



**CITY OF HINESVILLE, GEORGIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED**  
**OCTOBER 31, 2005**

Prepared by:  
Hinesville Finance Department

# CITY OF HINESVILLE, GEORGIA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FICAL YEAR ENDED OCTOBER 31, 2005

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# CITY OF HINESVILLE, GEORGIA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FICAL YEAR ENDED OCTOBER 31, 2005

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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  
Fax- (912) 369-2416

**MAYOR PRO TEM**  
David Anderson, Sr.

**COUNCIL MEMBERS**  
Charles Frasier  
Kenneth Shaw  
Jack Shuman  
Steve Troha

May 5, 2006

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, 2005 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 accounts of the City. All disclosures necessary to enable the reader to gain a full understanding of the City's financial activities have been included.

State law requires that every local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended October 31, 2005.

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 unaudited 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, 2005 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, 2005 are fairly presented and conform to generally accepted accounting principles in the United States of America. The independent auditor's report is presented as the first component of the financial section of this report.

Generally accepted accounting 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, 2005. 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 20.42 square miles and consists of 13,068.8 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, Hinesville is the largest city in Liberty County, the third largest city in the coastal region and 17<sup>th</sup> 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.

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.

The City of Hinesville's community development efforts during the past several years of rapid expansion have been aimed at revitalizing older communities that have suffered from lack of attention. The City is committed to improving the quality of life for its citizens. To demonstrate this commitment, the City has aggressively sought and received over \$3.5 million in grant funds to improve housing and public infrastructure. The City of Hinesville has also participated in various other grant programs such as Office of Justice's Community Oriented Policing; Georgia Department of Community Affairs' Local Development Fund; Office of Justice's Local Law Enforcement Block Grants; Governor's Office of Highway Safety; Edward Byrne Memorial's School Resource Officer; Gang Resistance Education and

Training; Georgia Emergency Management Agency; Federal Emergency Management Agency's Fire Grant; Georgia Department of Community Affairs' Quality Growth Program; Georgia Department of Community Affairs' Local Assistance Program; Edward Byrne Memorial's Child Safety Program. With these and other grants, too numerous to mention, Hinesville has been the recipient of more than \$5.5 in state and federal funding.

## **Public Safety**

### Police

The City of Hinesville Police Department is in the final stages of becoming a certified agency through the Georgia Police Accreditation Coalition and is dedicated to making Hinesville a secure and pleasant place to live and work. Its officers are trained to enforce city ordinances and state laws within Hinesville's city limits. In addition, the department assists other local agencies such as the sheriff's department and the Multi-Agency Crack Enforcement team. The Hinesville Police Department carries out an aggressive crime prevention program, works to reduce crimes and responds to calls for assistance throughout the year.

During 2005, the Hinesville Police Department responded to 55,531 calls with an average response time of 4.34 minutes per call. Additionally, in 2005, the department continued to emphasize citizen education and awareness as ways to combat crime in the community. The department established 24 active Neighborhood Watch groups. Department personnel held 55 Neighborhood Watch meetings and attended 15 Neighborhood Watch Activities to conduct bicycle registration and fingerprinting. In addition, department personnel conducted education programs on Gang Awareness; Reporting Suspicious People, Activities and Vehicles; Business and Home Security Checks; and Shoplifting Prevention Training. The department organized the local National Neighborhood Night Out event which garnered participation of 85 different organizations, was attended by 1,032 people and won the American Legion Award for Community Service.

### 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 an Automatic Aid agreement with the 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 four 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).

In 2004, the City was proud to open our second fire station in the base of 2.5 million gallon water tower. This unique, three floor facility was built using labor provided by the Georgia Department of Corrections. This station has four (4) personnel for each shift with an engine, tanker and 1<sup>st</sup> Responder vehicle. The third floor of this station now houses the departments training room which will allow 55 individuals to sit comfortably during training.

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.

An example of some of the Public Safety Education opportunities provided by the department is the Fire Safety House, babysitting classes, CPR classes, station tours, smoke detector program, Juvenile Fire Setter Program, and the Hazard House. Over the past 5 years, this department has made contact with 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 and Bryan counties to ensure that the children are educated in emergency procedures during a fire in their home and also fire hazards in their home.

We house the hazardous materials trailer for the 5 county HAZMAT Team. Our department will respond to any hazardous material incidents in Liberty, Long, Bryan, Wayne and McIntosh counties. The equipment was purchased with two grants received from Georgia Emergency Management Agency (GEMA). The Georgia Search and Rescue (GSAR) team was established with a grant and governed by the Savannah Fire Department in 2005. The City's fire department provides 9 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 850 registered businesses, the City also issues over 1,100 licenses and permits each year. Hinesville is home to Fort Stewart Military Reservation, one of the largest active military bases in the country and the largest Army installation east of the Mississippi River. Fort Stewart consists of approximately 280,000 acres, includes 5 counties and is adjacent to Hinesville's downtown area. The main gate into Fort Stewart is located within the City of Hinesville. Over 70% of military personnel residing off the installation live in Hinesville. Fort Stewart and the City of Hinesville are inextricably linked both economically and culturally. More than any other factor, Fort Stewart has shaped the economic health and image of Hinesville.

## **Downtown Revitalization**

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

## **Financial Planning**

Consistent with its past practices the City adopted a conservative approach in defining the 2005 budget. By balancing planned expenditures to anticipated revenue streams the City was able to maintain a proposed millage rate of 11.30, which has been a consistent net rate since the 1997 tax digest year.

The City met a few fiscal challenges in developing the 2005 budget. Some of these were planning the budget with a record number troop deployment from Fort Stewart, as well as, meeting the growing needs of the City. The City had to anticipate the decline in major revenue sources while realizing that the same decline in expenditures was not possible. Through diligent management of expenditures by each department head, the City has fared well during this time.

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

## **Financial Information**

### The Accounting System:

The City maintains six funds: General Fund, Multiple Grant, Special Revenues, Capital Projects, Water & Sewer 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 2005 fiscal year and the Auditor's unqualified opinion has been included in this report.

### **Acknowledgements**

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 2005 and the preparation of this report.

Respectfully submitted,

A handwritten signature in black ink that reads "Kimberly T. Davis". The signature is written in a cursive style with a large, looped initial "K".

Kimberly T. Davis  
Chief Financial Officer

# CITY OF HINESVILLE, GEORGIA

## PRINCIPAL OFFICIALS

OCTOBER 31, 2005

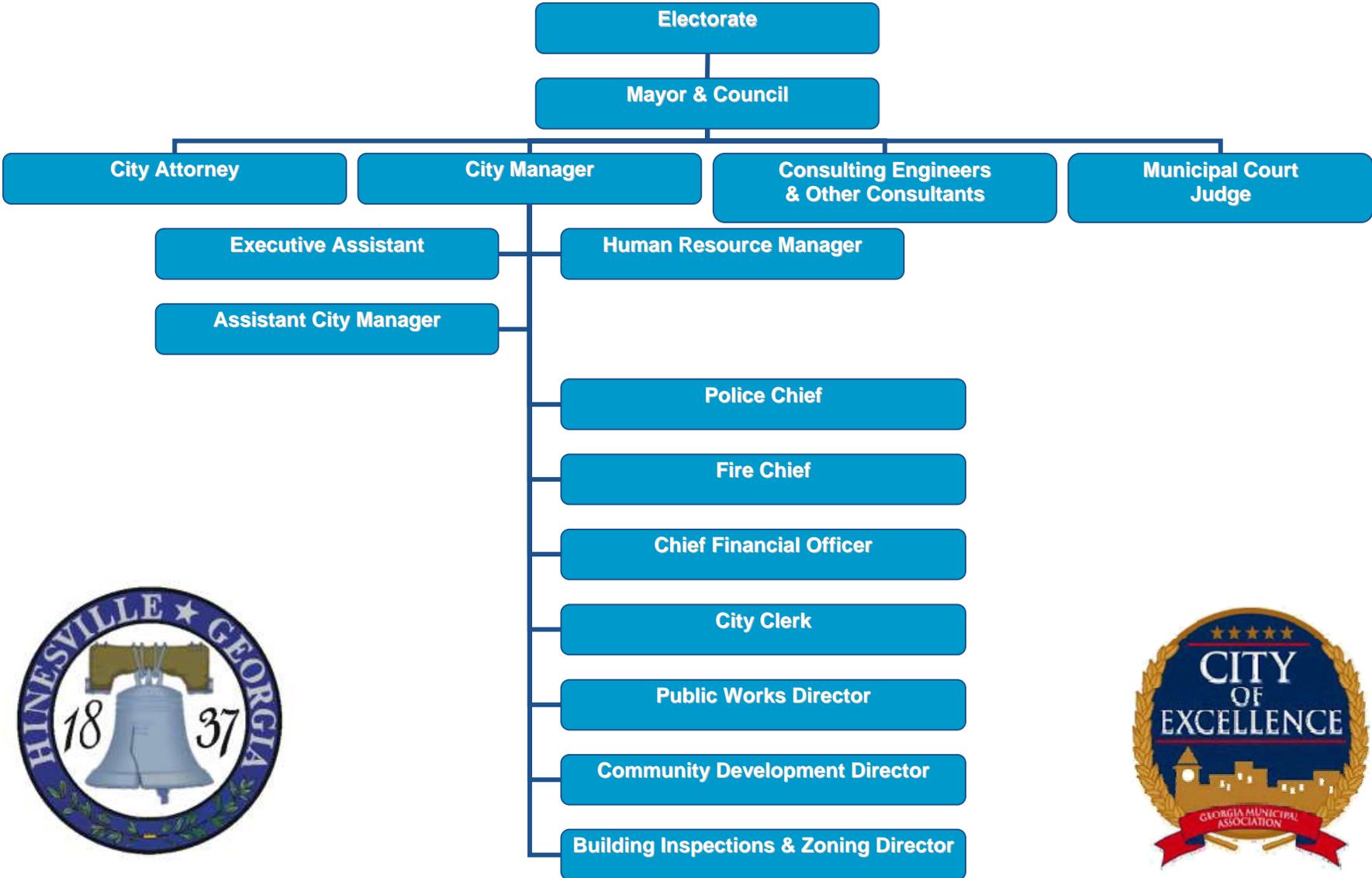
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Mayor	Mr. Thomas J Ratcliffe, Jr.
Mayor Pro Tem	Mr. David Anderson
Council Member	Mr. Charles Frasier
Council Member	Mr. Steve Troha
Council Member	Mr. Jack Shuman
Council Member	Mr. Kenneth Shaw
City Manager	Mr. Billy Edwards
City Clerk	Mrs. Sarah 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

**CITY OF HINESVILLE, GEORGIA**

**ORGANIZATIONAL CHART**

**OCTOBER 31, 2005**



## **FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

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**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, 2005, 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, 2005, 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 14, 2006 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.

