



DAHLONEGA

GEORGIA, USA

CITY OF DAHLONEGA, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended September 30, 2012

SUBMITTED BY:

RON THOMAS

CITY MANAGER





DAHLONEGA

L G H F EST. 1833

FIRST MAJOR U.S. GOLD RUSH

INTRODUCTORY SECTION

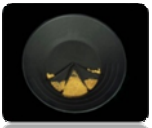


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Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Dahlonega
Georgia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2011

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



Christopher P. Morrell

President

Jeffrey R. Emer

Executive Director



ELECTED AND APPOINTED OFFICIALS

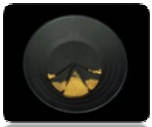
September 30, 2012

ELECTED OFFICIALS

Mayor.....Gary McCullough
 Council Member – Post 1.....Ralph Prescott
 Council Member – Post 2...Johnny Ariemma
 Council Member – Post 3.....Gerald Lord
 Council Member – Post 4.....Bruce Hoffman
 Council Member – Post 5.....Sam Norton
 Council Member – Post 6.....Terry Peters
 Municipal Judge.....Hammond Law

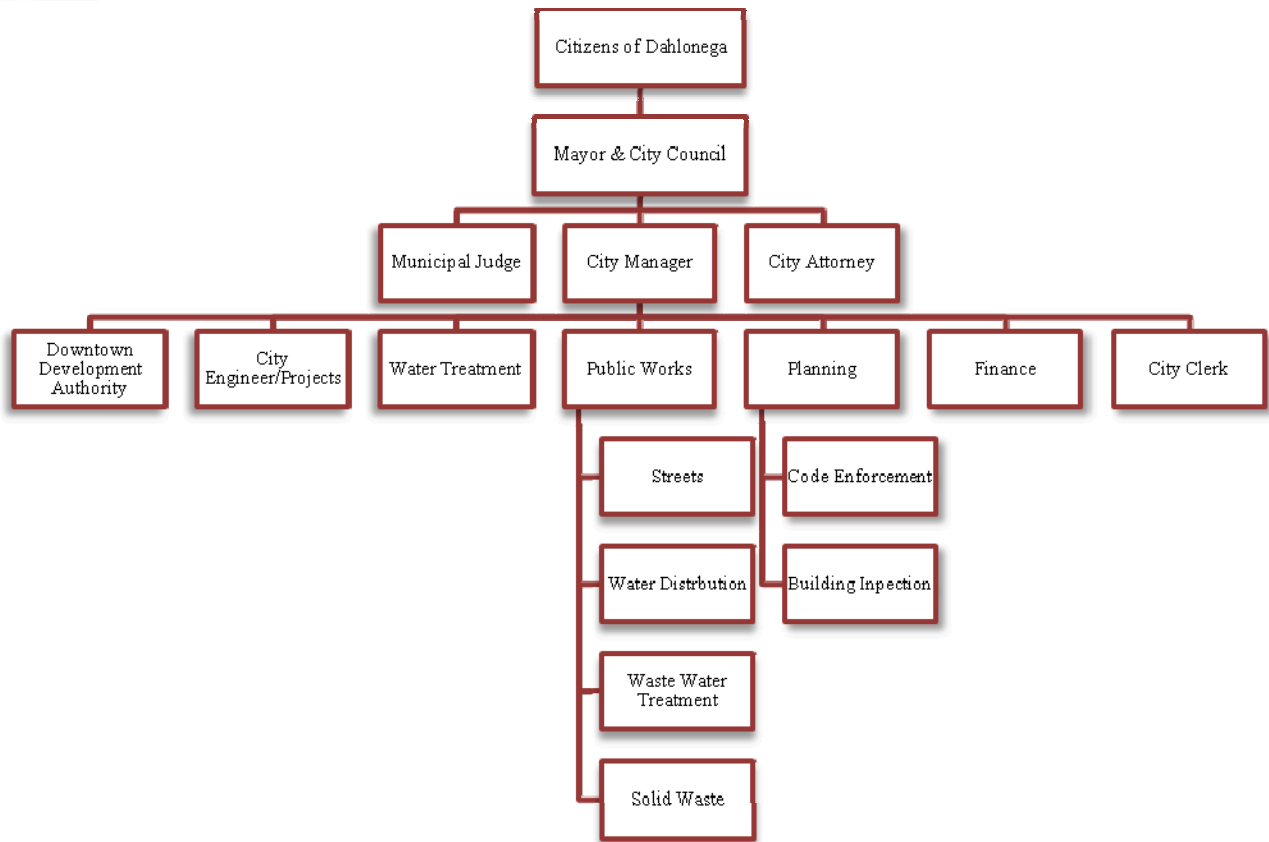
APPOINTED OFFICIALS

City Manager..... Bill Lewis
 City Attorney.....Doug Parks
 City Clerk.....Lou Stewart
 Public Works Director.....Ricky Stewart
 Water Plant Superintendent.....John Jarrard
 Planning Director.....Patricia Head
 Downtown Development Authority
 Director.....Joel Cordle



CITY OF DAHLONEGA ORGANIZATION CHART

September 30, 2012





January 8, 2013

TO THE HONORABLE MAYOR, MEMBERS OF THE COUNCIL, AND CITIZENS OF THE CITY OF DAHLONEGA:

We are pleased to present the Comprehensive Annual Financial Report of the City of Dahlonega for the fiscal year ended September 30, 2012 to the City Council, the Mayor and the citizens of Dahlonega. Georgia Code requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This is the fourth Comprehensive Annual Financial Report published to fulfill that requirement.



Within this report management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls that it has established for this purpose. Since the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free of any material misstatements.

Georgia Code requires an annual audit by independent certified public accountants. The City selected Rushton & Company, Certified Public Accountants to perform the annual independent financial statement audit for fiscal year 2012. The audit issued an unqualified opinion for the 2012 fiscal

year which is included within this document.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic 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 Dahlonega's MD&A can be found immediately following the auditor's report in the financial section of this report.

PROFILE OF THE GOVERNMENT

The City of Dahlonega, the county seat of Lumpkin County, is located in the foothills of the Northeast Georgia Mountains,

