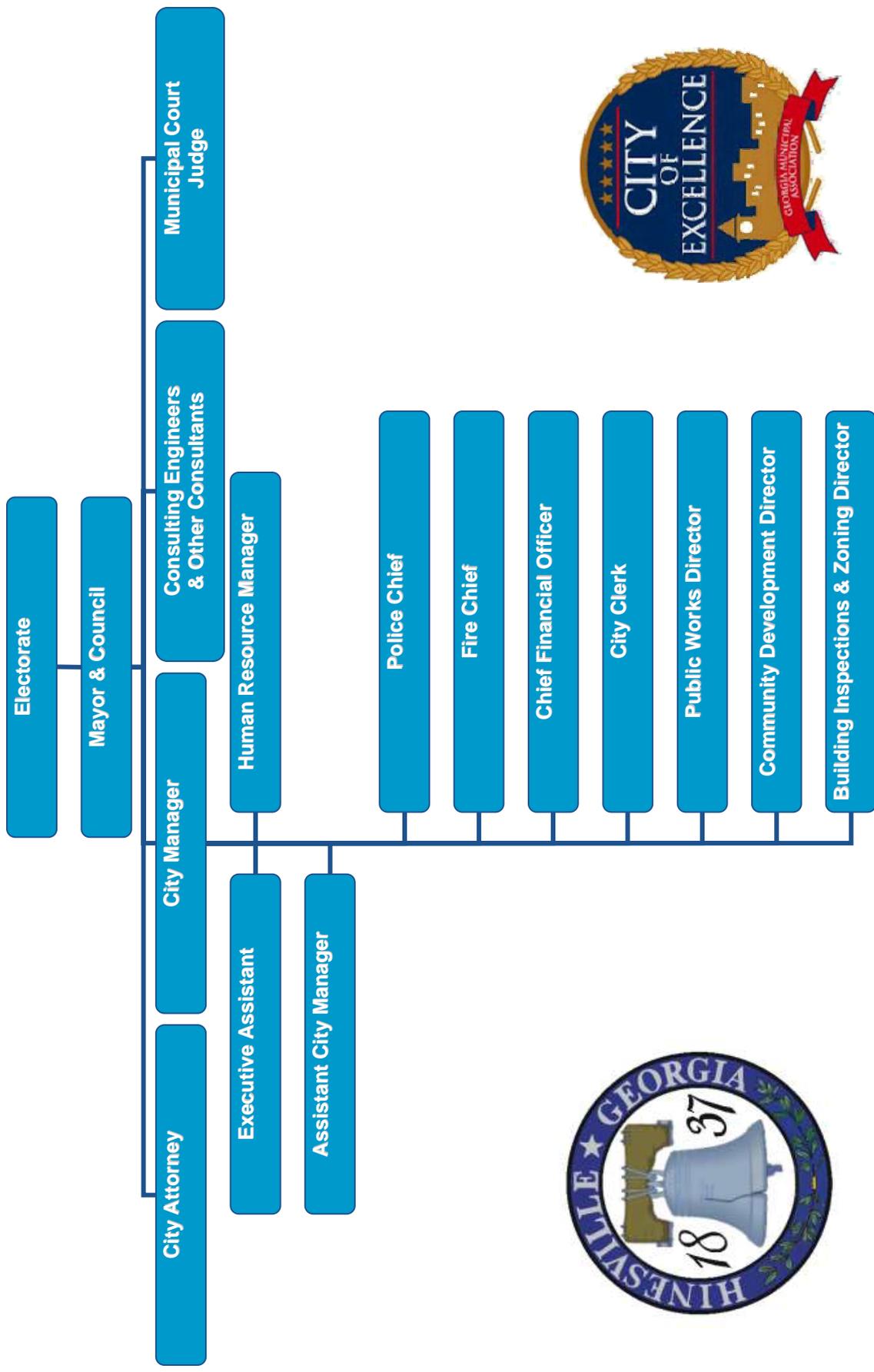
OCTOBER 31, 2006

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	Mauldin & Jenkins, LLC
Chief Financial Officer	Mrs. Kimberly Davis
Fire Chief	Chief Lamar Cook
Police Chief	Chief George Stagmeier
Public Works Director	Mr. Walt Smyser
Director of Inspections	Mr. Steve Welborn

CITY OF HINESVILLE, GEORGIA

ORGANIZATIONAL CHART

OCTOBER 31, 2006



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, 2005

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.



President

Executive Director

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

**To the Honorable Mayor and Members
of the City Council
Hinesville, 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** as of and for the year ended October 31, 2006, which collectively comprise the City of Hinesville, Georgia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Hinesville, Georgia's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hinesville, Georgia as of October 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2007 on our consideration of the City of Hinesville, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis (on pages 3 through 10) and the Schedule of Funding Progress (on page 45) 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 methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hinesville, Georgia's basic financial statements. The introductory section, combining and individual nonmajor fund and discretely presented component unit financial statements and schedules, and 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 of the City of Hinesville, Georgia. The accompanying schedules of expenditures of special purpose local option sales tax proceeds are presented for 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 Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Hinesville, Georgia. The combining and individual nonmajor fund financial statements and schedules, the schedules of expenditures of 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 presented in all material respects in relation to the basic financial statements taken as a whole. The introductory section and 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.

Mauldin & Jenkins, LLC

Macon, Georgia
February 16, 2007

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, 2006. 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 \$58,246,225 (*net assets*). Of this amount, \$9,835,592 (*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 \$4,026,208, primarily due to increases in the governmental activities net assets which were caused by large capital asset donations during the year.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$10,552,345, an increase of \$1,446,138 in comparison with the prior year. Approximately ninety-five percent (95%) of this total amount, or \$10,051,130, 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 \$9,601,131, or sixty-two percent (62%) of total general fund expenditures for the fiscal year.
- The City's total debt decreased by \$932,897 (8%) during the current fiscal year. This decrease was due primarily to the scheduled revenue bond debt service payments made during the year.
- The City's revenues for fiscal year 2006 total \$28,750,154. Of this amount, \$14,201,261, or forty-nine percent (49%), was generated from program revenues. The balance of \$14,548,893, or fifty-one percent (51%), was generated from general revenues.
- The City's program expenses for fiscal year 2006 total \$24,723,946. Of this amount, \$15,975,377, or sixty-five percent (65%), was generated from governmental activities. The balance of \$8,748,569, or thirty-five percent (35%), was generated from business-type activities.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City'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.

Basic Financial Statements

The first two statements (Pages 11 and 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 State Statutes 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 11 and 12 of this report.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 an annual budget for its General Fund, as required by the General Statutes. 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 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 in the General Fund; 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 on pages 13 and 14 of this report.

Proprietary Funds – City of Hinesville has two (2) types of proprietary fund. *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 and sanitation services.

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 and the Sanitation Fund which both are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 17 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 44 of this report.

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 year ended October 31, 2006 and 2005.

The City of Hinesville's Net Assets October 31, 2006

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 11,940,482	\$ 10,301,312	\$ 3,780,583	\$ 5,244,390	\$ 15,721,065	\$ 15,545,702
Capital assets	32,607,717	31,344,814	24,052,920	20,234,767	56,660,637	51,579,581
Total assets	<u>44,548,199</u>	<u>41,646,126</u>	<u>27,833,503</u>	<u>25,479,157</u>	<u>72,381,702</u>	<u>67,125,283</u>
Long-term liabilities						
outstanding	2,372,174	2,612,313	8,133,263	8,777,546	10,505,437	11,389,859
Other liabilities	1,100,125	809,129	2,529,915	706,278	3,630,040	1,515,407
Total liabilities	<u>3,472,299</u>	<u>3,421,442</u>	<u>10,663,178</u>	<u>9,483,824</u>	<u>14,135,477</u>	<u>12,905,266</u>
Net assets:						
Invested in capital assets, net of related debt	31,015,029	26,531,993	15,932,876	11,440,310	46,947,905	37,972,303
Restricted	-	-	1,462,728	2,120,389	1,462,728	2,120,389
Unrestricted	10,060,871	11,692,691	(225,279)	2,434,634	9,835,592	14,127,325
Total net assets	<u>\$ 41,075,900</u>	<u>\$ 38,224,684</u>	<u>\$ 17,170,325</u>	<u>\$ 15,995,333</u>	<u>\$ 58,246,225</u>	<u>\$ 54,220,017</u>

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 \$58,246,225 and \$54,220,017 at October 31, 2006 and 2005, respectively.

By far, the largest portion of the City's net assets (81%) 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, \$1,462,728 or three percent (3%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of the City's net assets, \$9,835,592 or sixteen percent (16%), are unrestricted net assets and may be used to meet the government's ongoing obligations to citizens and creditors.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table indicates the changes in net assets for governmental and business-type activities for fiscal years 2006 and 2005.

City of Hinesville's Changes in Net Assets October 31, 2006

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2004
Revenues:						
Program revenues						
Charges for services	\$ 2,228,738	\$ 2,065,204	\$ 8,897,876	\$ 7,610,791	\$ 11,126,614	\$ 9,675,995
Operating grants and contributions	942,686	775,003	-	-	942,686	775,003
Capital grants and contributions	1,319,046	1,756,388	812,915	576,772	2,131,961	2,333,160
General revenues:						
Taxes	13,020,799	12,845,757	-	-	13,020,799	12,845,757
Investment earnings	354,286	194,943	197,584	121,511	551,870	316,454
Gain on sale of assets	15,824	40,603	-	-	15,824	40,603
Other revenues	548,420	145,877	411,980	363,311	960,400	509,188
Total revenues	<u>18,429,799</u>	<u>17,823,775</u>	<u>10,320,355</u>	<u>8,672,385</u>	<u>28,750,154</u>	<u>26,496,160</u>
Expenses:						
General government	2,351,658	1,952,769	-	-	2,351,658	1,952,769
Judicial	310,188	-	-	-	310,188	-
Public safety	7,909,188	7,581,847	-	-	7,909,188	7,581,847
Highways and streets	3,216,476	2,906,748	-	-	3,216,476	2,906,748
Health	822,567	669,126	-	-	822,567	669,126
Welfare	841,646	733,852	-	-	841,646	733,852
Culture and recreation	431,665	352,428	-	-	431,665	352,428
Interest and fiscal charges	91,989	111,312	-	-	91,989	111,312
Water and Sewer	-	-	6,570,595	6,182,700	6,570,595	6,182,700
Sanitation	-	-	2,177,974	2,040,141	2,177,974	2,040,141
Total expenses	<u>15,975,377</u>	<u>14,308,082</u>	<u>8,748,569</u>	<u>8,222,841</u>	<u>24,723,946</u>	<u>22,530,923</u>
Increase in net assets before transfers	<u>2,454,422</u>	<u>3,515,693</u>	<u>1,571,786</u>	<u>449,544</u>	<u>4,026,208</u>	<u>3,965,237</u>
Transfers	<u>396,794</u>	<u>352,480</u>	<u>(396,794)</u>	<u>(352,480)</u>	<u>-</u>	<u>-</u>
Change in net assets	2,851,216	3,868,173	1,174,992	97,064	4,026,208	3,965,237
Net assets, beginning of year	38,224,684	34,356,511	15,995,333	15,898,269	54,220,017	50,254,780
Net assets, end of year	<u>\$ 41,075,900</u>	<u>\$ 38,224,684</u>	<u>\$ 17,170,325</u>	<u>\$ 15,995,333</u>	<u>\$ 58,246,225</u>	<u>\$ 54,220,017</u>

Governmental activities. Governmental activities increased the City's net assets by \$2,851,216 and \$3,868,173 as of October 31, 2006 and 2005, respectively. As illustrated above, taxes constitute the largest single revenue line item at \$13,020,799 or seventy-one percent (71%) of total revenue in 2006 and \$12,845,758 or seventy-three percent (73%) in 2005. Charges for services are the second largest revenue source at \$2,228,738 or twelve percent (12%) and \$2,065,204 or eleven percent (11%) in 2005.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Business-type activities: Business-type activities increased the City of Hinesville's net assets by \$1,174,992 as of October 31, 2006 and \$97,604 as of October 31, 2005. Charges for services constitute the major portion of revenue at \$8,897,876 or eighty-six percent (86%) of total revenue in 2006 and \$7,610,791 or eighty-eight percent (88%) of total revenue in 2005 and \$7,977,844.