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The Management's Discussion and Analysis (on pages 3 through 10) is not a required part of the basic financial statements, but is 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, 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 14, 2006

# CITY OF HINESVILLE, GEORGIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2005. 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 \$54,220,017 (*net assets*). Of this amount, \$14,127,325 (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$3,965,237 primarily due to increases in the governmental activities net assets.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9,106,207, an increase of \$1,168,999 in comparison with the prior year. Approximately ninety-four percent (94%) of this total amount, or \$8,242,597, 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 \$8,242,597, or sixty-two percent (62%) of total general fund expenditures for the fiscal year.
- The City's total debt decreased by \$486,374 (4%) 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 2005 total \$26,496,160. Of this amount, \$12,784,158, or forty-eight percent (48%), was generated from program revenues. The balance of \$13,712,002, or fifty-two percent (52%), was generated from general revenues.
- The City's program expenses for fiscal year 2005 total \$22,530,923. Of this amount, \$14,308,082, or sixty-four percent (64%), was generated from governmental activities. The balance of \$8,222,841, or thirty-six percent (36%), was generated from business-type activities.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to 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

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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 45 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, 2005 and 2004.

#### The City of Hinesville's Net Assets October 31, 2005

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 10,301,312	\$ 9,125,564	\$ 5,244,390	\$ 5,076,521	\$ 15,545,702	\$ 14,202,085
Capital assets	31,344,814	28,703,317	20,234,767	20,610,258	51,579,581	49,313,575
Total assets	<u>41,646,126</u>	<u>37,828,881</u>	<u>25,479,157</u>	<u>25,686,779</u>	<u>67,125,283</u>	<u>63,515,660</u>
Long-term liabilities outstanding	2,612,313	2,819,062	8,777,546	9,057,171	11,389,859	11,876,233
Other liabilities	809,129	653,308	706,278	731,339	1,515,407	1,384,647
Total liabilities	<u>3,421,442</u>	<u>3,472,370</u>	<u>9,483,824</u>	<u>9,788,510</u>	<u>12,905,266</u>	<u>13,260,880</u>
Net assets:						
Invested in capital assets, net of related debt	26,531,993	26,557,255	11,440,310	11,566,321	37,972,303	38,123,576
Restricted	-	-	2,120,389	2,388,126	2,120,389	2,388,126
Unrestricted	11,692,691	7,799,256	2,434,634	1,943,822	14,127,325	9,743,078
Total net assets	<u>\$ 38,224,684</u>	<u>\$ 34,356,511</u>	<u>\$ 15,995,333</u>	<u>\$ 15,898,269</u>	<u>\$ 54,220,017</u>	<u>\$ 50,254,780</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 \$54,220,017 and \$50,254,780 at October 31, 2005 and 2004, respectively.

By far the largest portion of the City's net assets (70%) 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, \$2,120,389 or four percent (4%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of the City's net assets, \$14,127,325 or twenty-six percent (26%), 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 2005 and 2004.

### City of Hinesville's Changes in Net Assets October 31, 2005

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues						
Charges for services	\$ 2,065,204	\$ 2,093,244	\$ 7,610,791	\$ 7,977,844	\$ 9,675,995	\$ 10,071,088
Operating grants and contributions	775,003	466,299	-	-	775,003	466,299
Capital grants and contributions	1,756,388	138,894	576,772	-	2,333,160	138,894
General revenues:						
Taxes	12,845,757	11,807,735	-	-	12,845,757	11,807,735
Investment earnings	194,943	84,886	121,511	92,545	316,454	177,431
Other revenues	145,877	77,976	363,311	381,223	509,188	459,199
Total revenues	<u>17,783,172</u>	<u>14,669,034</u>	<u>8,672,385</u>	<u>8,451,612</u>	<u>26,455,557</u>	<u>23,120,646</u>
Expenses:						
General government	1,952,769	1,953,572	-	-	1,952,769	1,953,572
Public safety	7,581,847	6,943,658	-	-	7,581,847	6,943,658
Highways and streets	2,906,748	2,644,094	-	-	2,906,748	2,644,094
Health	669,126	745,803	-	-	669,126	745,803
Welfare	733,852	422,777	-	-	733,852	422,777
Culture and recreation	352,428	374,324	-	-	352,428	374,324
Interest and fiscal charges	111,312	119,569	-	-	111,312	119,569
Water and Sewer	-	-	6,182,700	6,192,010	6,182,700	6,192,010
Sanitation	-	-	2,040,141	1,978,291	2,040,141	1,978,291
Total expenses	<u>14,308,082</u>	<u>13,203,797</u>	<u>8,222,841</u>	<u>8,170,301</u>	<u>22,530,923</u>	<u>21,374,098</u>
Increase in net assets before transfers	<u>3,475,090</u>	<u>1,465,237</u>	<u>449,544</u>	<u>281,311</u>	<u>3,924,634</u>	<u>1,746,548</u>
Gain on sale of assets	40,603	-	-	-	40,603	-
Transfers	<u>352,480</u>	<u>389,516</u>	<u>(352,480)</u>	<u>(389,516)</u>	<u>-</u>	<u>-</u>
Change in net assets	3,868,173	1,854,753	97,064	(108,205)	3,965,237	1,746,548
Net assets, beginning of year	34,356,511	32,501,758	15,898,269	16,006,474	50,254,780	48,508,232
Net assets, end of year	<u>\$ 38,224,684</u>	<u>\$ 34,356,511</u>	<u>\$ 15,995,333</u>	<u>\$ 15,898,269</u>	<u>\$ 54,220,017</u>	<u>\$ 50,254,780</u>

**Governmental Activities.** Governmental activities increased the City's net assets by \$3,868,173 and \$1,854,753 as of October 31, 2005 and 2004, respectively. This represents an increase in the change in net assets of \$2,013,420 or 109% from the prior year. As illustrated above, taxes constitute the largest single revenue line item at \$12,845,757 or seventy-three (73%) of total revenue in 2005 and \$11,807,735 or eighty percent (80%) in 2004. Charges for services is the second largest revenue source at \$2,065,204 or eleven percent (11%) in 2005 and \$2,093,244 or fourteen percent (14%) in 2004.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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**Business-type Activities:** Business-type activities increased the City's net assets by \$97,604 as of October 31, 2005 and decreased net assets by \$108,205, as of October 31, 2004. Charges for services constitute the major portion of revenue at \$7,610,791 or eighty-eight percent (88%) of total revenue in 2005 and \$7,977,844 or ninety-three percent (93%) of total revenue in 2004.

### ***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. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$8,242,597, while total fund balance reached \$8,723,208. 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-six percent (66%) of that same amount.

At October 31, 2005, the governmental funds of City reported a combined fund balance of \$9,106,207, a fifteen percent (15%) 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, 2005, total actual revenues varied from total budgeted revenues in the General Fund by (\$413,968). The majority of this negative variance is made up of Use of Fund Balance that the City budgeted but did not have the need to use.

At October 31, 2005, total actual expenditures varied from total budgeted expenditures in the General Fund by \$1,215,342. 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 \$2,428,795 in the Water and Sewer Fund and \$5,839 in the Sanitation Fund. Other factors concerning the finances of this fund have already 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 \$51,579,581 and \$49,313,575 (net of accumulated depreciation) as of October 31, 2005 and 2004, respectively. These assets include buildings, infrastructure, land, heavy equipment, equipment, and office furniture.

**City of Hinesville's Capital Assets  
(net of depreciation)  
October 31, 2005**

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$ 1,740,883	\$ 716,909	\$ -	\$ -	\$ 1,740,883	\$ 716,909
Construction in progress	645,651	719,416	1,184,943	847,291	1,830,594	1,566,707
Buildings and improvements	3,767,098	3,834,270	-	-	3,767,098	3,834,270
Utility plant in service	-	-	18,113,810	18,820,259	18,113,810	18,820,259
Vehicles	766,554	681,913	-	-	766,554	681,913
Heavy equipment	276,812	338,826	-	-	276,812	338,826
Equipment	103,781	86,636	936,014	942,708	1,039,795	1,029,344
Office equipment	34,630	32,401	-	-	34,630	32,401
Infrastructure	24,009,405	22,292,946	-	-	24,009,405	22,292,946
Total	<u>\$ 31,344,814</u>	<u>\$ 28,703,317</u>	<u>\$ 20,234,767</u>	<u>\$ 20,610,258</u>	<u>\$ 51,579,581</u>	<u>\$ 49,313,575</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, 2005, the City of Hinesville had total bonded debt outstanding of \$8,900,000. Of this, \$1,820,000 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

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### **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, 2005. 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. We started the 2005 fiscal year with knowledge that the 3<sup>rd</sup> Infantry Division would be deployed to Iraq early in 2005. We knew the duration of this deployment would be from 12 – 18 months. We used this knowledge in our revenue projections for fiscal year 2005. By the time we began preparing our fiscal year 2006 budget, we learned our troops would return home early in 2006.

### **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, demonstrate the City's commitment to public accountability. Questions concerning any of the information provided 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.

# CITY OF HINESVILLE, GEORGIA

## STATEMENT OF NET ASSETS

OCTOBER 31, 2005

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,439,310	\$ 928,892	\$ 4,368,202	\$ 2,500
Investments	2,836,744	406,558	3,243,302	-
Receivables, net	1,824,386	1,254,170	3,078,556	-
Notes receivable, net	81,289	-	81,289	-
Internal balances	785,846	(785,846)	-	-
Due from other governments	369,813	-	369,813	-
Due from component unit	176,859	-	176,859	-
Prepaid items	93,220	22,992	116,212	-
Restricted assets:				
Cash and cash equivalents	693,845	2,612,254	3,306,099	16,362
Investments	-	805,370	805,370	-
Assets held for resale	-	-	-	191,022
Capital assets:				
Nondepreciable	2,386,534	1,184,942	3,571,476	-
Depreciable, net of accumulated depreciation	28,958,280	19,049,825	48,008,105	-
Total assets	41,646,126	25,479,157	67,125,283	209,884
<b>LIABILITIES</b>				
Accounts payable	357,258	302,648	659,906	3,095
Accrued expenses	182,445	11,577	194,022	-
Due to component unit	143,797	-	143,797	-
Due to primary government	-	-	-	176,859
Deferred revenue	18,000	-	18,000	-
Payable from restricted assets:				
Customer deposits	-	348,143	348,143	-
Accrued interest	-	43,910	43,910	-
Other liabilities	107,629	-	107,629	-
Noncurrent liabilities:				
Due within one year	977,112	657,502	1,634,614	-
Due in more than one year	1,635,201	8,120,044	9,755,245	-
Total liabilities	3,421,442	9,483,824	12,905,266	179,954
<b>NET ASSETS</b>				
Capital assets, net of related debt	26,531,993	11,440,310	37,972,303	-
Restricted for:				
Revenue bond retirement	-	2,119,716	2,119,716	-
Renewal and extension	-	673	673	-
Unrestricted	11,692,691	2,434,634	14,127,325	29,930
Total net assets	\$ 38,224,684	\$ 15,995,333	\$ 54,220,017	\$ 29,930