approximately 70 miles north east of Atlanta. The population of Dahlonega is estimated to be 5,251. Dahlonega was incorporated December 21, 1833 and was the site of the first major gold rush in the United States. A US Branch Mint minted Half Eagle, Quarter Eagle, the Gold Dollar (72,529) and the Three Dollar Gold Coin here between 1838 and 1861. North Georgia College and State University, founded in 1873 in the abandoned Mint Building, was the first state-supported college in Georgia to grant a degree to a woman and is now one of 6 senior military colleges in the US with an enrollment of 6,067 undergraduate and graduate students.



The City of Dahlonega has been honored with being designated a Preserve America Community. It is one of thirty seven communities in the State of Georgia to earn this designation. The City was awarded this honor due to its ongoing commitment to preserve its unique heritage and history. The City was also designated as a National Main Street Community as well as an Appalachian Trail Community and a Tree Community.



The government of the City of Dahlonega is vested in a City Council composed of a mayor and six council members. Each member serves a four year term of office and there are no limits on the amount of terms they may serve. The Council appoints a City

Manager to supervise and coordinate all activities of the City. The City has the authority to levy property tax on both real and personal property located within its boundaries.

The City provides many services including a water and sewer utility, solid waste collection, recycling program, cemetery



services, maintenance of highways and streets, recreational facilities, and tourism event sponsorship.

The Downtown Development Authority of Dahlonega (DDA), a legally separate entity, was created by the City to stimulate and sustain economic development in Downtown Dahlonega. The DDA works closely with downtown businesses and city leaders to ensure continued growth and investment into the downtown area while preserving its unique heritage.

The City of Dahlonega develops and adopts a balanced budget for each fiscal year. The City Manager and the Finance Department develop this document which is submitted

to the mayor and City Council for adoption. The City includes all governmental funds (General, SPLOST, Multiple Grant, Hotel/Motel Tax, & Streetscape), enterprise funds (Water/Sewage & Solid Waste), and component units (Dahlonega Downtown Development Authority) in its budgeting process. Each fund is budgeted at the line item level but monitored at the legal level of control which is at the department level. The legal level of control is the level at which the budget must be balanced.