Financial Analysis of the City's Funds

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

Governmental Funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. 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 \$9,601,131, while total fund balance reached \$10,102,346. 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 sixty-two percent (62%) of total General Fund expenditures, while total fund balance represents sixty-five percent (65%) of that same amount.

At October 31, 2006, the governmental funds of the City of Hinesville reported a combined fund balance of \$10,552,345, a sixteen percent (16%) increase over 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, 2006, total actual revenues varied from total budgeted revenues in the General Fund by \$442,351. Total actual expenditures varied from total budgeted expenditures in the General Fund by \$587,510 at October 31, 2006. Public Safety and Administration are showing 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. A portion of the Public Safety variance is a result of equipment that was budgeted but not purchased this fiscal year. In addition, the diligent management of funds by the City's departmental managers allowed the City to expend less than we budgeted.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 (\$77,386) in the water and sewer fund and (\$147,893) in the sanitation fund. Other factors concerning the finances of these funds have been addressed in the discussion of the City of Hinesville's business-type activities.

Capital Asset and Debt Administration

Capital Assets. The City of Hinesville's investment in capital assets for its governmental and business-type activities total \$56,660,637 and \$51,579,581 (net of accumulated depreciation) as of October 31, 2006 and 2005, respectively. These assets include buildings, infrastructure, land, heavy equipment, equipment, and office furniture. The large increase in construction in progress for business-type activities was due to the beginning stages of construction of the City's new waste water treatment facility.

**City of Hinesville's Capital Assets
(net of depreciation)
October 31, 2006**

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 1,831,567	\$ 1,740,883	\$ -	\$ -	\$ 1,831,567	\$ 1,740,883
Construction in progress	1,374,651	645,651	4,306,678	1,184,943	5,681,329	1,830,594
Buildings and improvements	3,684,583	3,767,098	-	-	3,684,583	3,767,098
Utility plant in service		-	18,690,333	18,113,810	18,690,333	18,113,810
Vehicles	787,165	766,554	-	-	787,165	766,554
Heavy equipment	237,401	276,812	-	-	237,401	276,812
Equipment	331,020	103,781	1,055,909	936,014	1,386,929	1,039,795
Office equipment	42,630	34,630	-	-	42,630	34,630
Infrastructure	24,318,700	24,009,405	-	-	24,318,700	24,009,405
Total	<u>\$ 32,607,717</u>	<u>\$ 31,344,814</u>	<u>\$ 24,052,920</u>	<u>\$ 20,234,767</u>	<u>\$ 56,660,637</u>	<u>\$ 51,579,581</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, 2006 the City of Hinesville had total bonded debt outstanding of \$7,995,000. Of this, \$1,590,000 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 Note 7 of the Basic Financial Statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors and Next Year's Budgets and Rates

There are many economic factors that were considered when the City of Hinesville established its budget for fiscal year ended October 31, 2006. 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.

CITY OF HINESVILLE, GEORGIA

STATEMENT OF NET ASSETS

OCTOBER 31, 2006

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
ASSETS				
Cash and cash equivalents	\$ 2,870,231	\$ 523,604	\$ 3,393,835	\$ 103,126
Investments	3,343,021	553,947	3,896,968	-
Receivables, net	1,490,458	1,237,750	2,728,208	-
Notes receivable, net	63,742	-	63,742	-
Internal balances	1,973,489	(1,973,489)	-	-
Due from other governments	941,882	-	941,882	-
Due from primary government	-	-	-	155,061
Due from component unit	426,685	-	426,685	-
Prepaid items	113,824	26,304	140,128	-
Restricted assets:				
Cash and cash equivalents	717,150	2,597,594	3,314,744	12,726
Investments	-	814,873	814,873	-
Assets held for resale	-	-	-	294,397
Capital assets:				
Nondepreciable	3,206,218	4,306,678	7,512,896	-
Depreciable, net of accumulated depreciation	29,401,499	19,746,242	49,147,741	-
Total assets	<u>44,548,199</u>	<u>27,833,503</u>	<u>72,381,702</u>	<u>565,310</u>
LIABILITIES				
Accounts payable	652,531	2,090,695	2,743,226	3,520
Accrued expenses	165,635	13,993	179,628	-
Due to component unit	155,061	-	155,061	-
Due to primary government	-	-	-	426,685
Unearned revenue	18,000	-	18,000	-
Payable from restricted assets:				
Customer deposits	-	367,434	367,434	-
Accrued interest	-	57,793	57,793	-
Other liabilities	108,898	-	108,898	-
Noncurrent liabilities:				
Due within one year	980,407	696,481	1,676,888	-
Due in more than one year	1,391,767	7,436,782	8,828,549	-
Total liabilities	<u>3,472,299</u>	<u>10,663,178</u>	<u>14,135,477</u>	<u>430,205</u>
NET ASSETS				
Invested in capital assets, net of related debt	31,015,029	15,932,876	46,947,905	-
Restricted for:				
Revenue bond retirement	-	1,462,728	1,462,728	-
Unrestricted	10,060,871	(225,279)	9,835,592	135,105
Total net assets	<u>\$ 41,075,900</u>	<u>\$ 17,170,325</u>	<u>\$ 58,246,225</u>	<u>\$ 135,105</u>

CITY OF HINESVILLE, GEORGIA

STATEMENT OF ACTIVITIES

YEAR ENDED OCTOBER 31, 2006

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component-unit Downtown Development Authority
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 2,351,658	\$ 542,218	\$ 20,855	\$ -	\$ (1,788,585)	\$ -	\$ (1,788,585)
Judicial	310,188	-	-	-	(310,188)	-	(310,188)
Public safety	7,909,188	1,641,696	313,707	27,750	(5,926,035)	-	(5,926,035)
Highways and streets	3,216,476	44,824	100,022	1,274,296	(1,797,334)	-	(1,797,334)
Health	822,567	-	-	-	(822,567)	-	(822,567)
Welfare	841,646	-	508,102	17,000	(316,544)	-	(316,544)
Culture and recreation	431,665	-	-	-	(431,665)	-	(431,665)
Interest and fiscal charges	91,989	-	-	-	(91,989)	-	(91,989)
Total governmental activities	15,975,377	2,228,738	942,686	1,319,046	(11,484,907)	-	(11,484,907)
Business-type activities:							
Water and sewer	6,570,595	6,706,372	-	812,915	-	948,692	948,692
Sanitation	2,177,974	2,191,504	-	-	-	13,530	13,530
Total business-type activities	8,748,569	8,897,876	-	812,915	-	962,222	962,222
Total primary government	24,723,946	11,126,614	942,686	2,131,961	(11,484,907)	962,222	(10,522,685)
Component unit:							
Downtown Development Authority	443,483	-	548,658	-	-	-	105,175
Total component unit	443,483	-	548,658	-	-	-	105,175
General revenues:							
Property taxes					5,462,651		5,462,651
Sales taxes					4,152,234		4,152,234
Franchise taxes					1,278,657		1,278,657
Insurance premium tax					1,592,536		1,592,536
Alcoholic beverages taxes					325,709		325,709
Hotel / motel taxes					209,012		209,012
Other revenues					548,420	411,980	960,400
Investment earnings					354,286	197,584	551,870
Gain on sale of assets					15,824	-	15,824
Transfers					396,794	(396,794)	-
Total general revenues and transfers					14,336,123	212,770	14,548,893
Change in net assets					2,851,216	1,174,992	4,026,208
Net assets - beginning					38,224,684	15,995,333	54,220,017
Net assets - ending					41,075,900	17,170,325	58,246,225

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

CITY OF HINESVILLE, GEORGIA

**BALANCE SHEET
GOVERNMENTAL FUNDS
OCTOBER 31, 2006**

	<u>General</u>	<u>SPLOST</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 2,473,870	\$ -	\$ 396,361	\$ 2,870,231
Investments	3,343,021	-	-	3,343,021
Receivables, net	1,080,276	172,062	238,120	1,490,458
Notes receivable, net	-	-	63,742	63,742
Due from other funds	2,132,855	-	7,799	2,140,654
Due from other governments	941,882	-	-	941,882
Due from component unit	426,685	-	-	426,685
Prepaid items	113,824	-	-	113,824
Restricted assets:				
Cash and cash equivalents	717,150	-	-	717,150
Total assets	<u>\$ 11,229,563</u>	<u>\$ 172,062</u>	<u>\$ 706,022</u>	<u>\$ 12,107,647</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 483,166	\$ 116,187	\$ 53,178	\$ 652,531
Accrued liabilities	140,466	-	4,156	144,622
Due to other funds	85,662	35,541	45,962	167,165
Due to component unit	-	-	155,061	155,061
Deferred revenue	309,025	-	18,000	327,025
Other liabilities	108,898	-	-	108,898
Total liabilities	<u>1,127,217</u>	<u>151,728</u>	<u>276,357</u>	<u>1,555,302</u>
Fund balances:				
Reserved for prepaid items	113,824	-	-	113,824
Reserved for debt service	387,391	-	-	387,391
Unreserved, reported in				
General fund	9,601,131	-	-	9,601,131
Special revenue funds	-	-	429,665	429,665
Capital project funds	-	20,334	-	20,334
Total fund balances	<u>10,102,346</u>	<u>20,334</u>	<u>429,665</u>	<u>10,552,345</u>
Total liabilities and fund balances	<u>\$ 11,229,563</u>	<u>\$ 172,062</u>	<u>\$ 706,022</u>	