**CITY OF HINESVILLE, GEORGIA**

**STATEMENT OF ACTIVITIES  
YEAR ENDED OCTOBER 31, 2005**

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	Total	
<b>Primary government:</b>								
Governmental activities:								
General government	\$ 1,952,769	\$ 577,856	\$ 24,477	\$ -	\$ (1,350,436)	\$ -	\$ (1,350,436)	\$ -
Public safety	7,581,847	1,379,091	225,382	142,497	(5,834,877)	-	(5,834,877)	-
Highways and streets	2,906,748	53,919	101,162	1,594,246	(1,157,421)	-	(1,157,421)	-
Health	669,126	54,338	-	-	(614,788)	-	(614,788)	-
Welfare	733,852	-	423,982	19,645	(290,225)	-	(290,225)	-
Culture and recreation	352,428	-	-	-	(352,428)	-	(352,428)	-
Interest and fiscal charges	111,312	-	-	-	(111,312)	-	(111,312)	-
Total governmental activities	<u>14,308,082</u>	<u>2,065,204</u>	<u>775,003</u>	<u>1,756,388</u>	<u>(9,711,487)</u>	<u>-</u>	<u>(9,711,487)</u>	<u>-</u>
Business-type activities:								
Water and sewer	6,182,700	5,452,908	-	576,772	-	(153,020)	(153,020)	-
Sanitation	2,040,141	2,157,883	-	-	-	117,742	117,742	-
Total business-type activities	<u>8,222,841</u>	<u>7,610,791</u>	<u>-</u>	<u>576,772</u>	<u>-</u>	<u>(35,278)</u>	<u>(35,278)</u>	<u>-</u>
Total primary government	<u>\$ 22,530,923</u>	<u>\$ 9,675,995</u>	<u>\$ 775,003</u>	<u>\$ 2,333,160</u>	<u>(9,711,487)</u>	<u>(35,278)</u>	<u>(9,746,765)</u>	<u>-</u>
<b>Component unit:</b>								
Downtown Development Authority	37,495	-	67,425	-	-	-	-	29,930
Total component unit	<u>\$ 37,495</u>	<u>\$ -</u>	<u>\$ 67,425</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,930</u>
General revenues:								
Property taxes					4,950,198	-	4,950,198	-
Sales taxes					4,695,811	-	4,695,811	-
Franchise taxes					1,257,521	-	1,257,521	-
Insurance premium tax					1,522,137	-	1,522,137	-
Alcoholic beverages taxes					285,413	-	285,413	-
Other taxes					134,677	-	134,677	-
Other revenues					145,877	363,311	509,188	-
Investment earnings					194,943	121,511	316,454	-
Gain on sale of assets					40,603	-	40,603	-
Transfers					352,480	(352,480)	-	-
Total general revenues and transfers					<u>13,579,660</u>	<u>132,342</u>	<u>13,712,002</u>	<u>-</u>
Change in net assets					3,868,173	97,064	3,965,237	29,930
Net assets - beginning					34,356,511	15,898,269	50,254,780	-
Net assets - ending					<u>\$ 38,224,684</u>	<u>\$ 15,995,333</u>	<u>\$ 54,220,017</u>	<u>\$ 29,930</u>

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

**CITY OF HINESVILLE, GEORGIA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
OCTOBER 31, 2005**

	<u>General</u>	<u>SPLOST</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,070,500	\$ -	\$ 368,810	\$ 3,439,310
Investments	2,836,744	-	-	2,836,744
Receivables, net	1,052,777	546,678	224,931	1,824,386
Notes receivable, net	-	-	81,289	81,289
Due from other funds	1,381,508	-	-	1,381,508
Due from other governments	369,813	-	-	369,813
Due from component unit	176,859	-	-	176,859
Prepaid items	93,220	-	-	93,220
Restricted assets:				
Cash and cash equivalents	693,845	-		693,845
Total assets	<u>\$ 9,675,266</u>	<u>\$ 546,678</u>	<u>\$ 675,030</u>	<u>\$ 10,896,974</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 276,479	\$ 644	\$ 80,135	\$ 357,258
Accrued liabilities	157,810	-	471	158,281
Due to other funds	-	525,700	69,962	595,662
Due to component unit	-	-	143,797	143,797
Deferred revenue	410,140	-	18,000	428,140
Other liabilities	107,629	-	-	107,629
Total liabilities	<u>952,058</u>	<u>526,344</u>	<u>312,365</u>	<u>1,790,767</u>
Fund balances:				
Reserved for prepaid items	93,220	-	-	93,220
Reserved for debt service	387,391	-	-	387,391
Unreserved, reported in				
General fund	8,242,597	-	-	8,242,597
Special revenue funds	-	-	362,665	362,665
Capital project funds	-	20,334	-	20,334
Total fund balances	<u>8,723,208</u>	<u>20,334</u>	<u>362,665</u>	<u>9,106,207</u>
Total liabilities and fund balances	<u>\$ 9,675,266</u>	<u>\$ 546,678</u>	<u>\$ 675,030</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.

31,344,814

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

410,140

Certain liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

(2,636,477)

Net assets of governmental activities

\$ 38,224,684

**CITY OF HINESVILLE, GEORGIA**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED OCTOBER 31, 2005**

	<u>General</u>	<u>SPLOST</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Property taxes	\$ 5,171,734	\$ -	\$ -	\$ 5,171,734
Sales taxes	3,016,104	1,679,707	-	4,695,811
Other taxes	3,065,071	-	134,677	3,199,748
Licenses and permits	449,481	-	-	449,481
Charges for services	33,615	-	-	33,615
Intergovernmental	289,829	-	647,316	937,145
Fines, forfeitures, and fees	1,198,644	-	-	1,198,644
Interest revenues	184,562	-	10,381	194,943
Other revenues	457,431	-	-	457,431
Total revenues	<u>13,866,471</u>	<u>1,679,707</u>	<u>792,374</u>	<u>16,338,552</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	1,964,178	-	53,871	2,018,049
Public safety	7,382,811	-	77,387	7,460,198
Highways and streets	2,289,907	-	-	2,289,907
Health	533,782	-	96,909	630,691
Welfare	320,889	-	413,336	734,225
Culture and recreation	347,789	-	-	347,789
<b>Capital outlay</b>	-	1,679,889	-	1,679,889
<b>Debt service:</b>				
Principal	290,022	-	-	290,022
Interest and fiscal charges	111,866	-	-	111,866
Total expenditures	<u>13,241,244</u>	<u>1,679,889</u>	<u>641,503</u>	<u>15,562,636</u>
Excess (deficiency) of revenues over (under) expenditures	<u>625,227</u>	<u>(182)</u>	<u>150,871</u>	<u>775,916</u>
<b>Other financing sources (uses)</b>				
Proceeds from the sale of assets	40,603	-	-	40,603
Transfers in	442,535	-	-	442,535
Transfers out	-	-	(90,055)	(90,055)
Total other financing sources (uses)	<u>483,138</u>	<u>-</u>	<u>(90,055)</u>	<u>393,083</u>
Net change in fund balances	1,108,365	(182)	60,816	1,168,999
<b>Fund balance - November 1</b>	<u>7,614,843</u>	<u>20,516</u>	<u>301,849</u>	<u>7,937,208</u>
<b>Fund balance - October 31</b>	<u>\$ 8,723,208</u>	<u>\$ 20,334</u>	<u>\$ 362,665</u>	<u>\$ 9,106,207</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, 2005

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

Net change in fund balances - total governmental funds	\$ 1,168,999
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.	1,047,251
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	1,594,246
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(149,626)
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.	290,022
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>(82,719)</u>
Change in net assets of governmental activities	<u><u>\$ 3,868,173</u></u>

**CITY OF HINESVILLE, GEORGIA**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - GENERAL FUND  
YEAR ENDED OCTOBER 31, 2005**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>Revenues:</b>				
Property taxes	\$ 4,832,077	\$ 4,849,702	\$ 5,171,734	\$ 322,032
Sales taxes	3,268,733	3,268,733	3,016,104	(252,629)
Other taxes	2,850,799	2,871,192	3,065,071	193,879
Licenses and permits	397,214	432,219	449,481	17,262
Charges for services	37,457	37,457	33,615	(3,842)
Intergovernmental	311,212	311,212	289,829	(21,383)
Fines, forfeitures, and fees	1,338,395	1,404,195	1,198,644	(205,551)
Interest revenues	96,495	179,427	184,562	5,135
Other revenues	706,543	926,302	457,431	(468,871)
Total revenues	<u>13,838,925</u>	<u>14,280,439</u>	<u>13,866,471</u>	<u>(413,968)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	2,385,877	2,468,562	1,964,178	504,384
Public safety	7,820,592	7,933,758	7,382,811	550,947
Highways and streets	2,045,501	2,295,404	2,289,907	5,497
Health	595,171	622,584	533,782	88,802
Welfare	386,499	391,499	320,889	70,610
Culture and recreation	317,718	345,063	347,789	(2,726)
<b>Debt service:</b>				
Principal	342,724	291,019	290,022	997
Interest and fiscal charges	120,990	108,697	111,866	(3,169)
Total expenditures	<u>14,015,072</u>	<u>14,456,586</u>	<u>13,241,244</u>	<u>1,215,342</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(176,147)</u>	<u>(176,147)</u>	<u>625,227</u>	<u>801,374</u>
<b>Other financing sources (uses):</b>				
Proceeds from sale of assets	12,000	12,000	40,603	28,603
Transfers in	599,047	599,047	442,535	(156,512)
Transfers out	(434,900)	(434,900)	-	434,900
Total other financing sources	<u>176,147</u>	<u>176,147</u>	<u>483,138</u>	<u>306,991</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>1,108,365</u>	<u>\$ 1,108,365</u>
<b>Fund balance - November 1</b>			<u>7,614,843</u>	
<b>Fund balance - October 31</b>			<u>\$ 8,723,208</u>	

**CITY OF HINESVILLE, GEORGIA**

**STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
OCTOBER 31, 2005**

	<u>Water and Sewer Fund</u>	<u>Sanitation Fund</u>	<u>Total Business-type Activities</u>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 928,892	\$ -	\$ 928,892
Investments	406,558	-	406,558
Receivables, net	1,254,170	-	1,254,170
Due from other funds	-	77,216	77,216
Prepaid items	22,992	-	22,992
Restricted assets:			
Cash and cash equivalents	2,612,254	-	2,612,254
Investments	805,370	-	805,370
Total current assets	<u>6,030,236</u>	<u>77,216</u>	<u>6,107,452</u>
Noncurrent assets			
Capital assets, nondepreciable	1,184,942	-	1,184,942
Capital assets, net of accumulated depreciation	18,785,588	264,237	19,049,825
Total noncurrent assets	<u>19,970,530</u>	<u>264,237</u>	<u>20,234,767</u>
Total assets	<u>26,000,766</u>	<u>341,453</u>	<u>26,342,219</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	231,271	71,377	302,648
Accrued expenses	24,796	-	24,796
Due to other funds	863,062	-	863,062
Payable from restricted assets:			
Customer deposits	348,143	-	348,143
Current portion of notes payable	87,624	-	87,624
Current portion of revenue bonds payable	675,000	-	675,000
Accrued interest	43,910	-	43,910
Total current liabilities	<u>2,273,806</u>	<u>71,377</u>	<u>2,345,183</u>
Noncurrent liabilities			
Notes payable, long-term portion	2,531,712	-	2,531,712
Long-term debt, net	5,469,991	-	5,469,991
Total noncurrent liabilities	<u>8,001,703</u>	<u>-</u>	<u>8,001,703</u>
Total liabilities	<u>10,275,509</u>	<u>71,377</u>	<u>10,346,886</u>
<b>NET ASSETS</b>			
Capital assets, net of related debt	11,176,073	264,237	11,440,310
Restricted for:			
Revenue bond retirement	2,119,716	-	2,119,716
Renewal and extension	673	-	673
Unrestricted	2,428,795	5,839	2,434,634
Total net assets	<u>\$ 15,725,257</u>	<u>\$ 270,076</u>	<u>\$ 15,995,333</u>