LOCAL ECONOMY

The economy within the City of Dahlonega is mainly based on tourism. During the past six years, through ongoing efforts of the Convention and Visitors Bureau, the tourism industry in Dahlonega has grown. With historic interests, outdoor recreational activities, five local wineries and vineyards, and two tasting rooms, Dahlonega attracts



many different types of tourists. The City dedicates all of the Hotel/Motel tax proceeds to promoting its number one industry.

Another important sector in Dahlonega's economy is the location of North Georgia College and State University within the city limits of Dahlonega. The City supports 6,067 resident and commuter students.

The 2012 year has been hard on Dahlonega as it has on the entire country. Dahlonega has had tentative signs of recovery but unemployment continues to be high at 8.3%. The manufacturing sector has rehired some

of the previous years' layoffs but is not at full capacity to date

| | Unemployment (Lumpkin Co.) | Building Permits (City) |
|------|-------------------------------|-------------------------------|
| 2012 | 8.3% | 47 |
| 2011 | 10.3% | 47 |
| 2010 | 9.9% | 47 |
| 2009 | 11.5% | 69 |
| 2008 | 7.0% | 77 |
| 2007 | 4.2% | 192 |

Building permits remained slow during 2012. The housing and banking crisis has led to a continued slowing of much development within the City, but developers are committing to restart projects soon.

Throughout the poor economic news of 2012 the bright news has been that the tourism industry in Dahlonega has been relatively unaffected.

LONG-TERM FINANCIAL PLANNING

Unassigned fund balance in the General Fund is \$1,265,550 or 44 percent of the 2013 annual revenue budget. The City maintains these funds to provide cash flow throughout the year and as a buffer against unforeseen events.

The Water and Sewage fund issued revenue bonds during 2008 to construct a new water treatment facility. This facility was completed in June of 2010. This plant replaced the City's only water treatment plant which was approaching the end of its useful life. The new plant can produce up to six million gallons of potable water daily and can be expanded to ten million gallons daily in the future. This new plant will provide safe drinking water for future growth.

RELEVANT FINANCIAL POLICIES

The Council has adopted a comprehensive set of financial policies which guide and direct the Finance Department throughout the year. These policies address fund balances, the use of one-time revenues, issuance of debt, purchasing and procurement, cash and investment management, accounting practices, and water and sewer billing. These policies were designed to provide assurance that the City is able to meet its fiduciary responsibility to its citizens. The Council reviews and updates these policies on an ongoing basis.

MAJOR INITIATIVES

The City has temporarily suspended the planning stage for a new city hall building. A site has been chosen and land purchased. \$1.5 million of fund balance has been assigned for this purpose. The Council hopes to move forward with this project when funds are available and economic factors are in the City's favor.

The City has chosen Hancock Park as the site for a one of a kind historic diving bell which was used in the 19th century to mine gold from the bottom of nearby Chestatee River. The construction of a building to house the diving bell neared completion at fiscal year-end. Some of the funding for this project was provided by a grant.

AWARDS AND ACKNOWLEDGEMENTS

The City has submitted its last three Comprehensive Annual Financial Reports to the Governmental Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting award program. The City was awarded the Certificate of Achievement for Excellence in Financial Reporting each of the three years. In order to be awarded a Certificate of Achievement the government has to publish an easily readable and efficiently organized CAFR that satisfies both generally accepted accounting principles and applicable legal requirements. The City

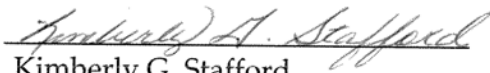
has made a commitment to the citizens to develop and cultivate a professional organization and this is one of many steps in achieving that goal.

A Certificate of Achievement is valid for a period of only one year. We believe that our current CAFR meets the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for a third certificate.

The Comprehensive Annual Financial Report would not be possible without the constant efforts of the entire Finance Department staff. Appreciation is also expressed to the Mayor and Council for their support and dedication to providing the resources to deliver needed quality services and for improving the quality of life for Dahlongega's citizens.