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. 32,607,717

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. 309,025

Certain liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. (2,393,187)

Net assets of governmental activities \$ 41,075,900

CITY OF HINESVILLE, GEORGIA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED OCTOBER 31, 2006**

	<u>General</u>	<u>SPLOST</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property taxes	\$ 5,581,016	\$ -	\$ -	\$ 5,581,016
Sales taxes	3,847,405	304,829	-	4,152,234
Other taxes	3,196,903	-	209,011	3,405,914
Licenses and permits	524,968	-	-	524,968
Charges for services	44,824	-	-	44,824
Intergovernmental	578,294	-	669,414	1,247,708
Fines, forfeitures, and fees	1,641,696	-	-	1,641,696
Interest revenues	339,259	-	15,027	354,286
Other revenues	548,420	-	-	548,420
Total revenues	<u>16,302,785</u>	<u>304,829</u>	<u>893,452</u>	<u>17,501,066</u>
Expenditures:				
Current:				
General government	2,531,652	-	83,604	2,615,256
Judicial	310,188	-	-	310,188
Public safety	7,762,669	-	27,650	7,790,319
Highways and streets	2,974,786	-	-	2,974,786
Health	770,846	-	34,266	805,112
Welfare	289,686	-	552,732	842,418
Culture and recreation	440,885	-	-	440,885
Capital outlay	-	304,829	-	304,829
Debt service:				
Principal	288,613	-	-	288,613
Interest and fiscal charges	95,140	-	-	95,140
Total expenditures	<u>15,464,465</u>	<u>304,829</u>	<u>698,252</u>	<u>16,467,546</u>
Excess of revenues over expenditures	<u>838,320</u>	<u>-</u>	<u>195,200</u>	<u>1,033,520</u>
Other financing sources (uses):				
Proceeds from the sale of assets	15,824	-	-	15,824
Transfers in	524,994	-	-	524,994
Transfers out	-	-	(128,200)	(128,200)
Total other financing sources (uses)	<u>540,818</u>	<u>-</u>	<u>(128,200)</u>	<u>412,618</u>
Net change in fund balances	1,379,138	-	67,000	1,446,138
Fund balance - November 1	<u>8,723,208</u>	<u>20,334</u>	<u>362,665</u>	<u>9,106,207</u>
Fund balance - October 31	<u>\$ 10,102,346</u>	<u>\$ 20,334</u>	<u>\$ 429,665</u>	<u>\$ 10,552,345</u>

CITY OF HINESVILLE, GEORGIA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
YEAR ENDED OCTOBER 31, 2006**

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

Net change in fund balances - total governmental funds	\$ 1,446,138
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current period.	248,879
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	1,014,024
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Deferred revenues decreased during the year by this amount.	(101,115)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related accounts.	288,613
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.	<u>(45,323)</u>
Change in net assets of governmental activities	<u><u>\$ 2,851,216</u></u>

CITY OF HINESVILLE, GEORGIA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED OCTOBER 31, 2006**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Property taxes	\$ 5,121,482	\$ 5,121,482	\$ 5,581,016	\$ 459,534
Sales taxes	3,432,646	3,882,802	3,847,405	(35,397)
Other taxes	3,171,607	3,171,607	3,196,903	25,296
Licenses and permits	418,939	425,264	524,968	99,704
Charges for services	36,376	36,376	44,824	8,448
Intergovernmental	309,363	310,696	578,294	267,598
Fines, forfeitures, and fees	1,481,606	1,481,606	1,641,696	160,090
Interest revenues	189,465	189,465	339,259	149,794
Other revenues	1,100,210	1,241,136	548,420	(692,716)
Total revenues	<u>15,261,694</u>	<u>15,860,434</u>	<u>16,302,785</u>	<u>442,351</u>
Expenditures:				
Current:				
General government	2,639,768	2,588,103	2,531,652	56,451
Judicial	355,628	356,923	310,188	46,735
Public safety	7,901,544	8,123,815	7,762,669	361,146
Highways and streets	2,320,754	2,712,293	2,974,786	(262,493)
Health	964,686	987,851	770,846	217,005
Welfare	473,154	476,762	289,686	187,076
Culture and recreation	400,710	423,035	440,885	(17,850)
Debt service:				
Principal	287,771	287,771	288,613	(842)
Interest and fiscal charges	109,220	95,422	95,140	282
Total expenditures	<u>15,453,235</u>	<u>16,051,975</u>	<u>15,464,465</u>	<u>587,510</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(191,541)</u>	<u>(191,541)</u>	<u>838,320</u>	<u>1,029,861</u>
Other financing sources:				
Proceeds from sale of assets	7,500	7,500	15,824	8,324
Transfers in	184,041	184,041	524,994	340,953
Total other financing sources	<u>191,541</u>	<u>191,541</u>	<u>540,818</u>	<u>349,277</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>1,379,138</u>	<u>\$ 1,379,138</u>
Fund balance - November 1			<u>8,723,208</u>	
Fund balance - October 31			<u>\$ 10,102,346</u>	

CITY OF HINESVILLE, GEORGIA

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
OCTOBER 31, 2006**

	<u>Water and Sewer Fund</u>	<u>Sanitation Fund</u>	<u>Total Business-type Activities</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 523,604	\$ -	\$ 523,604
Investments	553,947	-	553,947
Receivables, net	1,237,750	-	1,237,750
Due from other funds	77,863	-	77,863
Prepaid items	26,304	-	26,304
Restricted assets:			
Cash and cash equivalents	2,597,594	-	2,597,594
Investments	814,873	-	814,873
Total current assets	<u>5,831,935</u>	<u>-</u>	<u>5,831,935</u>
Noncurrent assets			
Capital assets, nondepreciable	4,306,678	-	4,306,678
Capital assets, net of accumulated depreciation	19,380,662	365,580	19,746,242
Total noncurrent assets	<u>23,687,340</u>	<u>365,580</u>	<u>24,052,920</u>
Total assets	<u>29,519,275</u>	<u>365,580</u>	<u>29,884,855</u>
LIABILITIES			
Current liabilities			
Accounts payable	2,068,754	21,941	2,090,695
Accrued expenses	27,212	-	27,212
Due to other funds	1,925,400	125,952	2,051,352
Payable from restricted assets:			
Customer deposits	367,434	-	367,434
Current portion of notes payable	91,603	-	91,603
Current portion of revenue bonds payable	710,000	-	710,000
Accrued interest	57,793	-	57,793
Total current liabilities	<u>5,248,196</u>	<u>147,893</u>	<u>5,396,089</u>
Noncurrent liabilities			
Notes payable, long-term portion	2,440,109	-	2,440,109
Long-term debt, net	4,878,332	-	4,878,332
Total noncurrent liabilities	<u>7,318,441</u>	<u>-</u>	<u>7,318,441</u>
Total liabilities	<u>12,566,637</u>	<u>147,893</u>	<u>12,714,530</u>
NET ASSETS			
Invested in capital assets, net of related debt	15,567,296	365,580	15,932,876
Restricted for:			
Revenue bond retirement	1,462,728	-	1,462,728
Unrestricted	(77,386)	(147,893)	(225,279)
Total net assets	<u>\$ 16,952,638</u>	<u>\$ 217,687</u>	<u>\$ 17,170,325</u>

CITY OF HINESVILLE, GEORGIA

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS
 YEAR ENDED OCTOBER 31, 2006**

	Water and Sewer Fund	Sanitation Fund	Total Business-type Activities
Operating revenues:			
Water fees	\$ 2,661,884	\$ -	\$ 2,661,884
Sewer fees	2,356,415	-	2,356,415
Fort Stewart sewer fees	1,083,847	-	1,083,847
Water and sewer impact fees	604,226	-	604,226
Sanitation fees	-	2,191,504	2,191,504
Miscellaneous	411,980	-	411,980
Total operating revenues	<u>7,118,352</u>	<u>2,191,504</u>	<u>9,309,856</u>
Operating expenses:			
Salaries	260,420	-	260,420
Payroll taxes	18,615	-	18,615
Vehicle operating expenses	84,020	244,475	328,495
Office supplies and postage	80,521	-	80,521
General insurance	77,190	-	77,190
Professional fees	70,248	-	70,248
Computer services	25,794	-	25,794
Retirement program	12,887	-	12,887
Equipment rental and repairs	3,493	-	3,493
Schools and training	9,293	-	9,293
Operating supplies	182,789	34,524	217,313
Utilities	474,744	28,244	502,988
Operations, wastewater treatment plant:			
City of Hinesville	283,416	-	283,416
Fort Stewart	283,416	-	283,416
O.M.I. Operations	1,504,711	1,517,500	3,022,211
Repairs and materials	1,096,524	671	1,097,195
Depreciation	1,491,345	64,807	1,556,152
Drinking water program	10,050	-	10,050
Miscellaneous	18,233	-	18,233
Disposal	-	232,378	232,378
Grinding services	-	55,375	55,375
Total operating expenses	<u>5,987,708</u>	<u>2,177,974</u>	<u>8,165,682</u>
Operating income	<u>1,130,644</u>	<u>13,530</u>	<u>1,144,174</u>
Nonoperating revenues (expenses):			
Investment income	197,584	-	197,584
Interest and fiscal charges	(582,887)	-	(582,887)
Total nonoperating expense	<u>(385,303)</u>	<u>-</u>	<u>(385,303)</u>
Income before transfers and contributions	<u>745,341</u>	<u>13,530</u>	<u>758,871</u>

(Continued)

CITY OF HINESVILLE, GEORGIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED OCTOBER 31, 2006

	Water and Sewer Fund	Sanitation Fund	Total Business-type Activities
Transfers out	\$ (330,875)	\$ (65,919)	\$ (396,794)
Contributions	812,915	-	812,915
Change in net assets	1,227,381	(52,389)	1,174,992
Total net assets - November 1	15,725,257	270,076	15,995,333
Total net assets - October 31	<u>\$ 16,952,638</u>	<u>\$ 217,687</u>	<u>\$ 17,170,325</u>

CITY OF HINESVILLE, GEORGIA
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED OCTOBER 31, 2006