**CITY OF HINESVILLE, GEORGIA**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
 PROPRIETARY FUNDS  
 YEAR ENDED OCTOBER 31, 2005**

	<b>Water and Sewer Fund</b>	<b>Sanitation Fund</b>	<b>Total Business-type Activities</b>
<b>Operating revenues:</b>			
Water fees	\$ 2,437,875	\$ -	\$ 2,437,875
Sewer fees	2,180,153	-	2,180,153
Fort Stewart sewer fees	658,828	-	658,828
Water and sewer impact fees	176,052	-	176,052
Sanitation fees	-	2,157,883	2,157,883
Miscellaneous	363,311	-	363,311
Total operating revenues	<u>5,816,219</u>	<u>2,157,883</u>	<u>7,974,102</u>
<b>Operating expenses:</b>			
Salaries	253,384	-	253,384
Payroll taxes	18,048	-	18,048
Vehicle operating expenses	37,072	75,425	112,497
Office supplies and postage	77,324	-	77,324
General insurance	70,843	-	70,843
Professional fees	70,631	-	70,631
Computer services	13,028	-	13,028
Retirement program	12,472	-	12,472
Equipment rental and repairs	2,877	-	2,877
Schools and training	8,695	-	8,695
Operating supplies	94,897	35,343	130,240
Utilities	376,479	22,300	398,779
Operations, wastewater treatment plant:			
City of Hinesville	265,104	-	265,104
Fort Stewart	265,103	-	265,103
O.M.I. Operations	1,455,168	1,461,746	2,916,914
Repairs and materials	1,080,919	95,726	1,176,645
Depreciation	1,434,292	58,101	1,492,393
Drinking water program	10,050	-	10,050
Miscellaneous	22,733	-	22,733
Disposal	-	228,150	228,150
Grinding services	-	63,350	63,350
Total operating expenses	<u>5,569,119</u>	<u>2,040,141</u>	<u>7,609,260</u>
Operating income	<u>247,100</u>	<u>117,742</u>	<u>364,842</u>
<b>Nonoperating revenues (expenses):</b>			
Investment income	121,511	-	121,511
Interest and fiscal charges	(613,581)	-	(613,581)
Total nonoperating expense	<u>(492,070)</u>	<u>-</u>	<u>(492,070)</u>
Income (loss) before transfers and contributions	<u>(244,970)</u>	<u>117,742</u>	<u>(127,228)</u>

**(Continued)**

**CITY OF HINESVILLE, GEORGIA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED OCTOBER 31, 2005**

	<u>Water and Sewer Fund</u>	<u>Sanitation Fund</u>	<u>Total Business-type Activities</u>
<b>Transfers out</b>	\$ (290,811)	\$ (61,669)	\$ (352,480)
<b>Contributions</b>	<u>576,772</u>	<u>-</u>	<u>576,772</u>
Change in net assets	40,991	56,073	97,064
<b>Total net assets - November 1</b>	<u>15,684,266</u>	<u>214,003</u>	<u>15,898,269</u>
<b>Total net assets - October 31</b>	<u>\$ 15,725,257</u>	<u>\$ 270,076</u>	<u>\$ 15,995,333</u>

**CITY OF HINESVILLE, GEORGIA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED OCTOBER 31, 2005**

	<b>Water and Sewer Fund</b>	<b>Sanitation Fund</b>	<b>Totals</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers and users	\$ 5,855,490	\$ 2,157,883	\$ 8,013,373
Cash paid to suppliers	(3,125,184)	(1,934,006)	(5,059,190)
Cash paid to employees	(252,057)	-	(252,057)
Net cash provided by operating activities	<u>2,478,249</u>	<u>223,877</u>	<u>2,702,126</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers out	(290,811)	(61,669)	(352,480)
Net cash used by noncapital financing activities	<u>(290,811)</u>	<u>(61,669)</u>	<u>(352,480)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Proceeds from long term borrowings	335,937	-	335,937
Purchase of capital assets	(377,922)	(162,208)	(540,130)
Principal payments on long-term borrowings	(733,889)	-	(733,889)
Interest payments on long-term borrowings	(488,018)	-	(488,018)
Net cash used by capital and related financing activities	<u>(1,263,892)</u>	<u>(162,208)</u>	<u>(1,426,100)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from maturities of investments	2,255,595	-	2,255,595
Interest on investments	116,328	-	116,328
Purchase of investments	(1,644,213)	-	(1,644,213)
Net cash provided by investing activities	<u>727,710</u>	<u>-</u>	<u>727,710</u>
Net increase in cash and cash equivalents	1,651,256	-	1,651,256
Cash and cash equivalents/investments, November 1	<u>1,889,890</u>	<u>-</u>	<u>1,889,890</u>
Cash and cash equivalents/investments, October 31	<u>\$ 3,541,146</u>	<u>\$ -</u>	<u>\$ 3,541,146</u>
<b>CLASSIFIED AS:</b>			
Cash and cash equivalents	\$ 928,892	\$ -	\$ 928,892
Restricted assets:			
Cash and cash equivalents	2,612,254	-	2,612,254
	<u>\$ 3,541,146</u>	<u>\$ -</u>	<u>\$ 3,541,146</u>

(Continued)

**CITY OF HINESVILLE, GEORGIA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED OCTOBER 31, 2005**

	<u>Water and Sewer Fund</u>	<u>Sanitation Fund</u>	<u>Totals</u>
<b>SCHEDULE OF NONCASH ACTIVITIES</b>			
Unrealized loss from change in fair value of investments	\$ (5,183)	\$ -	\$ (5,183)
Contributed capital from developers	576,772	-	576,772
	<u>\$ 571,589</u>	<u>\$ -</u>	<u>\$ 571,589</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>			
Operating income	\$ 247,100	\$ 117,742	\$ 364,842
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,434,292	58,101	1,492,393
Change in assets and liabilities:			
Increase in receivables	(12,664)	-	(12,664)
Decrease (increase) in due from other funds	892,873	(4,438)	888,435
Decrease in prepaid items	1,417	-	1,417
Increase (decrease) in accounts payable	(138,031)	52,472	(85,559)
Increase in customer deposits payable	51,935	-	51,935
Increase in accrued expenses	1,327	-	1,327
Total adjustments	<u>2,231,149</u>	<u>106,135</u>	<u>2,337,284</u>
Net cash provided by operating activities	<u>\$ 2,478,249</u>	<u>\$ 223,877</u>	<u>\$ 2,702,126</u>

**CITY OF HINESVILLE, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**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

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### 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

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### 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 measurable and available. 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

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### C. Basis of Accounting and Measurement Focus (Continued)

The City considers property taxes as available to the extent they are collected within 60 days after year-end. A one-year availability period is used for revenue recognition for all other governmental fund revenues.

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, 2005, there were no encumbrances outstanding.

## NOTES TO THE FINANCIAL STATEMENTS

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### 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, 2005.

#### 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

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### 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, 2005, 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

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### 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 \$2,636,477 difference are as follows:

Accrued interest payable	\$ 24,164
Note payable	7,755
Capital leases payable	53,547
Certificate of participation	1,820,000
Compensated absences	<u>731,011</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u><u>\$ 2,636,477</u></u>

**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 \$1,047,251 difference are as follows:

Capital outlay	\$ 2,183,803
Depreciation expense	<u>(1,136,552)</u>
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>	<u><u>\$ 1,047,251</u></u>

## 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 \$82,719 difference are as follows:

Compensated absences	\$	83,273
Accrued interest		(554)
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>		82,719
	\$	82,719

### 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 twelve-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 ten days have passed after the Ordinance Publication.
3. During November, the budget is then legally enacted through the passage of the Budget Ordinance.
4. Budgeted amounts can be transferred between departments within any fund by the City Manager; however, any revisions of the budget which alter the total expenditures of a fund must be approved by the City Council.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, special revenue funds and Water and Sewer Fund.

## NOTES TO THE FINANCIAL STATEMENTS

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### 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, 2005.

Culture and recreation	\$	2,726
Debt service - interest and fiscal charges		3,169

### NOTE 4. DEPOSITS AND INVESTMENTS

Total deposits and investments as of October 31, 2005, are summarized as follows:

As reported in the Statement of Net Assets:

Primary government:

Cash and cash equivalents	\$	4,368,202
Investments		3,243,302
Restricted assets - cash and cash equivalents		3,306,100
Restricted assets - investments		805,370
	\$	11,722,974

Cash deposited with financial institutions	\$	11,772,974
	\$	11,772,974

Component unit:

Cash and cash equivalents	\$	2,500
Restricted assets - cash and cash equivalents		16,362
	\$	18,862

Cash deposited with financial institutions	\$	18,862
	\$	18,862

## 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). As of October 31, 2005, 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, 2005, the City had the following investments:

Investment	Maturities	Fair Value
Georgia Fund 1	24 day weighted average	\$ 248,541
U.S. Government Securities	June 2009	81,673
Corporate Securities	June 2034	33,945
Certificates of Deposit	59 day weighted average	3,933,054
Total		\$ 4,297,213

**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. As of October 31, 2005, the City's bank balance of \$7,753,633 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 191,580
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## 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, 2005, are recorded as receivables, net of estimated uncollectibles.

The net receivables collected during the year ended October 31, 2005, and expected to be collected by December 31, 2005, are recognized as revenues in the year ended October 31, 2005. Net receivables estimated to be collectible subsequent to December 31, 2005, 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 following allowances for doubtful accounts:

Receivables:	<u>General</u>	<u>SPLOST</u>	<u>Nonmajor Governmental</u>	<u>Water and Sewer</u>	<u>Total</u>
Taxes	\$ 1,103,616	\$ 546,678	\$ 9,212	\$ -	\$ 1,659,506
Accounts	36,783	-	215,719	1,586,365	1,838,867
Accrued interest	141	-	-	338	479
Gross receivables	<u>1,140,540</u>	<u>546,678</u>	<u>224,931</u>	<u>1,586,703</u>	<u>3,498,852</u>
Less allowance for uncollectible accounts	<u>87,763</u>	<u>-</u>	<u>-</u>	<u>332,533</u>	<u>420,296</u>
Net total receivables	<u><u>\$ 1,052,777</u></u>	<u><u>\$ 546,678</u></u>	<u><u>\$ 224,931</u></u>	<u><u>\$ 1,254,170</u></u>	<u><u>\$ 3,078,556</u></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, 2005, the outstanding balance of these notes receivable, net of an allowance of \$70,145, was \$81,289.

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended October 31, 2005, was as follows:

<b>Governmental Activities</b>	<b>Beginning Balances</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Ending Balances</b>
Capital assets not being depreciated:					
Land and improvements	\$ 716,909	\$ 1,023,974	\$ -	\$ -	\$ 1,740,883
Construction in progress	719,416	334,165	-	(407,930)	645,651
Total capital assets, not being depreciated	<u>1,436,325</u>	<u>1,358,139</u>	<u>-</u>	<u>(407,930)</u>	<u>2,386,534</u>
Capital assets being depreciated:					
Buildings and improvements	4,797,486	28,550	-	-	4,826,036
Vehicles	3,859,071	362,239	(356,554)	-	3,864,756
Heavy equipment	1,270,196	20,467	-	-	1,290,663
Equipment	312,516	6,495	-	-	319,011
Office equipment	124,099	25,006	-	-	149,105
Infrastructure	34,336,370	1,977,153	-	407,930	36,721,453
Total capital assets being depreciated	<u>44,699,738</u>	<u>2,419,910</u>	<u>(356,554)</u>	<u>407,930</u>	<u>47,171,024</u>
Less accumulated depreciation for:					
Buildings and improvements	(963,216)	(95,722)	-	-	(1,058,938)
Vehicles	(3,177,158)	(277,598)	356,554	-	(3,098,202)
Heavy equipment	(946,735)	(67,116)	-	-	(1,013,851)
Equipment	(195,873)	(19,357)	-	-	(215,230)
Office equipment	(106,340)	(8,135)	-	-	(114,475)
Infrastructure	(12,043,424)	(668,624)	-	-	(12,712,048)
Total accumulated depreciation	<u>(17,432,746)</u>	<u>(1,136,552)</u>	<u>356,554</u>	<u>-</u>	<u>(18,212,744)</u>
Total capital assets being depreciated, net	<u>27,266,992</u>	<u>1,283,358</u>	<u>-</u>	<u>407,930</u>	<u>28,958,280</u>
Governmental activity capital assets, net	<u>\$ 28,703,317</u>	<u>\$ 2,641,497</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,344,814</u>

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 6. CAPITAL ASSETS (CONTINUED)

	<b>Beginning Balances</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balances</b>
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Construction in progress	\$ 847,291	\$ 337,651	\$ -	\$ 1,184,942
Total capital assets not being depreciated	847,291	337,651	-	1,184,942
Capital assets being depreciated:				
Utility plant in service	39,931,678	589,772	-	40,521,450
Other equipment	2,027,199	189,479	(23,410)	2,193,268
Total capital assets being depreciated	41,958,877	779,251	(23,410)	42,714,718
Less accumulated depreciation for:				
Utility plant in service	(21,111,419)	(1,296,221)	-	(22,407,640)
Other equipment	(1,084,491)	(196,172)	23,410	(1,257,253)
Total accumulated depreciation	(22,195,910)	(1,492,393)	23,410	(23,664,893)
Total capital assets being depreciated, net	19,762,967	(713,142)	-	19,049,825
Business-type activity capital assets, net	\$ 20,610,258	\$ (375,491)	\$ -	\$ 20,234,767

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

<b>Governmental activities:</b>	
General government	\$ 18,444
Public safety	311,830
Highways and streets	782,784
Health	18,855
Culture and recreation	4,639
Total depreciation expense - governmental activities	\$ 1,136,552
 <b>Business-type activities:</b>	
Water and sewer	\$ 1,434,292
Sanitation	58,101
Total depreciation expense - business-type activities	\$ 1,492,393

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 7. LONG-TERM DEBT

#### Changes in Long-Term Liabilities:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
<b>Governmental activities:</b>					
Certificates payable	\$ 2,040,000	\$ -	\$ (220,000)	\$ 1,820,000	\$ 230,000
Note payable	12,433	-	(4,678)	7,755	5,066
Capital leases	118,891	-	(65,344)	53,547	53,547
Compensated absences	647,738	746,906	(663,634)	731,010	688,499
Governmental activity long-term liabilities	<u>\$ 2,819,062</u>	<u>\$ 746,906</u>	<u>\$ (953,656)</u>	<u>\$ 2,612,312</u>	<u>\$ 977,112</u>
<b>Business-type activities:</b>					
Revenue bonds	\$ 7,730,000	\$ -	\$ (650,000)	\$ 7,080,000	\$ 675,000
Unamortized discount, issuance cost	(1,053,351)	-	118,342	(935,009)	(118,341)
GEFA notes payable	2,367,288	335,937	(83,889)	2,619,336	87,624
Compensated absences	13,234	15,701	(15,716)	13,219	13,219
Business-type activities long-term liabilities	<u>\$ 9,057,171</u>	<u>\$ 351,638</u>	<u>\$ (631,263)</u>	<u>\$ 8,777,546</u>	<u>\$ 657,502</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,			
2006	\$ 322,678	\$ 230,000	\$ 92,678
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	55,004
2011 - 2012	566,537	535,000	72,165
Total	<u>\$ 2,189,331</u>	<u>\$ 1,820,000</u>	<u>\$ 424,335</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,			
2006	\$ 5,503	\$ 5,066	\$ 437
2007	2,752	2,689	63
Total	\$ 8,255	\$ 7,755	\$ 500

#### Capital Leases:

The City has entered into lease agreements as lessee for financing the acquisition of a truck loader machine and an excavator. The lease agreements qualify as capital leases for accounting purposes (titles transfer at the end of the lease term) and have been recorded at the present values of the future minimum lease payment as of the date of their inception. These leases are being serviced by general fund quarterly payments with annual interest rates of 4.57% and 4.07%, respectively. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The following is an analysis of the assets recorded under capital leases at October 31, 2005:

Classes of Property	Cost	Accumulated Depreciation	Net Book Value
Equipment	\$ 314,971	\$ (141,734)	\$ 173,237

The future minimum lease obligations and the net present value of these minimum lease payments as of October 31, 2005 are as follows:

	Governmental Activities		
	Total	Principal	Interest
Fiscal Year Ending October 31 2006	\$ 54,766	\$ 53,547	\$ 1,219

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 7. LONG-TERM DEBT (CONTINUED)

#### Revenue Bonds (Continued):

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, 2005 are as follows:

<u>Purpose</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Due Date</u>	<u>Amount</u>
Water and Sewer Fund improvements	5,785,000	4.80% - 5.70%	2013	\$ 3,230,000
Water and Sewer Fund improvements	4,640,000	4.00% - 4.625%	2014	3,850,000
				<u>7,080,000</u>
		Unamortized discount/issuance costs, net		(935,009)
		Less current portion		<u>(675,000)</u>
				<u>\$ 5,469,991</u>

The discounts and issuance costs of the above revenue bonds are being amortized over the life of the debt as a component of interest expense. Amortization costs as of October 31, 2005 were \$118,342.

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

	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
Fiscal year ending October 31,			
2006	\$ 1,024,430	\$ 675,000	\$ 349,430
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 - 2014	3,767,403	3,355,000	412,403
Total	<u>\$ 8,895,601</u>	<u>\$ 7,080,000</u>	<u>\$ 1,815,601</u>

#### 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, 2005, 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.

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 7. LONG-TERM DEBT (CONTINUED)

#### Other Long-Term Debt (Continued):

Other long-term debt outstanding at October 31, 2005 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	\$ 2,283,399
			Less current portion	(87,624)
				<u>\$ 2,195,775</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,			
2006	\$ 187,462	\$ 87,624	\$ 99,838
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 - 2015	937,305	599,061	338,244
2016 - 2020	937,305	748,013	189,292
2021 - 2023	484,105	456,570	27,535
Total	<u>\$ 3,296,021</u>	<u>\$ 2,283,399</u>	<u>\$ 1,012,622</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, 2005. This obligation is in the drawdown phase as of October 31, 2005, and repayment will be determined when all draws have been made.

#### 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, 2005, the outstanding amount of bonds considered defeased is \$3,850,000.

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 8. INTERFUND BALANCES AND TRANSFERS

Interfund receivable and payable balances as of October 31, 2005 are as follows:

<u>Due To</u>	<u>Due From</u>			<u>Total</u>
	<u>SPLOST</u>	<u>Nonmajor Governmental</u>	<u>Water and Sewer</u>	
General Fund	\$ 525,700	\$ 69,962	\$ 785,846	\$ 1,381,508
Sanitation Fund	-	-	77,216	77,216
Total	<u>\$ 525,700</u>	<u>\$ 69,962</u>	<u>\$ 863,062</u>	<u>\$ 1,458,724</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, 2005 consisted of the following:

<u>Transfer To</u>	<u>Transfer From</u>			<u>Total</u>
	<u>Other Governmental Funds</u>	<u>Water and Sewer</u>	<u>Sanitation</u>	
General Fund	<u>\$ 90,055</u>	<u>\$ 290,811</u>	<u>\$ 61,669</u>	<u>\$ 442,535</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 2005 and 2004 are shown below.

	2005	2004
Normal Cost		
Plan Benefits	\$ 276,432	\$ 259,145
Administrative Expenses	13,343	12,834
Amortization of the Unfunded Actuarial Accrued Liability	30,278	25,839
Interest	12,268	11,399
Recommended Contribution	332,321	309,217
Covered Payroll	5,173,757	4,771,008
Recommended Contribution as a Percentage of Covered Payroll	6.4%	6.5%

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, 2005, the City's annual pension cost was \$285,374. Recommended contributions of \$332,321 and \$309,217 were determined as part of the July 1, 2005 and 2004 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	-

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded (Overfunded) Accrued Liability</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>Actuarial Accrued Liability as a Percentage of Covered Payroll</u>
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

## NOTES TO THE FINANCIAL STATEMENTS

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### 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, 2005, 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, 2005, 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. 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, 2005 follows:

Total lodging tax receipts	<u>\$ 134,677</u>
40% of tax receipts owed to the LCDA for October 31, 2005	\$ 53,871
Tax receipts owed at October 31, 2004	12,725
Disbursements to the LCDA during the year ended October 31, 2005	<u>(58,383)</u>
Balance of lodging tax funds on hand at October 31, 2005	<u>\$ 8,213</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

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### **NOTE 14. 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 15. 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 16. 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

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### NOTE 16. 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, 2005, the City has contractual commitments on uncompleted construction contracts of approximately \$561,470 for various SPLOST and wastewater treatment projects.