	Water and Sewer Fund	Sanitation Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers and users	\$ 7,154,063	\$ 2,191,504	\$ 9,345,567
Cash paid to suppliers	(1,417,297)	(1,959,435)	(3,376,732)
Cash paid to employees	(258,004)	-	(258,004)
Net cash provided by operating activities	<u>5,478,762</u>	<u>232,069</u>	<u>5,710,831</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers out	(330,875)	(65,919)	(396,794)
Net cash used by noncapital financing activities	<u>(330,875)</u>	<u>(65,919)</u>	<u>(396,794)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(4,395,240)	(166,150)	(4,561,390)
Principal payments on long-term borrowings	(762,624)	-	(762,624)
Interest payments on long-term borrowings	(450,663)	-	(450,663)
Net cash used by capital and related financing activities	<u>(5,608,527)</u>	<u>(166,150)</u>	<u>(5,774,677)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	197,584	-	197,584
Purchase of investments	(156,892)	-	(156,892)
Net cash provided by investing activities	<u>40,692</u>	<u>-</u>	<u>40,692</u>
Net decrease in cash and cash equivalents	(419,948)	-	(419,948)
Cash and cash equivalents/investments, November 1	<u>3,541,146</u>	<u>-</u>	<u>3,541,146</u>
Cash and cash equivalents/investments, October 31	<u>\$ 3,121,198</u>	<u>\$ -</u>	<u>\$ 3,121,198</u>
CLASSIFIED AS:			
Cash and cash equivalents	\$ 523,604	\$ -	\$ 523,604
Restricted assets:			
Cash and cash equivalents	2,597,594	-	2,597,594
	<u>\$ 3,121,198</u>	<u>\$ -</u>	<u>\$ 3,121,198</u>

(Continued)

CITY OF HINESVILLE, GEORGIA
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED OCTOBER 31, 2006

	<u>Water and Sewer Fund</u>	<u>Sanitation Fund</u>	<u>Totals</u>
SCHEDULE OF NONCASH ACTIVITIES			
Contributed capital from developers	\$ 812,915	\$ -	\$ 812,915
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 1,130,644	\$ 13,530	\$ 1,144,174
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,491,345	64,807	1,556,152
Change in assets and liabilities:			
Decrease in receivables	16,420	-	16,420
Decrease in due from other funds	984,475	203,168	1,187,643
Increase in prepaid items	(3,312)	-	(3,312)
Increase (decrease) in accounts payable	1,837,483	(49,436)	1,788,047
Increase in customer deposits payable	19,291	-	19,291
Increase in accrued expenses	2,416	-	2,416
Total adjustments	<u>4,348,118</u>	<u>218,539</u>	<u>4,566,657</u>
Net cash provided by operating activities	<u>\$ 5,478,762</u>	<u>\$ 232,069</u>	<u>\$ 5,710,831</u>

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. 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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

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.

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 funds:

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.

SPLOST Fund. This capital project fund accounts for the acquisition or construction of capital facilities.

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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

Additionally, the City reports *special revenue funds* which account for revenue sources that are legally restricted to expenditure for specific purposes.

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.

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 they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the 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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting and Measurement Focus (Continued)

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 fund 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, 2006, there were no encumbrances outstanding.

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 participants' 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, 2006.

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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 backtrending (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, 2006, the City did not capitalize any 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	3 - 15
Buildings	20 - 50	Utility plant in service	5 - 50
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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Long-Term Obligations (Continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

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

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

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$2,393,187 difference are as follows:

Accrued interest payable	\$	21,013
Note payable		2,688
Certificate of participation		1,590,000
Compensated absences		779,486
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	\$	2,393,187

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense.” The details of this \$248,879 difference are as follows:

Capital outlay	\$	1,416,427
Depreciation expense		(1,167,548)
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$	248,879

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS (CONTINUED)

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

Another element of that reconciliation explains that “Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this \$45,323 difference are as follows:

Compensated absences	\$	(48,474)
Accrued interest		3,151
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>		(45,323)

NOTE 3. LEGAL COMPLIANCE - BUDGETS

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 12 month period beginning November 1 and ending on October 31. By the first Thursday in September, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following November 1. The operating budget includes proposed expenditures and the means of financing them for the following departments: General, Administrative, Police and Fire, Streets, Recreation, and Water and Sewer.
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 10 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 and Water and Sewer Fund.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3. LEGAL COMPLIANCE - BUDGETS (CONTINUED)

6. A budget for the General Fund, special revenue fund and Water and Sewer Fund 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.

The following general fund functions had excesses of actual expenditures over appropriations in the amount shown for the fiscal year ended October 31, 2006.

Highways and streets	\$	262,493
Culture and recreation		17,850
Debt service - principal		842

NOTE 4. DEPOSITS AND INVESTMENTS

Total deposits and investments as of October 31, 2006 are summarized as follows:

As reported in the Statement of Net Assets:

Primary government:

Cash and cash equivalents	\$	3,393,835
Investments		3,896,968
Restricted assets - cash and cash equivalents		3,314,744
Restricted assets - investments		814,873
		\$ 11,420,420

Cash deposited with financial institutions	\$	10,556,084
Cash deposited with Georgia Fund 1		266,053
Investments in US Government Securities		260,133
Investments in Federated securities		338,150
		\$ 11,420,420

Component unit:

Cash and cash equivalents	\$	103,126
Restricted assets - cash and cash equivalents		12,726
		\$ 115,852

Cash deposited with financial institutions	\$	115,852
		\$ 115,852

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4. DEPOSITS AND INVESTMENTS (CONTINUED)

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). The City does not have a formal policy for credit risk. As of October 31, 2006, 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 & Poor's.

At October 31, 2006, the City had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Georgia Fund 1	24 day weighted average	\$ 266,053
U.S. Government Securities	June 2009	82,086
U.S. Government Securities	July 2035	23,964
U.S. Government Securities	July 2036	154,083
Federated Treasury	N/A	338,150
Certificates of Deposit	216 day weighted average	1,008,809
Total		<u>\$ 1,873,145</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, 2006, 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 investments 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, 2006, the City did not have any investments exposed to this risk as all investments are in the name of the City.

NOTES TO THE FINANCIAL STATEMENTS

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, 2006, are recorded as receivables, net of estimated uncollectibles.

Real and personal property taxes were levied in October 2006. The taxes are based on the January 1, 2006 assessed values and are due on January 22, 2007, after which date liens can be attached. The net receivables collected during the year ended October 31, 2006, and expected to be collected by December 31, 2006, are recognized as revenues in the year ended October 31, 2006. Net receivables estimated to be collectible subsequent to December 31, 2006, are recorded as revenue when received. Prior year levies were recorded using substantially the same principles, and remaining receivables are reevaluated annually.

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

	<u>General</u>	<u>SPLOST</u>	<u>Nonmajor Governmental</u>	<u>Water and Sewer</u>	<u>Total</u>
Receivables:					
Taxes	\$ 1,104,810	\$ 172,062	\$ 17,705	\$ -	\$ 1,294,577
Accounts	31,537	-	220,415	1,567,922	1,819,874
Accrued interest	-	-	-	6,613	6,613
Gross receivables	<u>1,136,347</u>	<u>172,062</u>	<u>238,120</u>	<u>1,574,535</u>	<u>3,121,064</u>
Less allowance for uncollectible accounts	56,071	-	-	336,785	392,856
Net total receivables	<u>\$ 1,080,276</u>	<u>\$ 172,062</u>	<u>\$ 238,120</u>	<u>\$ 1,237,750</u>	<u>\$ 2,728,208</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, 2006, the outstanding balance of these notes receivable, net of an allowance of \$71,883, was \$63,742.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended October 31, 2006 was as follows:

Governmental Activities	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Capital assets not being depreciated:					
Land and improvements	\$ 1,740,883	\$ 90,684	\$ -	\$ -	\$ 1,831,567
Construction in progress	645,651	729,000	-	-	1,374,651
Total capital assets, not being depreciated	<u>2,386,534</u>	<u>819,684</u>	<u>-</u>	<u>-</u>	<u>3,206,218</u>
Capital assets being depreciated:					
Buildings and improvements	4,826,036	15,375	-	-	4,841,411
Vehicles	3,864,756	273,145	(203,870)	-	3,934,031
Heavy equipment	1,290,663	41,400	-	(15,365)	1,316,698
Equipment	319,011	248,982	-	12,084	580,077
Office equipment	149,105	17,841	-	-	166,946
Infrastructure	36,721,453	1,014,024	-	3,281	37,738,758
Total capital assets being depreciated	<u>47,171,024</u>	<u>1,610,767</u>	<u>(203,870)</u>	<u>-</u>	<u>48,577,921</u>
Less accumulated depreciation for:					
Buildings and improvements	(1,058,938)	(97,890)	-	-	(1,156,828)
Vehicles	(3,098,202)	(252,534)	203,870	-	(3,146,866)
Heavy equipment	(1,013,851)	(65,446)	-	-	(1,079,297)
Equipment	(215,230)	(33,827)	-	-	(249,057)
Office equipment	(114,475)	(9,841)	-	-	(124,316)
Infrastructure	(12,712,048)	(708,010)	-	-	(13,420,058)
Total accumulated depreciation	<u>(18,212,744)</u>	<u>(1,167,548)</u>	<u>203,870</u>	<u>-</u>	<u>(19,176,422)</u>
Total capital assets being depreciated, net	<u>28,958,280</u>	<u>443,219</u>	<u>-</u>	<u>-</u>	<u>29,401,499</u>
Governmental activity capital assets, net	<u>\$ 31,344,814</u>	<u>\$ 1,262,903</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,607,717</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfer</u>	<u>Ending Balances</u>
Business-type activities:					
Capital assets not being depreciated:					
Construction in progress	\$ 1,184,942	\$ 4,141,235	\$ -	\$ (1,019,499)	\$ 4,306,678
Total capital assets not being depreciated	<u>1,184,942</u>	<u>4,141,235</u>	<u>-</u>	<u>(1,019,499)</u>	<u>4,306,678</u>
Capital assets being depreciated:					
Utility plant in service	40,521,450	909,377	-	1,019,499	42,450,326
Other equipment	<u>2,193,268</u>	<u>323,693</u>	<u>(41,150)</u>	<u>-</u>	<u>2,475,811</u>
Total capital assets being depreciated	<u>42,714,718</u>	<u>1,233,070</u>	<u>(41,150)</u>	<u>1,019,499</u>	<u>44,926,137</u>
Less accumulated depreciation for:					
Utility plant in service	(22,407,640)	(1,352,353)	-	-	(23,759,993)
Other equipment	<u>(1,257,253)</u>	<u>(203,799)</u>	<u>41,150</u>	<u>-</u>	<u>(1,419,902)</u>
Total accumulated depreciation	<u>(23,664,893)</u>	<u>(1,556,152)</u>	<u>41,150</u>	<u>-</u>	<u>(25,179,895)</u>
Total capital assets being depreciated, net	<u>19,049,825</u>	<u>(323,082)</u>	<u>-</u>	<u>1,019,499</u>	<u>19,746,242</u>
Business-type activity capital assets, net	<u>\$ 20,234,767</u>	<u>\$ 3,818,153</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,052,920</u>

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

Governmental activities:		
General government		\$ 19,296
Public safety		288,025
Highways and streets		836,356
Health		18,291
Culture and recreation		5,580
Total depreciation expense - governmental activities		<u>\$ 1,167,548</u>
Business-type activities:		
Water and sewer		\$ 1,491,345
Sanitation		64,807
Total depreciation expense - business-type activities		<u>\$ 1,556,152</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT

Changes in Long-Term Liabilities:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Governmental activities:					
Certificates payable	\$ 1,820,000	\$ -	\$ (230,000)	\$ 1,590,000	\$ 245,000
Note payable	7,755	-	(5,067)	2,688	2,688
Capital leases	53,546	-	(53,546)	-	-
Compensated absences	731,012	829,265	(780,791)	779,486	732,719
Governmental activity long-term liabilities	<u>\$ 2,612,313</u>	<u>\$ 829,265</u>	<u>\$ (1,069,404)</u>	<u>\$ 2,372,174</u>	<u>\$ 980,407</u>
Business-type activities:					
Revenue bonds	\$ 7,080,000	\$ -	\$ (675,000)	\$ 6,405,000	\$ 710,000
Unamortized discount, issuance cost	(935,009)	-	118,341	(816,668)	(118,341)
GEFA notes payable	2,619,336	-	(87,624)	2,531,712	91,603
Compensated absences	13,219	29,076	(29,076)	13,219	13,219
Business-type activities long-term liabilities	<u>\$ 8,777,546</u>	<u>\$ 29,076</u>	<u>\$ (673,359)</u>	<u>\$ 8,133,263</u>	<u>\$ 696,481</u>

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

Certificates Payable:

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 through 2012 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:

	Total	Principal	Interest
Fiscal year ending October 31,			
2007	\$ 326,023	\$ 245,000	\$ 81,023
2008	323,461	255,000	68,461
2009	325,004	270,000	55,004
2010	325,628	285,000	40,628
2011	325,075	300,000	25,075
2012	241,463	235,000	6,463
Total	<u>\$ 1,866,654</u>	<u>\$ 1,590,000</u>	<u>\$ 276,654</u>

Note Payable:

In fiscal year 1997, the City acquired land for a parking lot and financed \$37,800. The debt is being serviced by general fund monthly payments with an annual interest rate of 8%.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

Note Payable: (Continued)

Debt service requirements to maturity are as follows:

	Total	Principal	Interest
Fiscal year ending October 31, 2007	\$ 2,751	\$ 2,688	\$ 63
Total	\$ 2,751	\$ 2,688	\$ 63

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, 2006 are as follows:

Purpose	Original Amount	Interest Rate	Due Date	Amount
Water and Sewer Fund improvements	5,785,000	4.80% - 5.70%	2013	\$ 2,850,000
Water and Sewer Fund improvements	4,640,000	4.00% - 4.625%	2014	3,555,000
				6,405,000
		Unamortized discount/issuance costs, net		(816,668)
		Less current portion		(710,000)
				\$ 4,878,332

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, 2006 were \$118,341.

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

	Total	Principal	Interest
Fiscal year ending October 31, 2007	\$ 1,027,323	\$ 710,000	\$ 317,323
2008	1,027,993	745,000	282,993
2009	1,026,222	780,000	246,222
2010	1,022,230	815,000	207,230
2011	975,793	810,000	165,793
2012 - 2014	2,791,610	2,545,000	246,610
Total	\$ 7,871,171	\$ 6,405,000	\$ 1,466,171

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

Other Long-Term Debt:

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. As of October 31, 2006, the City has drawn down \$2,809,191. Of this amount, \$2,473,254 is in repayment status and \$335,937 is in construction status. The City still has the option to draw down an additional \$305,809. The loan is due in 320 quarterly installments of \$15,622 including interest at 4.45% through May 2023.

During the year ended October 31, 2006, the City's Water and Sewer Fund entered into a loan agreement up to \$18,855,000 with GEFA for the construction of a new wastewater treatment plant. At year end, there were no amounts withdrawn on this loan.

Other long-term debt outstanding at October 31, 2006 is 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	\$ 2,473,257	4.45%	2023	\$ 2,195,776
			Less current portion	(91,603)
				<u>\$ 2,104,173</u>

Other long-term debt service requirements to maturities, including interest, are as follows:

	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
Fiscal year ending October 31,			
2007	\$ 187,461	\$ 91,603	\$ 95,858
2008	187,461	95,694	91,767
2009	187,461	100,174	87,287
2010	187,461	104,660	82,801
2011	187,461	109,414	78,047
2012 - 2016	937,305	626,229	311,076
2017 - 2021	937,305	782,042	155,263
2022 - 2023	296,677	285,960	10,717
Total	<u>\$ 3,108,592</u>	<u>\$ 2,195,776</u>	<u>\$ 912,816</u>

The above debt service requirements to maturities table does not include provision for the construction agreement with GEFA, of which \$335,937 had been drawn as of October 31, 2006. This obligation is in the drawdown phase as of October 31, 2006, and repayment will be determined when all draws have been made.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

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, 2006, the outstanding amount of bonds considered defeased is \$3,850,000.

NOTE 8. INTERFUND BALANCES AND TRANSFERS

Interfund receivable and payable balances as of October 31, 2006 are as follows:

	Due From					Total
	General	SPLOST	Nonmajor Governmental	Water and Sewer	Sanitation	
Due To						
General Fund	\$ -	\$ 35,541	\$ 45,962	\$ 1,925,400	\$ 125,952	\$ 2,132,855
Nonmajor Governmental	7,799	-	-	-	-	7,799
Water and Sewer	77,863	-	-	-	-	77,863
Total	<u>\$ 85,662</u>	<u>\$ 35,541</u>	<u>\$ 45,962</u>	<u>\$ 1,925,400</u>	<u>\$ 125,952</u>	<u>\$ 2,218,517</u>

Interfund receivables and payables result 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, 2006 consisted of the following:

	Transfer From			Total
	Other Governmental Funds	Water and Sewer	Sanitation	
Transfer To				
General Fund	<u>\$ 128,200</u>	<u>\$ 330,875</u>	<u>\$ 65,919</u>	<u>\$ 524,994</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires collecting them to the fund that the statute or budget requires 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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9. 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 state-wide, 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 2006 and 2005 are shown below.

	2006	2005
Normal Cost		
Plan Benefits	\$ 293,914	\$ 276,432
Administrative Expenses	20,752	13,343
Amortization of the Unfunded Actuarial Accrued Liability	(8,831)	30,278
Interest	12,484	12,268
Recommended Contribution	324,586	332,321
Covered Payroll	5,762,420	5,173,757
Recommended Contribution as a Percentage of Covered Payroll	5.6%	6.4%

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9. PENSION PLAN (Continued)

C. Annual Pension Cost

For the fiscal year ended October 31, 2006, the City's annual pension cost was \$316,423. Recommended contributions of \$324,586 and \$332,321 were determined as part of the July 1, 2006 and 2005 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.

<u>Fiscal Period Ending</u>	<u>Annual Pension Cost</u>	<u>Percentage of Annual Pension Cost Contributed</u>	<u>Net Pension Obligation</u>
October 31, 2003	\$ 220,076	100.00 %	\$ -
October 31, 2004	280,490	100.00	-
October 31, 2005	285,374	100.00	-
October 31, 2006	316,423	100.00	-

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10. 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, 2006, the City did not provide any contributions to the Hinesville Housing Authority.

NOTE 11. 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, 2006, the City paid \$27,353 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. As of June 30, 2006 (the RDC's latest available audit report), the RDC's ending net assets totaled approximately \$1.4 million. Separate financial statements may be obtained from the Coastal Georgia Regional Development Center, 127 "F" Street, Brunswick, Georgia 31520.

NOTE 12. 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, 2006 follows:

Total lodging tax receipts	<u>\$ 209,011</u>
40% of tax receipts owed to the LCDA for October 31, 2006	\$ 83,604
Tax receipts owed at October 31, 2005	8,213
Disbursements to the LCDA during the year ended October 31, 2006	<u>(66,314)</u>
Balance of lodging tax funds on hand at October 31, 2006	<u>\$ 25,503</u>

NOTE 13. 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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13. RISK MANAGEMENT (CONTINUED)

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 workers' 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 14. 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.

NOTE 15. 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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 15. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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, 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, 2006, the City has contractual commitments on uncompleted construction contracts of approximately \$8,688,000 for various SPLOST projects and a new wastewater treatment facility.

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.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HINESVILLE, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded (Overfunded) Accrued Liability	Funded Ratio	Annual Covered Payroll	Actuarial Accrued Liability as a Percentage of Covered Payroll
July 1, 2003	\$ 7,160,649	\$ 7,039,179	\$ (121,470)	101.7 %	\$ 4,628,776	(2.6) %
July 1, 2004	7,545,035	7,732,285	187,250	97.6	4,771,008	3.9
July 1, 2005	7,973,795	8,193,215	219,420	97.3	5,173,757	4.2
July 1, 2006	8,542,220	8,434,852	(107,368)	101.3	5,762,420	(1.9)

COMBINING STATEMENTS AND SCHEDULES

CITY OF HINESVILLE, GEORGIA
NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

The **Multiple Grant Fund** accounts for grant revenues and expenditures relating to various short lived projects.

The **Hotel/Motel Tax Fund** accounts for the Hotel/Motel accommodation excise tax receipts and distributions to tourism promoting organizations as required by agreements with these organizations.