#### **Grant Contingencies:**

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

## **COMBINING STATEMENTS AND SCHEDULES**

**CITY OF HINESVILLE, GEORGIA**  
**NONMAJOR GOVERNMENTAL FUNDS**

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**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, 2005**

	Special Revenue Funds		Total Governmental Funds
	Multiple Grant Fund	Hotel/ Motel Tax Fund	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 368,810	\$ -	\$ 368,810
Receivables, net	215,719	9,212	224,931
Notes receivable, net	81,289	-	81,289
Total assets	<u>\$ 665,818</u>	<u>\$ 9,212</u>	<u>\$ 675,030</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 71,922	\$ 8,213	\$ 80,135
Accrued liabilities	471	-	471
Due to other funds	68,963	999	69,962
Due to component unit	143,797	-	143,797
Deferred revenue	18,000	-	18,000
Total liabilities	<u>303,153</u>	<u>9,212</u>	<u>312,365</u>
Fund balances:			
Unreserved, undesignated	<u>362,665</u>	<u>-</u>	<u>362,665</u>
Total fund balances	<u>362,665</u>	<u>-</u>	<u>362,665</u>
Total liabilities and fund balances	<u>\$ 665,818</u>	<u>\$ 9,212</u>	<u>\$ 675,030</u>

**CITY OF HINESVILLE, GEORGIA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED OCTOBER 31, 2005**

	<u>Special Revenue Funds</u>		<u>Total Governmental Funds</u>
	<u>Multiple Grant Fund</u>	<u>Hotel/ Motel Tax Fund</u>	
<b>Revenues:</b>			
Other taxes	\$ -	\$ 134,677	\$ 134,677
Intergovernmental	647,316	-	647,316
Interest revenues	10,381	-	10,381
Total revenues	<u>657,697</u>	<u>134,677</u>	<u>792,374</u>
<b>Expenditures:</b>			
<b>Current:</b>			
General government	-	53,871	53,871
Public safety	77,387	-	77,387
Health	96,909	-	96,909
Welfare	413,336	-	413,336
Total expenditures	<u>587,632</u>	<u>53,871</u>	<u>641,503</u>
Excess of revenues over expenditures	<u>70,065</u>	<u>80,806</u>	<u>150,871</u>
<b>Other financing sources (uses)</b>			
Transfers out	<u>(9,249)</u>	<u>(80,806)</u>	<u>(90,055)</u>
Total other financing sources (uses)	<u>(9,249)</u>	<u>(80,806)</u>	<u>(90,055)</u>
Net change in fund balances	60,816	-	60,816
<b>Fund balance - November 1</b>	<u>301,849</u>	<u>-</u>	<u>301,849</u>
<b>Fund balance - October 31</b>	<u>\$ 362,665</u>	<u>\$ -</u>	<u>\$ 362,665</u>

**CITY OF HINESVILLE, GEORGIA**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - MULTIPLE GRANT FUND  
YEAR ENDED OCTOBER 31, 2005**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$ 2,547,104	\$ 2,547,104	\$ 647,316	\$ (1,899,788)
Interest revenues	3,668	3,668	10,381	6,713
Other revenues	80,332	80,332	-	(80,332)
Total revenues	<u>2,631,104</u>	<u>2,631,104</u>	<u>657,697</u>	<u>(1,973,407)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Public safety	494,287	494,287	77,387	416,900
Health	243,635	243,635	96,909	146,726
Welfare	1,765,968	1,765,968	413,336	1,352,632
Total expenditures	<u>2,503,890</u>	<u>2,503,890</u>	<u>587,632</u>	<u>1,916,258</u>
Excess of revenues over expenditures	<u>127,214</u>	<u>127,214</u>	<u>70,065</u>	<u>(57,149)</u>
<b>Other financing sources (uses):</b>				
Transfers out	(127,214)	(127,214)	(9,249)	117,965
Total other financing sources (uses)	<u>(127,214)</u>	<u>(127,214)</u>	<u>(9,249)</u>	<u>117,965</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	60,816	<u>\$ 60,816</u>
<b>Fund balance - November 1</b>			<u>301,849</u>	
<b>Fund balance - October 31</b>			<u>\$ 362,665</u>	

**CITY OF HINESVILLE, GEORGIA**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - HOTEL/MOTEL TAX FUND  
YEAR ENDED OCTOBER 31, 2005**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>Revenues:</b>				
Other taxes	\$ 212,475	\$ 212,475	\$ 134,677	\$ (77,798)
Total revenues	<u>212,475</u>	<u>212,475</u>	<u>134,677</u>	<u>(77,798)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	84,990	84,990	53,871	31,119
Total expenditures	<u>84,990</u>	<u>84,990</u>	<u>53,871</u>	<u>31,119</u>
Excess of revenues over expenditures	<u>127,485</u>	<u>127,485</u>	<u>80,806</u>	<u>(46,679)</u>
<b>Other financing sources (uses):</b>				
Transfers out	(127,485)	(127,485)	(80,806)	46,679
Total other financing sources (uses)	<u>(127,485)</u>	<u>(127,485)</u>	<u>(80,806)</u>	<u>46,679</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
<b>Fund balance - November 1</b>			<u>-</u>	
<b>Fund balance - October 31</b>			<u>\$ -</u>	

**CITY OF HINESVILLE, GEORGIA**

**SCHEDULE OF EXPENDITURES OF  
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS - PRIOR RESOLUTION  
YEAR ENDED OCTOBER 31, 2005**

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	262,163	243,501	505,664
Bradwell Street	-	-	135,190	-	135,190
Brickyard Road/Nottingham Drive	-	81,334	7,747	72,603	80,350
Buck Road	-	48,692	5,715	63,780	69,495
Buoy Lane	-	-	2,958	14,123	17,081
Byrum Drive	-	20,507	6,177	2,663	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	148,360	13,315	161,675
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	3,336	1,707	5,043
Justice Center	-	-	-	5,550	5,550
Lewis Fraser sidewalks	28,350	28,350	2,915	-	2,915
Memorial Drive Realignment	-	797,482	19,277	1,054,698	1,073,975
MLK Jr. Hwy 84	-	600,000	7,979	8,985	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	122,154	198,364	320,518
Hendry St & General Screven Int.	-	18,000	-	-	-
Milling	-	32,000	-	-	-
Reserve	-	356,000	-	-	-
<b>Total all Projects</b>	<b>\$ 3,460,779</b>	<b>\$ 6,780,095</b>	<b>\$ 3,634,410</b>	<b>\$ 1,679,889</b>	<b>\$ 5,314,299</b>

**CITY OF HINESVILLE, GEORGIA**

**SCHEDULE OF EXPENDITURES OF  
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS - 2004 RESOLUTION  
YEAR ENDED OCTOBER 31, 2005**

<b>Project Description</b>	<b>Original Estimated Cost</b>	<b>Revised Estimated Cost</b>	<b>Expenditures</b>		
			<b>Prior Years</b>	<b>Current Year</b>	<b>Total</b>
South Commerce St stormwater detention 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	-	-	-
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	-	-	-	-	-
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	-	-	-
<b>Total all Projects</b>	<b>\$ 6,656,668</b>	<b>\$ 6,656,668</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

## **COMPONENT UNIT**

**CITY OF HINESVILLE, GEORGIA**

**BALANCE SHEET  
COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY  
OCTOBER 31, 2005**

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<b>ASSETS</b>	
Cash	\$ 2,500
Restricted cash	16,362
Assets held for resale	<u>191,022</u>
Total assets	<u>209,884</u>
 <b>LIABILITIES</b>	
Accounts payable	3,095
Due to primary government	<u>176,859</u>
Total liabilities	<u>179,954</u>
 <b>FUND BALANCE</b>	
Unreserved, undesignated	<u>29,930</u>
Total fund balance	<u><u>\$ 29,930</u></u>

**CITY OF HINESVILLE, GEORGIA**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY  
YEAR ENDED OCTOBER 31, 2005**

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<b>Revenues</b>	
Intergovernmental	\$ 64,925
Contributions	<u>2,500</u>
Total revenues	<u>67,425</u>
<b>Expenditures</b>	<u>37,495</u>
Net change in fund balance	29,930
<b>Fund balance, July 1</b>	<u>-</u>
<b>Fund balance, June 30</b>	<u>\$ 29,930</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.

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b> .....	<b>54 - 58</b>
<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>	
<b>Revenue Capacity</b> .....	<b>59 - 66</b>
<i>These schedules contain information to help the reader assess the City's most significant local revenue sources.</i>	
<b>Debt Capacity</b> .....	<b>67 - 68</b>
<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>	
<b>Demographic and Economic Information</b> .....	<b>69 - 71</b>
<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>	
<b>Operating Information</b> .....	<b>72 - 75</b>
<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 do not include the City's discretely presented component unit.

# CITY OF HINESVILLE, GEORGIA

## NET ASSETS BY ACTIVITY LAST THREE FISCAL YEARS

	Fiscal Year		
	2003	2004	2005
<b>Governmental activities</b>			
Invested in capital assets, net of related debt	\$ 26,181,168	\$ 26,557,255	\$ 26,531,993
Restricted	-	-	-
Unrestricted	6,320,590	7,799,256	11,692,691
Total governmental activities net asset:	<u>\$ 32,501,758</u>	<u>\$ 34,356,511</u>	<u>\$ 38,224,684</u>
<b>Business-type activities</b>			
Invested in capital assets, net of related debt	\$ 11,578,816	\$ 11,566,321	\$ 11,440,310
Restricted	2,308,989	2,388,126	2,120,389
Unrestricted	2,118,669	1,943,822	2,434,634
Total business-type activities net asset:	<u>\$ 16,006,474</u>	<u>\$ 15,898,269</u>	<u>\$ 15,995,333</u>
<b>Primary government</b>			
Invested in capital assets, net of related debt	\$ 37,759,984	\$ 38,123,576	\$ 37,972,303
Restricted	2,308,989	2,388,126	2,120,389
Unrestricted	8,439,259	9,743,078	14,127,325
Total primary government net asset:	<u>\$ 48,508,232</u>	<u>\$ 50,254,780</u>	<u>\$ 54,220,017</u>

# CITY OF HINESVILLE, GEORGIA

## CHANGES IN NET ASSETS LAST THREE FISCAL YEARS

	Fiscal Year		
	2003	2004	2005
<b>Expenses</b>			
Primary government:			
Governmental activities:			
General government	\$ 1,768,719	\$ 1,953,572	\$ 1,952,769
Public safety	6,533,385	6,943,658	7,581,847
Highways and streets	2,231,243	2,644,094	2,906,748
Sanitation <sup>(a)</sup>	2,313,361	-	-
Health	726,562	745,803	669,126
Welfare	286,033	422,777	733,852
Culture and recreation	350,139	374,324	352,428
Interest and fiscal changes	132,612	119,569	111,312
Total governmental activities expenses	<u>14,342,054</u>	<u>13,203,797</u>	<u>14,308,082</u>
Business-type activities:			
Water and sewer	5,686,867	6,192,010	6,182,700
Sanitation <sup>(a)</sup>	-	1,978,291	2,040,141
Total business-type activities expenses	<u>5,686,867</u>	<u>8,170,301</u>	<u>8,222,841</u>
Total primary government expenses	<u>20,028,921</u>	<u>21,374,098</u>	<u>22,530,923</u>
<b>Program revenues</b>			
Primary government:			
Governmental activities:			
Charges for services <sup>(d)</sup>	3,689,876	1,657,158	2,065,204
Operating grants and contributions	536,171	466,299	775,003
Capital grants and contributions <sup>(b)</sup>	1,875,399	138,894	1,756,388
Total governmental activities program revenues	<u>6,101,446</u>	<u>2,262,351</u>	<u>4,596,595</u>
Business-type activities:			
Charges for services	5,230,409	7,977,844	7,610,791
Operating grants and contributions	-	-	-
Capital grants and contributions <sup>(b)</sup>	917,136	-	576,772
Total business-type activities program revenues	<u>6,147,545</u>	<u>7,977,844</u>	<u>8,187,563</u>
Total primary government program revenues	<u>12,248,991</u>	<u>10,240,195</u>	<u>12,784,158</u>