CITY OF HINESVILLE, GEORGIA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
OCTOBER 31, 2006**

	Special Revenue Funds		Total Governmental Funds
	Multiple Grant Fund	Hotel/ Motel Tax Fund	
ASSETS			
Cash and cash equivalents	\$ 396,361	\$ -	\$ 396,361
Receivables, net	220,415	17,705	238,120
Notes receivable, net	63,742	-	63,742
Due from other funds	-	7,799	7,799
Total assets	<u>\$ 680,518</u>	<u>\$ 25,504</u>	<u>\$ 706,022</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 27,674	\$ 25,504	\$ 53,178
Accrued liabilities	4,156	-	4,156
Due to other funds	45,962	-	45,962
Due to component unit	155,061	-	155,061
Deferred revenue	18,000	-	18,000
Total liabilities	<u>250,853</u>	<u>25,504</u>	<u>276,357</u>
Fund balances:			
Unreserved, undesignated	<u>429,665</u>	<u>-</u>	<u>429,665</u>
Total fund balances	<u>429,665</u>	<u>-</u>	<u>429,665</u>
 Total liabilities and fund balances	 <u>\$ 680,518</u>	 <u>\$ 25,504</u>	 <u>\$ 706,022</u>

CITY OF HINESVILLE, GEORGIA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED OCTOBER 31, 2006**

	Special Revenue Funds		Total Governmental Funds
	Multiple Grant Fund	Hotel/ Motel Tax Fund	
Revenues:			
Other taxes	\$ -	\$ 209,011	\$ 209,011
Intergovernmental	669,414	-	669,414
Interest revenues	15,027	-	15,027
Total revenues	<u>684,441</u>	<u>209,011</u>	<u>893,452</u>
Expenditures:			
Current:			
General government	-	83,604	83,604
Public safety	27,650	-	27,650
Health	34,266	-	34,266
Welfare	552,732	-	552,732
Total expenditures	<u>614,648</u>	<u>83,604</u>	<u>698,252</u>
Excess of revenues over expenditures	<u>69,793</u>	<u>125,407</u>	<u>195,200</u>
Other financing (uses)			
Transfers out	(2,793)	(125,407)	(128,200)
Total other financing (uses)	<u>(2,793)</u>	<u>(125,407)</u>	<u>(128,200)</u>
Net change in fund balances	67,000	-	67,000
Fund balance - November 1	<u>362,665</u>	<u>-</u>	<u>362,665</u>
Fund balance - October 31	<u>\$ 429,665</u>	<u>\$ -</u>	<u>\$ 429,665</u>

CITY OF HINESVILLE, GEORGIA

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - MULTIPLE GRANT FUND
YEAR ENDED OCTOBER 31, 2006**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 1,698,001	\$ 1,698,001	\$ 669,414	\$ (1,028,587)
Interest revenues	2,073	2,073	15,027	12,954
Other revenues	65,127	65,127	-	(65,127)
Total revenues	<u>1,765,201</u>	<u>1,765,201</u>	<u>684,441</u>	<u>(1,080,760)</u>
Expenditures:				
Current:				
Public safety	134,361	134,361	27,650	106,711
Health	-	-	34,266	(34,266)
Welfare	1,911,317	1,911,317	552,732	1,358,585
Total expenditures	<u>2,045,678</u>	<u>2,045,678</u>	<u>614,648</u>	<u>1,431,030</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(280,477)</u>	<u>(280,477)</u>	<u>69,793</u>	<u>350,270</u>
Other financing sources (uses):				
Transfers in	415,113	415,113	-	(415,113)
Transfers out	<u>(134,636)</u>	<u>(134,636)</u>	<u>(2,793)</u>	<u>131,843</u>
Total other financing sources (uses)	<u>280,477</u>	<u>280,477</u>	<u>(2,793)</u>	<u>(283,270)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	67,000	<u>\$ 67,000</u>
Fund balance - November 1			<u>362,665</u>	
Fund balance - October 31			<u>\$ 429,665</u>	

CITY OF HINESVILLE, GEORGIA

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - HOTEL/MOTEL TAX FUND
YEAR ENDED OCTOBER 31, 2006**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Other taxes	\$ 155,196	\$ 155,196	\$ 209,011	\$ 53,815
Total revenues	<u>155,196</u>	<u>155,196</u>	<u>209,011</u>	<u>53,815</u>
Expenditures:				
Current:				
General government	62,078	62,078	83,604	(21,526)
Total expenditures	<u>62,078</u>	<u>62,078</u>	<u>83,604</u>	<u>(21,526)</u>
Excess of revenues over expenditures	<u>93,118</u>	<u>93,118</u>	<u>125,407</u>	<u>32,289</u>
Other financing (uses):				
Transfers out	(93,118)	(93,118)	(125,407)	(32,289)
Total other financing (uses)	<u>(93,118)</u>	<u>(93,118)</u>	<u>(125,407)</u>	<u>(32,289)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance - November 1			<u>-</u>	
Fund balance - October 31			<u>\$ -</u>	

CITY OF HINESVILLE, GEORGIA

**SCHEDULE OF EXPENDITURES OF
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS - PRIOR RESOLUTION
YEAR ENDED OCTOBER 31, 2006**

Project Description	Original Estimated Cost	Revised Estimated Cost	Expenditures		
			Prior Years	Current Year	Total
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 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
Buoy Lane	-	-	17,081	2,745	19,826
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	161,675	71,485	233,160
Fraser/Norman/Layton Streets	194,084	185,211	189,555	-	189,555
Fraser Acres Drainage	-	-	600	-	600
Gray Fox Road	252,886	252,886	23,137	-	23,137
Irene Thomas Park	75,000	256,000	5,043	-	5,043
Justice Center	-	-	5,550	2,280	7,830
Lewis Fraser sidewalks	28,350	28,350	2,915	-	2,915
Memorial Drive Realignment	-	797,482	1,073,975	-	1,073,975
MLK Jr. Hwy 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 Apt/Frasier Retention	-	340,633	320,518	-	320,518
Hendry St & General Screven Int.	-	18,000	-	-	-
Milling	-	32,000	-	-	-
Reserve	-	356,000	-	-	-
Total all Projects	\$ 3,460,779	\$ 6,780,095	\$ 5,314,299	\$ 76,510	\$ 5,390,809

CITY OF HINESVILLE, GEORGIA

**SCHEDULE OF EXPENDITURES OF
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS - 2004 RESOLUTION
YEAR ENDED OCTOBER 31, 2006**

Project Description	Original Estimated Cost	Revised Estimated Cost	Expenditures		
			Prior Years	Current Year	Total
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	227,919
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 Dr mid-section	251,758	251,758	-	-	-
Section 4 - Memorial Dr and Welborn St	567,320	567,320	-	-	-
South Anchor Project	-	-	-	-	-
Memorial Dr/Washington Ave realignment project	-	-	-	-	-
East ML King Jr Drive improvements	-	-	-	400	400
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	\$ 6,656,668	\$ 6,656,668	\$ -	\$ 228,319	\$ 228,319

COMPONENT UNIT

CITY OF HINESVILLE, GEORGIA

**BALANCE SHEET
COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY
OCTOBER 31, 2006**

ASSETS	
Cash	\$ 103,126
Restricted cash	12,726
Due from primary government	155,061
Assets held for resale	<u>294,397</u>
Total assets	<u>565,310</u>
LIABILITIES	
Accounts payable	3,520
Due to primary government	<u>426,685</u>
Total liabilities	<u>430,205</u>
FUND BALANCE	
Unreserved, undesignated	<u>135,105</u>
Total fund balance	<u><u>\$ 135,105</u></u>

CITY OF HINESVILLE, GEORGIA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY
YEAR ENDED OCTOBER 31, 2006**

Revenues	
Intergovernmental	\$ 548,658
Total revenues	<u>548,658</u>
Expenditures	<u>443,483</u>
Net change in fund balance	105,175
Fund balance, July 1	<u>29,930</u>
Fund balance, June 30	<u><u>\$ 135,105</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, required supplementary information, and supplementary information says about the City's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends	54 - 58
<i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	
Revenue Capacity	59 - 66
<i>These schedules contain information to help the reader assess the City's most significant local revenue sources.</i>	
Debt Capacity	67 - 70
<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	71 - 74
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i>	
Operating Information	75 - 78
<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 City's financial reports for the relevant year. The City implemented GASB 34 in 2003; schedules presenting government-wide information (unless otherwise indicated) include information beginning in that year.

Note: Unless otherwise noted, the financial information in these schedules does not include the City's discretely presented component unit.

CITY OF HINESVILLE, GEORGIA

NET ASSETS BY ACTIVITY LAST FOUR FISCAL YEARS

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

CITY OF HINESVILLE, GEORGIA

CHANGES IN NET ASSETS LAST FOUR FISCAL YEARS

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

(Continued)

CITY OF HINESVILLE, GEORGIA

CHANGES IN NET ASSETS LAST FOUR FISCAL YEARS

	Fiscal Year			
	2003	2004	2005	2006
Expenses				
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
Licenses and permits ^(d)	422,884	436,086	-	-
Other revenues	31,763	77,976	145,877	548,420
Investment earnings	67,913	84,886	194,943	354,286
Gain on sale of assets	-	-	40,603	15,824
Transfers	251,339	389,516	352,480	396,794
Total governmental activities general revenues and other changes in net assets	<u>10,891,789</u>	<u>12,796,199</u>	<u>13,579,660</u>	<u>14,336,123</u>
Business-type activities:				
Other revenues	358,044	381,223	363,311	411,980
Investment earnings	64,777	92,545	121,511	197,584
Transfers	(251,339)	(389,516)	(352,480)	(396,794)
Total business type activities general revenues and other changes in net assets	<u>171,482</u>	<u>84,252</u>	<u>132,342</u>	<u>212,770</u>
Total primary government general revenues and other changes in net assets	<u>11,063,271</u>	<u>12,880,451</u>	<u>13,712,002</u>	<u>14,548,893</u>
Change in net assets				
Governmental activities	2,651,181	1,854,753	3,868,173	2,851,216
Business-type activities	632,160	(108,205)	97,064	1,174,992
Total primary government change in net assets	<u>\$ 3,283,341</u>	<u>\$ 1,746,548</u>	<u>\$ 3,965,237</u>	<u>\$ 4,026,208</u>

^(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 local economy.

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

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

CITY OF HINESVILLE, GEORGIA
FUND BALANCES, GOVERNMENTAL FUNDS
LAST FOUR FISCAL YEARS

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

CITY OF HINESVILLE, GEORGIA

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS LAST FOUR FISCAL YEARS

	Fiscal Year			
	2003	2004	2005	2006
Revenues:				
Taxes ^(b)	\$ 10,085,090	\$ 11,484,494	\$ 13,067,293	\$ 13,139,164
Licenses and permits	474,444	458,071	449,481	524,968
Charges for services	2,210,087	46,625	33,615	44,824
Intergovernmental	560,613	605,193	937,145	1,247,708
Fines, forfeitures, and fees	1,130,906	1,335,548	1,198,644	1,641,696
Interest revenues	67,913	84,886	194,943	354,286
Other revenues	380,646	352,961	457,431	548,420
Total revenues	14,909,699	14,367,778	16,338,552	17,501,066
Expenditures:				
Current:				
General government	1,739,924	1,934,253	2,018,049	2,615,256
Judicial ^(c)	-	-	-	310,188
Public safety	6,219,517	7,176,900	7,460,198	7,790,319
Highways and streets	1,487,697	1,895,753	2,289,907	2,974,786
Sanitation ^(a)	2,233,291	760,489	-	-
Health	717,878	420,721	630,691	805,112
Welfare	287,763	369,395	734,225	842,418
Culture and recreation	339,949	662,296	347,789	440,885
Capital outlay	481,801	-	1,679,889	304,829
Debt service:				
Principal	264,887	277,871	290,022	288,613
Interest and fiscal charges	135,196	122,365	111,866	95,140
Total expenditures	13,907,903	13,620,043	15,562,636	16,467,546
Excess of revenues over expenditures	1,001,796	747,735	775,916	1,033,520
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
Transfers out	(488,798)	(228,428)	(90,055)	(128,200)
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
Debt service as a percentage of noncapital expenditures				
	2.98%	2.94%	2.89%	2.37%

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

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

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

CITY OF HINESVILLE, GEORGIA

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN TAX DIGEST YEARS

Tax Digest Year	Real Property			Motor Vehicles	Other Personal Property	Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential	Commercial	Mobile Homes							
1996 ⁽¹⁾	\$ 177,565,922	\$ 59,636,803	\$ 2,737,007	\$ 25,301,965	\$ 16,097,832	\$ (39,378)	\$ 281,300,151	10.30	\$ 703,250,378	40%
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%

⁽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
1996	34.640	10.300	12.590	17.800	-	2.000	2.000	0.250
1997	34.110	11.300	12.060	17.800	-	2.000	2.000	0.250
1998	34.100	11.300	12.050	17.800	-	2.000	2.000	0.250
1999	34.070	11.300	12.020	17.800	-	2.000	2.000	0.250
2000	33.550	11.300	11.500	17.800	-	2.000	2.000	0.250
2001	33.031	11.300	11.250	17.581	-	1.975	1.975	0.250
2002	32.865	11.300	11.193	17.492	-	1.965	1.965	0.250
2003	34.865	11.300	14.615	16.000	-	2.000	2.000	0.250
2004	33.529	11.300	13.279	16.000	-	2.000	2.000	0.250
2005	33.480	11.300	13.230	16.000	-	2.000	2.000	0.250

CITY OF HINESVILLE, GEORGIA
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND FOUR YEARS AGO

Taxpayer	2005			2001		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Coastal Utilities	\$ 8,099,593	1	1.66%	\$ 7,762,507	1	2.14%
Georgia Power Company	5,840,103	2	1.20%	4,564,914	2	1.26%
Wal-Mart Stores	3,674,082	3	0.75%	2,975,971	4	0.82%
Lowes Home Centers	2,783,871	4	0.57%	-		-
Lowes Center	2,338,267	5	0.48%	-		-
Wal-Mart Real Estate	2,257,544	6	0.46%	2,693,115	5	0.74%
Raintree Associates LTD	2,025,796	7	0.42%	1,614,240	6	0.45%
The Hinesville Group	1,951,812	8	0.40%			
The Heritage Bank	1,740,125	9	0.36%	1,575,334	7	0.43%
Perlis-Ellin LLC	1,613,426	10	0.33%	-		-
Robert Glenn Carter	-		0.00%	1,478,789	9	0.41%
Sec Of VA	-		-	3,683,203	3	1.02%
Arnov Jake & Etal	-		-	1,560,039	8	0.43%
Comcast	-		-	1,477,236	10	0.41%
Total	\$ 32,324,619		6.62%	\$ 29,385,348		8.11%

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		Collections in Subsequent Years	Total Collections to Date	
				Amount	% of Levy		Amount	% of Levy
1996	\$ 2,897,392	\$ NA	\$ NA	\$ NA	NA	\$	NA	NA
1997	3,392,981	NA	NA	NA	NA		NA	NA
1998	3,625,592	NA	NA	NA	NA		NA	NA
1999	3,762,070	NA	NA	NA	NA		NA	NA
2000	3,833,703	NA	NA	NA	NA		NA	NA
2001	4,092,584	(19,171)	4,073,413	3,943,154	96.35%	124,977	4,068,131	99.40%
2002	4,214,731	(14,934)	4,199,797	4,070,097	96.57%	101,795	4,171,892	98.98%
2003	4,731,090	(18,676)	4,712,414	3,791,148	80.13%	886,824	4,677,972	98.88%
2004	4,842,482	(15,402)	4,827,080	4,614,326	95.29%	143,873	4,758,199	98.26%
2005	4,709,366	(21,957)	4,687,409	4,563,920	96.91%	-	4,563,920	96.91%

NA = Not Available

CITY OF HINESVILLE, GEORGIA
LOCAL OPTION SALES TAX HISTORY
LAST TEN CALENDAR YEARS

	Calendar Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
January	\$ 132,966	\$ 130,901	\$ 132,957	\$ 135,538	\$ 158,400	\$ 184,427	\$ 198,132	\$ 258,444	\$ 262,173	\$ 343,937
February	136,937	134,508	144,293	170,644	161,197	177,037	194,122	246,442	238,449	332,347
March	125,235	124,517	130,168	174,323	171,765	169,113	199,978	251,401	259,671	341,208
April	126,772	134,735	157,404	201,419	166,198	174,951	183,117	282,944	249,009	371,688
May	130,711	132,637	167,989	152,837	181,708	184,751	243,398	284,671	253,999	325,321
June	147,499	141,547	137,747	166,940	156,778	164,486	219,501	261,218	244,409	344,359
July	84,109	153,079	148,385	160,390	174,694	172,771	240,269	279,032	262,231	335,228
August	109,020	148,235	140,392	161,276	154,546	158,037	278,400	267,370	263,971	343,579
September	145,935	140,503	156,497	160,711	160,612	168,511	262,122	262,355	245,563	404,044
October	131,316	138,189	140,447	150,650	168,415	160,090	225,701	243,724	204,811	221,151
November	121,660	135,902	148,971	149,670	164,908	188,191	229,159	244,607	242,812	276,025
December	130,246	136,640	156,686	165,024	174,953	217,970	224,136	276,895	276,836	341,095
Pro Rata	-	54,629	-	8,105	-	15,616	10,110	21,149	10,316	14,896
Adjustment	\$ 1,522,407	\$ 1,706,022	\$ 1,761,937	\$ 1,957,528	\$ 1,994,175	\$ 2,135,950	\$ 2,708,146	\$ 3,180,254	\$ 3,014,248	\$ 3,994,878
Total										

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

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)	Peak (MGD)	Average (MGD)	Residential	Industrial	Commercial	Government	Residential	Industrial	Commercial	Government
1997	10,466	3,010	4,380	3,010	10,409	3,210	4,475	3,210	NA	NA	NA	NA	NA	NA
1998	9,970	3,210	4,200	3,210	9,913	3,420	4,270	3,420	NA	NA	NA	NA	NA	NA
1999	8,750	3,250	4,210	3,250	8,710	3,120	3,830	3,120	773,942	NA	NA	167,342	158	2,823
2000	8,897	3,290	4,290	3,290	8,710	3,128	3,406	3,128	875,641	62	62	172,253	4,465	4,465
2001	9,152	2,990	4,930	2,990	8,798	3,230	4,290	3,230	757,237	771	771	164,839	3,680	3,680
2002	9,155	3,120	3,730	3,120	9,870	3,030	3,340	3,030	796,771	777	777	162,457	6,692	6,692
2003	9,281	2,949	3,257	2,949	9,108	3,849	4,918	3,849	772,050	1,054	1,054	165,119	10,104	10,104
2004	9,449	3,182	3,573	3,182	9,302	3,660	4,251	3,660	886,285	897	897	175,196	11,526	11,526
2005	9,649	2,919	3,160	2,919	9,487	3,470	3,990	3,470	820,033	2,672	2,672	166,387	167,190	167,190
2006	9,657	3,171	3,569	3,171	9,504	3,421	4,036	3,421	879,785	4,981	4,981	167,190	11,502	11,502

MGD = millions of gallons per day
NA = Not Available

Source: City of Hinesville Water Department

CITY OF HINESVILLE, GEORGIA
PRINCIPAL WATER AND SEWER CUSTOMERS
CURRENT FISCAL YEAR

Customer	Gallons Metered	Water Revenue	Sewer Revenue	Total Revenue
Summerwind Condominiums	138,125	\$ 28,611	\$ 30,387	\$ 58,998
Woodwind South Condos	131,800	26,370	26,331	52,701
Raintree Apts	124,950	26,394	26,381	52,775
Hinesville Housing Authority	88,550	5,837	4,362	10,199
Northgate Apts	75,093	15,028	14,990	30,018
Pipkin MHP	72,055	14,421	14,382	28,803
Lakeside 2	71,081	14,226	14,187	28,413
Treetop Apts	68,620	13,807	13,772	27,579
Hospital	61,500	12,310	12,271	24,581
Glover MHP	45,188	6,820	6,795	13,615
Totals	876,962	\$ 163,824	\$ 163,858	\$ 327,682

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 ⁽²⁾	Per Capita
	Certificates of Participation	Notes Payable	Revenue Bonds	Notes Payable			
1997	\$ 3,250,000	\$ 36,539	\$ 9,875,000	\$ 914,656	\$ 14,076,195	1562.13%	226.72
1998	3,130,000	33,862	11,010,000	-	14,173,862	1548.28%	231.51
1999	2,985,000	30,963	10,525,000	141,123	13,682,086	1394.64%	220.73
2000	2,820,000	27,823	10,020,000	102,982	12,970,805	1251.17%	210.53
2001	2,640,000	24,423	9,485,000	62,892	12,212,315	1145.88%	204.17
2002	2,450,000	20,740	8,930,000	20,773	11,421,513	1049.60%	187.89
2003	2,250,000	16,752	8,345,000	2,275,226	12,886,978	1130.78%	215.87
2004	2,040,000	12,433	7,730,000	2,367,288	12,149,721	1032.03%	200.85
2005	1,820,000	7,755	7,080,000	2,619,336	11,527,091	947.87%	200.32
2006	1,590,000	2,688	6,405,000	2,531,713	10,529,401	680.43%	149.91

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

⁽¹⁾ See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data

⁽²⁾ See the Schedule of Demographic and Economic Statistics for personal income and population data

CITY OF HINESVILLE, GEORGIA

PLEDGED-REVENUE COVERAGE LAST TWO FISCAL YEARS

Fiscal Year	Water Revenue Bonds						Coverage Ratio
	Utility Service Charges	Less: Operating Expenses ^a	Net Available Revenue	Principal	Interest	Debt Service ^b	
2005	\$ 5,816,219	4,134,827	1,681,392	733,889	488,018	1.38	
2006	7,118,352	4,684,766	2,433,586	762,623	450,663	2.01	

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

LEGAL DEBT MARGIN INFORMATION LAST TEN FISCAL YEARS

<u>Fiscal Year Ended October 31,</u>	<u>Assessed value of taxable property</u>	<u>Debt Limit (10% of assessed value)</u>	<u>Amount of outstanding debt applicable to debt limit</u>	<u>Legal debt margin</u>	<u>Total net debt applicable to the limit as a percentage of debt limit</u>
1997	\$ 281,300,151	\$ 28,130,015	\$ -	\$ 28,130,015	0.00%
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%

CITY OF HINESVILLE, GEORGIA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF OCTOBER 31, 2006

Jurisdiction	Amount of Authorized Overlapping Debt	Amount of Outstanding Debt as of 10/31/2006	Percentage Applicable to the City of Hinesville ^a	Amount Applicable to the City of Hinesville
Liberty County, Georgia- Overlapping Debt				
Public Facilities Authority Bonds	\$ 1,760,000	\$ 1,455,000	47.62%	\$ 692,847
Sales Tax #4 General Obligation Sales Tax Bonds	5,350,000	3,350,000	47.62%	1,595,215
				<u>2,288,062</u>
City of Hinesville, Georgia- Direct Debt				
Georgia Municipal Association Essential Facilities Certificates of Participation - Series 1997A	3,300,000	1,590,000		1,590,000
Total Direct and Overlapping Debt				<u><u>\$ 3,878,062</u></u>

Subtotal Overlapping Debt

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.