(Continued)

# CITY OF HINESVILLE, GEORGIA

## CHANGES IN NET ASSETS LAST THREE FISCAL YEARS

	Fiscal Year		
	2003	2004	2005
<b>Expenses</b>			
<b>General revenues and other changes in net assets</b>			
Primary government:			
Governmental activities:			
Taxes <sup>(c)</sup>	10,117,890	11,807,735	12,845,757
Licenses and permits	422,884	436,086	-
Other revenues	31,763	77,976	145,877
Investment earnings	67,913	84,886	194,943
Gain on sale of assets	-	-	40,603
Transfers	251,339	389,516	352,480
Total governmental activities general revenues and other change in net assets	<u>10,891,789</u>	<u>12,796,199</u>	<u>13,579,660</u>
Business-type activities:			
Other revenues	358,044	381,223	363,311
Investment earnings	64,777	92,545	121,511
Transfers	(251,339)	(389,516)	(352,480)
Total business type activities general revenues and other change in net assets	<u>171,482</u>	<u>84,252</u>	<u>132,342</u>
Total primary government general revenues and other change in net assets	<u>11,063,271</u>	<u>12,880,451</u>	<u>13,712,002</u>
<b>Change in net assets</b>			
Governmental activities	2,651,181	1,854,753	3,868,173
Business-type activities	632,160	(108,205)	97,064
Total primary government change in net asset	<u>\$ 3,283,341</u>	<u>\$ 1,746,548</u>	<u>\$ 3,965,237</u>

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

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

<sup>(c)</sup> Tax revenues have continued to increase as the City has enjoyed continued growth and a thriving local economy.

<sup>(d)</sup> Beginning in fiscal year 2005, licenses and permits were reclassified as charges for services.

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

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

# CITY OF HINESVILLE, GEORGIA

## CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS LAST THREE FISCAL YEARS

	Fiscal Year		
	2003	2004	2005
<b>Revenues:</b>			
Taxes <sup>(b)</sup>	\$ 10,085,090	\$ 11,484,494	\$ 13,067,293
Licenses and permits	474,444	458,071	449,481
Charges for services	2,210,087	46,625	33,615
Intergovernmental	560,613	605,193	937,145
Fines, forfeitures, and fees	1,130,906	1,335,548	1,198,644
Interest revenues	67,913	84,886	194,943
Other revenues	380,646	352,961	457,431
Total revenues	<u>14,909,699</u>	<u>14,367,778</u>	<u>16,338,552</u>
<b>Expenditures:</b>			
Current:			
General government	1,739,924	1,934,253	2,018,049
Public safety	6,219,517	7,176,900	7,460,198
Highways and streets	1,487,697	1,895,753	2,289,907
Sanitation <sup>(a)</sup>	2,233,291	760,489	-
Health	717,878	420,721	630,691
Welfare	287,763	369,395	734,225
Culture and recreation	339,949	662,296	347,789
Capital outlay	481,801	-	1,679,889
Debt service:			
Principal	264,887	277,871	290,022
Interest and fiscal charges	135,196	122,365	111,866
Total expenditures	<u>13,907,903</u>	<u>13,620,043</u>	<u>15,562,636</u>
Excess of revenues over expenditures	<u>1,001,796</u>	<u>747,735</u>	<u>775,916</u>
Other financing sources (uses)			
Proceeds from the sale of capital assets	-	-	40,603
Transfers in	740,137	707,193	442,535
Transfers out	(488,798)	(228,428)	(90,055)
Total other financing sources (uses)	<u>251,339</u>	<u>478,765</u>	<u>393,083</u>
Net change in fund balances:	<u>\$ 1,253,135</u>	<u>\$ 1,226,500</u>	<u>\$ 1,168,999</u>

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

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

**CITY OF HINESVILLE, GEORGIA**

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

Tax Digest Year	Real Property				Other Personal Property	Less: Tax Exempt 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	Motor Vehicles						
1995 <sup>(1)</sup>	\$ 161,851,790	\$ 54,552,498	\$ 2,178,950	\$ 21,523,707	\$ 15,362,997	\$ (39,230)	\$ 255,430,712	10.30	\$ 638,576,780	40%
1996 <sup>(1)</sup>	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 <sup>(1)</sup>	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 <sup>(1)</sup>	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 <sup>(1)</sup>	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 <sup>(2)</sup>	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 <sup>(2)</sup>	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 <sup>(2)</sup>	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 <sup>(2)</sup>	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 <sup>(2)</sup>	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%

<sup>(1)</sup>Source: Georgia Department of Revenue Property Tax Division Consolidation Summary

<sup>(2)</sup>Source: Liberty County Tax Commissioner

# CITY OF HINESVILLE, GEORGIA

## PROPERTY TAX RATES LAST TEN TAX DIGEST YEARS

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<b>Tax Digest Year</b>	<b>Total Millage Rate</b>	<b>City of Hinesville</b>	<b>Liberty County</b>	<b>Board of Education</b>	<b>Board of Education Bonds</b>	<b>Industrial Authority</b>	<b>Hospital Authority</b>	<b>State of Georgia</b>
1995	30.080	10.300	11.730	13.900	0.200	2.000	2.000	0.250
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

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

Taxpayer	2004			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	\$ 7,881,509	1	1.84%	\$ 7,762,507	1	3.04%
Georgia Power Company	5,256,821	2	1.23%	4,564,914	2	1.79%
Wal-Mart Stores	3,563,113	3	0.83%	2,975,971	4	1.17%
Wal-Mart Real Estate	2,355,938	4	0.55%	2,693,115	5	1.05%
Raintree Associates LTD	2,217,979	5	0.52%	1,614,240	6	0.63%
The Heritage Bank	1,863,690	6	0.43%	1,575,334	7	0.62%
Perlis-Ellin LLC	1,734,683	7	0.40%	-		-
Claude & Loretta Dryden	1,568,743	8	0.37%	-		-
Robert Glenn Carter	1,499,672	9	0.35%	1,478,789	9	0.58%
Dryden Enterprises, Inc.	1,401,220	10	0.33%	-		-
Sec Of VA	-		-	3,683,203	3	1.44%
Arnov Jake & Etal	-		-	1,560,039	8	0.61%
Comcast	-		-	1,477,236	10	0.58%
<b>Total</b>	<b>\$ 29,343,368</b>		<b>6.85%</b>	<b>\$ 29,385,348</b>		<b>11.50%</b>

**CITY OF HINESVILLE, GEORGIA**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
**LAST TEN FISCAL YEARS**

Tax Year	Taxes Levied	Errors, Releases or Adjustments	Adjusted Tax Levy	Collected within the Fiscal Year Of the Levy		Collections in Subsequent Years	Total Collections to Date	
				Amount	% of Levy		Amount	% of Levy
1995	\$ 2,630,936	\$ NA	\$ NA	\$ NA	NA	\$ NA	\$ NA	NA
1996	2,897,392	NA	NA	NA	NA	NA	NA	NA
1997	3,392,981	NA	NA	NA	NA	NA	NA	NA
1998	3,625,592	NA	NA	NA	NA	NA	NA	NA
1999	3,762,070	NA	NA	NA	NA	NA	NA	NA
2000	3,833,703	NA	NA	NA	NA	NA	NA	NA
2001	4,092,584	(19,171)	4,073,413	3,943,154	96.35%	111,966	4,055,120	99.08%
2002	4,214,731	(14,934)	4,199,797	4,070,097	96.57%	85,452	4,155,549	98.60%
2003	4,731,090	(18,676)	4,712,414	3,791,148	80.13%	798,846	4,589,994	97.02%
2004	4,842,482	(15,402)	4,827,080	4,614,326	95.29%	-	4,614,326	95.29%

NA = Not Available

## CITY OF HINESVILLE, GEORGIA

### LOCAL OPTION SALES TAX HISTORY LAST TEN CALENDAR YEARS

	Calendar Year									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
January	\$ 129,506	\$ 132,966	\$ 130,901	\$ 132,957	\$ 135,538	\$ 158,400	\$ 184,427	\$ 198,132	\$ 258,444	\$ 262,173
February	139,161	136,937	134,508	144,293	170,644	161,197	177,037	194,122	246,442	238,449
March	135,932	125,235	124,517	130,168	174,323	171,765	169,113	199,978	251,401	259,671
April	157,990	126,772	134,735	157,404	201,419	166,198	174,951	183,117	282,944	249,009
May	140,556	130,711	132,637	167,989	152,837	181,708	184,751	243,398	284,671	253,999
June	173,427	147,499	141,547	137,747	166,940	156,778	164,486	219,501	261,218	244,409
July	127,350	84,109	153,079	148,385	160,390	174,694	172,771	240,269	279,032	262,231
August	132,471	109,020	148,235	140,392	161,276	154,546	158,037	278,400	267,370	263,971
September	128,763	145,935	140,503	156,497	160,711	160,612	168,511	262,122	262,355	245,563
October	122,550	131,316	138,189	140,447	150,650	168,415	160,090	225,701	243,724	204,811
November	115,321	121,660	135,902	148,971	149,670	164,908	188,191	229,159	244,607	242,812
December	132,585	130,246	136,640	156,686	165,024	174,953	217,970	224,136	276,895	276,836
Pro Rata Adjustment	-	-	54,629	-	8,105	-	15,616	10,110	21,149	10,316
<b>Total</b>	<u>\$ 1,635,611</u>	<u>\$ 1,522,407</u>	<u>\$ 1,706,022</u>	<u>\$ 1,761,937</u>	<u>\$ 1,957,528</u>	<u>\$ 1,994,175</u>	<u>\$ 2,135,950</u>	<u>\$ 2,708,146</u>	<u>\$ 3,180,254</u>	<u>\$ 3,014,248</u>

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

## 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)	Residential	Industrial	Commercial	Government
1996	10,237	5.090	3.230	10,180	5.088	3.138	NA	NA	NA	NA
1997	10,466	4.380	3.010	10,409	4.475	3.210	NA	NA	NA	NA
1998	9,970	4.200	3.210	9,913	4.270	3.420	NA	NA	NA	NA
1999	8,750	4.210	3.250	8,710	3.830	3.120	773,942	2	167,342	158
2000	8,897	4.290	3.290	8,710	3.406	3.128	875,641	62	172,253	2,823
2001	9,152	4.930	2.990	8,798	4.290	3.230	757,237	771	164,839	4,465
2002	9,155	3.730	3.120	9,870	3.340	3.030	796,771	777	162,457	3,680
2003	9,281	3.257	2.949	9,108	4.918	3.849	772,050	1,054	165,119	6,692
2004	9,449	3.573	3.182	9,302	4.251	3.660	886,285	897	175,196	10,104
2005	9,649	3.160	2.919	9,487	3.990	3.470	820,033	2,672	166,387	11,526