^aThe 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
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

Year	Population ⁽¹⁾	Personal Income ⁽¹⁾	Per Capita Personal Income ⁽¹⁾	Median Age ⁽²⁾	Unemployment Rate ⁽³⁾	School Enrollment ⁽⁴⁾	
						Private	Public
1997	62,087	\$ 901,090	\$ 14,513	23.1	7.40%	166	10,834
1998	61,223	915,457	14,953	23.1	7.80%	258	10,906
1999	61,987	981,046	15,827	23.1	7.50%	314	10,848
2000	61,610	1,036,698	16,913	25.0	5.50%	302	10,931
2001	59,815	1,065,762	17,816	25.0	5.40%	302	11,275
2002	60,787	1,088,175	17,898	25.0	4.00%	354	11,276
2003	59,698	1,139,653	19,064	25.0	4.90%	356	10,923
2004	60,493	1,177,262	19,461	25.0	6.30%	308	11,122
2005	57,544	1,216,111	21,134	25.0	5.40%	430	11,500
2006	70,237	1,547,458	22,032	25.0	6.20%	311	10,906

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	57,906	3,537,438

Source: Year 2000 U.S. Census report.

CITY OF HINESVILLE, GEORGIA
TEN LARGEST EMPLOYERS IN LIBERTY COUNTY
CURRENT YEAR AND ONE YEAR AGO

Business	2006		2005	
	Number of Employees ⁽¹⁾	Percentage of Total County Employment ⁽²⁾	Number of Employees ⁽¹⁾	Percentage of Total County Employment ⁽²⁾
Fort Stewart Civilian Employees	2,711	9.66%	3,044	11.39%
Liberty County Board of Education	1,800	6.42%	1,622	6.07%
SNF, Inc. / Chemtall, Inc.	708	2.52%	650	2.43%
Wal-Mart Super Center	580	2.07%	570	2.13%
Liberty Regional Medical Center	520	1.85%	510	1.91%
Liberty County Board of Commissioners	380	1.35%	325	1.22%
Ther Heritage Bank	318	1.13%	273	1.02%
Interstate Paper Corporation	237	0.84%	237	0.89%
City of Hinesville	192	0.68%	185	0.69%
The Gift Wrap Company	190	0.68%	182	0.68%

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

<u>Fiscal Year Ended October 31,</u>	<u>General Government</u>	<u>Police Department</u>	<u>Fire Department</u>	<u>Inspections</u>	<u>Total</u>
1997	17	88	18	10	133
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

CITY OF HINESVILLE, GEORGIA

PUBLIC SAFETY OPERATING INDICATORS BY FUNCTION LAST TEN FISCAL YEARS

Function	Fiscal Year Ended October 31,									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Police										
Citations issued ⁽¹⁾	13,489	14,272	11,071	10,347	10,600	8,050	9,615	9,432	10,951	13,596
DUI Citations issued ⁽¹⁾	306	269	283	241	222	184	147	137	127	161
Warnings issued ⁽¹⁾	7,071	7,709	5,776	5,606	5,528	4,521	4,759	5,825	5,926	4,909
Crime Statistics: ⁽²⁾										
Aggravated Assault	42	55	50	31	45	53	37	40	35	46
Auto Theft	72	51	47	56	73	67	75	83	64	59
Murder	2	-	1	5	-	7	3	-	-	6
Rape	19	20	26	15	9	16	10	16	22	16
Robbery	57	39	38	31	39	48	63	60	53	50
Burglary	293	258	293	266	252	365	302	385	416	417
Theft	1,173	1,031	1,111	1,205	1,264	1,522	1,537	1,622	1,513	1,726
Fire ⁽³⁾										
Incident responses	NA	NA	NA	1,902	1,975	1,875	1,804	2,092	1,781	2,051
Public Safety Education										
Events	NA	NA	NA	NA	125	108	86	419	113	245
Persons contacted	NA	NA	NA	NA	19,726	8,925	7,668	15,882	16,621	11,647

⁽¹⁾Source: Hinesville Municipal Court

⁽²⁾Source: City of Hinesville Police Department

⁽³⁾Source: City of Hinesville Fire Department

CITY OF HINESVILLE, GEORGIA

CAPITAL ASSET STATISTICS BY FUNCTION LAST TWO FISCAL YEARS

<u>Function/Program</u>	<u>2005</u>	<u>2006</u>
Police		
Stations	1	1
Patrol units	74	83
Fire		
Fire stations	2	2
Fire Trucks		
Engine	3	3
Ladder	1	1
Tanker	1	1
Rescue	3	3
Public works		
Streets owned & maintained (miles) ^a	126	126
Right-of-ways maintained (miles) ^a	2	2
Service trucks	2	2
Water		
Service trucks	7	7
Fire hydrants	1,043	1,043
Storage capacity (millions of gallons) ^b	4.50	4.50
Wastewater		
Treatment capacity per day (millions of gallons)	7.15	7.15
Solid Waste		
Garbage can collection trucks	7	8
Other collection trucks ^c	9	9

Sources: 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 three 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

<u>Fiscal Year Ended October 31,</u>	<u>Residential Permits Issued</u>	<u>Residential Water ERUs</u>	<u>Residential Sewer ERUs</u>	<u>Commercial Permits Issued</u>	<u>Commercial Water ERUs</u>	<u>Commercial Sewer ERUs</u>
1997	228	261.48	362.00	53	89.27	151.07
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

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 FOUR FISCAL YEARS

Grant	Fiscal Year Ended October 31,			
	2003	2004	2005	2006
Advanced Planning Grant	\$ -	\$ -	\$ 175,000	\$ -
Brownfields	-	-	200,000	-
Bryne Memorial	-	-	25,694	14,080
Bulletproof Vest Program	-	6,718	1,073	-
Community Development Block Grant	800,000	-	-	-
Community Home Investment Program	300,000	-	-	-
Emergency Shelter Grant	-	10,000	5,000	10,000
Entitlement Grant	-	367,000	344,261	311,618
GMA Safety & Liability Grant	-	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
	<u>\$ 1,388,884</u>	<u>\$ 487,160</u>	<u>\$ 981,690</u>	<u>\$ 1,531,065</u>

SINGLE AUDIT SECTION

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

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

We have audited the financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hinesville, Georgia (the "City") as of and for the year ended October 31, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 16, 2007. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

We also noted certain additional matters that we reported to management of the City of Hinesville, Georgia in a separate letter dated February 16, 2007.

This report is intended solely for the information and use of the Mayor, members of the City Council, management of the City 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.

Mauldin & Jenkins, LLC

Macon, Georgia
February 16, 2007

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

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

Compliance

We have audited the compliance of the City of Hinesville, Georgia (the "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, 2006. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of 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 *Governmental 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 of the City's compliance with those requirements.

In our opinion, the City of Hinesville, Georgia 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, 2006.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing 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 the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Mayor, members of the City Council, management of the City 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.

Mauldin & Jenkins, LLC

Macon, Georgia
February 16, 2007

CITY OF HINESVILLE, GEORGIA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED OCTOBER 31, 2006**

Federal Agency/ Pass-through Entity	CFDA #	Agency or Pass-through Number	Federal Expenditures
U.S. Department of Justice			
Direct Award			
Edward Byrne Grant	16.738	2005-DJ-BX-0188	\$ 22,953
Gang Resistance Ed and Training	16.544	2004-JV-FX-0168	29,478
Total Direct Award			<u>52,431</u>
Pass-through from Liberty County, Georgia			
Byrne Formula Grant Program			
Multi Agency Crack Enforcement Program	16.579	2005-DJ-BX-0087	170,027
Multi Agency Crack Enforcement Program	16.579	2006-DJ-BX-0043	37,995
Total Multi Agency Crack Enforcement Program			<u>208,022</u>
Total U.S. Department of Justice			<u>260,453</u>
U.S. Department of Housing and Urban Development			
Pass-through from the Georgia Department of Community Affairs			
Entitlement Grant	14.219	B-04-MC-13-0013	246,736
Entitlement Grant	14.219	B-05-MC-13-0013	10,245
Supportive Housing Program	14.235	GA01B401026	40,472
Community Home Investment Program	14.239	03-X-089-2-2881	3,750
Community Development Block Grant (CDBG)	14.228	03-X-089-2-2880	186,502
Emergency Shelter Grant	14.231	2005-01-HTF-ES-05C710	4,748
Total U.S. Department of Housing and Urban Development			<u>492,453</u>
U.S. Department of Homeland Security			
Pass-through from the United Way			
Emergency Food and Shelter National Board Program	97.024	196000-013	5,000
U.S. Environmental Protection Agency			
Direct Award			
Brownfields Assessment and Cleanup Cooperative	66.818	BF-96431205-0	76,695
U.S. Department of Transportation			
Pass-through from the Georgia Department of Transportation			
Planning Contract	20.205	MTG00 0120-00-011	31,350
Total Expenditures of Federal Awards			<u>\$ 865,951</u>

Note 1: The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Hinesville, Georgia (the "City") 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 financial statements

Note 2: During the fiscal year ended October 31, 2006, disbursements were made to sub-recipients from the following grant programs:

Program	CFDA #	Amount
Community Development Block Grant	14.228	\$ 186,502
Entitlement Grant	14.219	128,289
		<u>\$ 314,791</u>

CITY OF HINESVILLE, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED OCTOBER 31, 2006

SECTION I SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued Unqualified

Internal control over financial reporting:
Material weaknesses identified? yes no

Reportable conditions identified not considered
to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal Control over major programs:
Material weaknesses identified? yes no

Reportable conditions identified not considered
to be material weaknesses? yes none reported

Type of auditor's report issued on compliance for
major programs Unqualified

Any audit findings disclosed that are required to
be reported in accordance with OMB Circular
A-133, Section 510(a)? yes no

Identification of major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.219	Entitlement Grant
14.228	Community Development Block Grants

Dollar threshold used to distinguish between
Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? yes no

CITY OF HINESVILLE, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED OCTOBER 31, 2006

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES

None reported.

SECTION III FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reported.

CITY OF HINESVILLE, GEORGIA

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED OCTOBER 31, 2006**

There were no prior year findings.