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**

<b>Customer</b>	<b>Gallons Metered</b>	<b>Water Revenue</b>	<b>Sewer Revenue</b>	<b>Total Revenue</b>
Summerwind Condominiums	182,650	\$ 27,103	\$ 27,070	\$ 54,173
Raintree Apts	166,250	24,878	24,863	49,741
Woodwind South Condos	144,890	20,148	20,112	40,260
Alston Ridge MHP	113,095	20,066	19,742	39,808
Hinesville Housing Authority	109,500	5,837	4,362	10,199
Pipkin MHP	74,195	14,107	14,071	28,178
Northgate Apts	74,144	15,899	15,872	31,771
Pineland Square Apts	69,750	14,603	12,809	27,412
Liberty County Jail	66,191	12,664	10,893	23,557
Treetop Apts	55,920	11,484	11,466	22,950
<b>Totals</b>	<u>1,056,585</u>	<u>\$ 166,789</u>	<u>\$ 161,260</u>	<u>\$ 328,049</u>

**CITY OF HINESVILLE, GEORGIA**

**RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS**

Fiscal Year Ended October 31,	General Bonded Debt General Obligation Bonds	Percentage of Actual Property Value <sup>(1)</sup>	Per Capita	Other Governmental Activities Debt		Total Primary Government	Percentage of Personal Income <sup>(2)</sup>	Per Capita
				Certificates of Participation	Notes Payable			
1996	\$ -	0.00%	-	\$ -	\$ -	\$ -	0.00%	-
1997	-	0.00%	-	3,250,000	36,539	3,286,539	364.73%	52.93
1998	-	0.00%	-	3,130,000	33,862	3,163,862	345.60%	51.68
1999	-	0.00%	-	2,985,000	30,963	3,015,963	307.42%	48.65
2000	-	0.00%	-	2,820,000	27,823	2,847,823	274.70%	46.22
2001	-	0.00%	-	2,640,000	24,423	2,664,423	250.00%	44.54
2002	-	0.00%	-	2,450,000	20,740	2,470,740	227.05%	40.65
2003	-	0.00%	-	2,250,000	16,752	2,266,752	198.90%	37.97
2004	-	0.00%	-	2,040,000	12,433	2,052,433	174.34%	33.93
2005	-	0.00%	-	1,820,000	7,755	1,827,755	150.30%	31.76

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

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

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

# CITY OF HINESVILLE, GEORGIA

## LEGAL DEBT MARGIN INFORMATION LAST TEN FISCAL YEARS

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<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>
1996	\$ 255,430,712	\$ 25,543,071	\$ -	\$ 25,543,071	0.00%
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%

**CITY OF HINESVILLE, GEORGIA**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**LAST TEN FISCAL YEARS**

<b>Year</b>	<b>Population <sup>(1)</sup></b>	<b>Personal Income <sup>(1)</sup></b>	<b>Per Capita Personal Income <sup>(1)</sup></b>	<b>Median Age <sup>(2)</sup></b>	<b>Unemployment Rate <sup>(3)</sup></b>	<b>School Enrollment <sup>(4)</sup></b>	
						<b>Private</b>	<b>Public</b>
1996	60,737	853,255	14,048	23.1	7.60%	290	10,531
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

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

<sup>(1)</sup>Source: Bureau of Economic Analysis: Regional Economic Accounts

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

<sup>(3)</sup>Source: State Department of Labor

<sup>(4)</sup>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

**CITY OF HINESVILLE, GEORGIA**  
**TEN LARGEST EMPLOYERS IN LIBERTY COUNTY**  
**CURRENT YEAR**

<b>Business</b>	<b>Number of Employees <sup>(1)</sup></b>	<b>Percentage of Total County Employment <sup>(2)</sup></b>
Fort Stewart Civilian Employees	3,044	11.39%
Liberty County Board of Education	1,622	6.07%
Chemtall, Inc.	650	2.43%
Wal-Mart Super Center	570	2.13%
Liberty Regional Medical Center	510	1.91%
Liberty County Board of Commissioners	325	1.22%
Ther Heritage Bank	273	1.02%
Interstate Paper Corporation	237	0.89%
City of Hinesville	185	0.69%
The Gift Wrap Company	182	0.68%

<sup>(1)</sup>Source: Liberty County Development Authority

<sup>(2)</sup>Source: U.S. Bureau of Labor Statistics

# CITY OF HINESVILLE, GEORGIA

## FULL TIME EQUIVALENT CITY EMPLOYEES BY DEPARTMENT LAST TEN FISCAL YEARS

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<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>
1996	17	88	18	10	133
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

# CITY OF HINESVILLE, GEORGIA

## PUBLIC SAFETY OPERATING INDICATORS BY FUNCTION LAST TEN FISCAL YEARS

Function	Fiscal Year Ended October 31,									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Police										
Citations issued <sup>(1)</sup>	12,302	13,489	14,272	11,071	10,347	10,600	8,050	9,615	9,432	10,951
DUI Citations issued <sup>(1)</sup>	301	306	269	283	241	222	184	147	137	127
Warnings issued <sup>(1)</sup>	6,601	7,071	7,709	5,776	5,606	5,528	4,521	4,759	5,825	5,926
Crime Statistics: <sup>(2)</sup>										
Aggravated Assault	41	42	55	50	31	45	53	37	40	35
Auto Theft	74	72	51	47	56	73	67	75	83	64
Murder	-	2	-	1	5	-	7	3	-	-
Rape	14	19	20	26	15	9	16	10	16	22
Robbery	43	57	39	38	31	39	48	63	60	53
Burglary	306	293	258	293	266	252	365	302	385	416
Theft	1,604	1,173	1,031	1,111	1,205	1,264	1,522	1,537	1,622	1,513
Fire <sup>(3)</sup>										
Incident responses	NA	NA	NA	NA	1,902	1,975	1,875	1,804	2,092	1,781
Public Safety Education										
Events	NA	NA	NA	NA	NA	125	108	86	419	113
Persons contacted	NA	NA	NA	NA	NA	19,726	8,925	7,668	15,882	16,621

<sup>(1)</sup>Source: Hinesville Municipal Court

<sup>(2)</sup>Source: City of Hinesville Police Department

<sup>(3)</sup>Source: City of Hinesville Fire Department

# CITY OF HINESVILLE, GEORGIA

## CONSTRUCTION ACTIVITY LAST TEN FISCAL YEARS

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<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>
1996	349	371.60	388.40	22	60.53	87.28
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

# CITY OF HINESVILLE, GEORGIA

## GRANT AWARDS LAST THREE FISCAL YEARS

Grant	Fiscal Year Ended October 31,		
	2003	2004	2005
Advanced Planning Grant	\$ -	\$ -	\$ 175,000
Brownfields	-	-	200,000
Bryne Memorial	-	-	25,694
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
Entitlement Grant	-	367,000	344,261
GMA Safety & Liability Grant	-	9,650	-
GREAT	-	29,478	-
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
	<u>\$ 1,388,884</u>	<u>\$ 487,160</u>	<u>\$ 981,690</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***

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**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, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 14, 2006. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and responses as item 05-01.

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We also noted certain additional matters that we reported to management of the City of Hinesville, Georgia in a separate letter dated February 14, 2006.

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

*Mauldin & Jenkins, LLC*

Macon, Georgia  
February 14, 2006

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

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**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, 2005. 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, 2005.

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### **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 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 14, 2006

# CITY OF HINESVILLE, GEORGIA

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED OCTOBER 31, 2005

Federal Agency/ Pass-through Entity	CFDA #	Agency or Pass-through Number	Federal Expenditures
U.S. Department of Justice			
Direct Award			
COPS Program (In School)	16.710	1999SHWX0655	\$ 20,000
Law Enforcement Block Grant	16.592	20047-LB-BX-0812	13,677
Gang Resistance Ed and Training	16.544	2004-JV-FX-0168	29,478
Total Direct Award			<u>63,155</u>
Pass-through from Liberty County, Georgia			
Byrne Formula Grant Program			
Multi Agency Crack Enforcement Program	16.579	2004-DB-BX-0056	77,412
Multi Agency Crack Enforcement Program	16.579	2005-DJ-BX-0087	28,295
Total Multi Agency Crack Enforcement Program			<u>105,707</u>
Total U.S. Department of Justice			<u>168,862</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	19,645
Community Housing Inv Program	14.239	01M-X-089-2-2574	40,726
Community Development Block Grant (CDBG)	14.228	03-X-089-2-2880	207,241
Emergency Shelter Grant	14.231	2004-01-HTF-EX-04C080	10,000
Total U.S. Department of Housing and Urban Development			<u>277,612</u>
U.S. Department of Homeland Security			
Pass-through from the Georgia Emergency Management Agency			
Homeland Security Grant	97.004	2003-MU-T3-0010	<u>36,260</u>
U.S. Department of Transportation			
Pass-through from the Georgia Department of Transportation			
Planning Contract	20.205	MTG00 0120-00-011	<u>71,922</u>
Total Expenditures of Federal Awards			<u>\$ 554,656</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, 2005, disbursements were made to sub-recipients from the following grant programs:

Program	CFDA #	Amount
Community Development Block Grant	14.228	<u>\$ 207,241</u>

# CITY OF HINESVILLE, GEORGIA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED OCTOBER 31, 2005

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### SECTION I SUMMARY OF AUDIT RESULTS

#### **Financial Statements**

Type of auditor's report issued Unqualified

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

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

Noncompliance material to financial statements noted?  X  yes \_\_\_ no

#### **Federal Awards**

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

Reportable conditions identified not considered  
to be material weaknesses? \_\_\_ yes  X  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  X  no

#### Identification of major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grants
16.579	Byrne Formula Grant Proram

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

Auditee qualified as low-risk auditee? \_\_\_ yes  X  no

# CITY OF HINESVILLE, GEORGIA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED OCTOBER 31, 2005

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### SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES

#### 05-01. Uncollateralized Bank Accounts

**Condition** – For the fiscal year ended October 31, 2005, the City’s had uncollateralized deposits with two (2) financial institutions.

**Criteria** – The Official Code of Georgia (OCGA) Section 45-8-12(c) requires all depositories of public funds to pledge securities of not less than 110% of the deposited public funds.

**Effect** – Cash held in institutions not properly insured or collateralized by pledged securities is subject to loss in the event of financial institution failure.

**Recommendation** – We recommend that steps be taken to ensure that all cash on deposit with financial institutions is either insured or properly collateralized by securities held in the City’s name.

**Response** – We concur. All bank accounts will be reviewed to verify compliance.

### 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, 2005**

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There were no prior year findings.