Respectfully,

City of Dahlongega
Department of Finance

By: 
Kimberly G. Stafford

FINANCIAL SECTION



Independent Auditor's Report

Honorable Mayor and Members
of the City Council
City of Dahlonega, 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 Dahlonega, Georgia, as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Dahlonega, 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 Dahlonega, Georgia, as of September 30, 2012, and the respective changes in financial position, cash flows, where applicable, and the budgetary comparison of 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 January 8, 2013, on our consideration of the City of Dahlonega, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 16 through 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dahlonega, Georgia's financial statements as a whole. The introductory section, combining and individual fund financial statements and schedules, the schedule of projects financed with special purpose local option sales tax, and the statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual fund financial statements and schedules and the schedule of projects financed with special purpose local option sales tax are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Rushton & Company, LLC

Certified Public Accountants

Gainesville, Georgia
January 8, 2013

FINANCIAL SECTION

MANAGEMENT'S DISCUSSION AND ANALYSIS



MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2012

As management of the City of Dahlonega, we offer readers of the City of Dahlonega's financial statements this narrative overview and analysis of the financial activities of the City of Dahlonega for the fiscal year ended September 30, 2012. We encourage readers to consider the information presented here in conjunction with the basic financial statements, accompanying notes to those financial statements, and the additional information that we have furnished in our letter of transmittal, which can be found in the beginning of this report. All amounts, unless otherwise indicated, are expressed in whole dollars.

FINANCIAL HIGHLIGHTS

Government Wide Financial Statements

- At the close of the fiscal year, the assets of the City exceeded its liabilities by \$23,221,532. Of this, \$6,280,526 (27.05%) represents unrestricted net assets which may be used to meet the City's ongoing obligations.
- At the close of the fiscal year, the net assets of the City's governmental activities were \$8,988,197. This represents a decrease of \$40,499 (0.45%) under the prior year net asset balance for governmental activities.
- At the close of the fiscal year, the net assets of the City's business-type activities were \$14,233,335. This represents a decrease of \$587,253 (3.96%) under the prior year net asset balance for business-type activities.

Fund Financial Statements

- As of the close of the current fiscal year, the City of Dahlonega's governmental funds reported combined ending fund balances of \$3,842,657, a decrease of \$727,261 from the prior year. At the close of the fiscal year, the General Fund's unassigned fund balance, which is

available for spending at the City's discretion, is \$1,265,550 or 32.93% of the governmental funds' combined ending fund balance.

- The General Fund had revenues of \$3,168,439 for the current fiscal year. Of this amount \$878,922 (27.7%) was from property taxes and \$756,139 (23.9%) was from sales taxes.

Debt Obligations

- Long-term debt obligations from the governmental activities decreased \$10,207 (100%) from \$10,207 at September 30, 2011, to \$0 at September 30, 2012.
- Long-term debt obligations from the business-type activities decreased \$1,020,243 (2.80%) from \$36,491,855 at September 30, 2011, to \$35,471,612 at September 30, 2012.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Management's Discussion and Analysis document is intended to serve as an introduction to the City of Dahlonega's basic financial statements. The basic financial statements include:

1. government-wide financial statements,
2. fund financial statements, and
3. notes to the basic financial statements.

Government Wide Financial Statements

The government wide financial statements of the City of Dahlonega are designed to provide the readers with a broad overview of the City's finances. This information is presented in a manner similar to a private-sector business.

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.

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).

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, judicial, public safety, public works, culture and recreation, and housing and development. Business-type activities include a water and sewage utility and solid waste collection operation.

The government-wide financial statements contain not only the City (known as the primary government), but also a legally separate authority (Downtown Development Authority) for which the City is financially accountable. Financial information on this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 24 through 26 of this report.

Fund Financial Statements

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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds. In addition to these statements this report also presents a budgetary comparison schedule. This section is presented on a generally accepted accounting principle basis. This schedule is intended to demonstrate the government's compliance with legally adopted and amended budgets.

Governmental Funds

The majority of the City's basic services are reported in the governmental funds, which focus on how cash and other financial assets flows in and out of those funds and the balances left at year-end that are available for spending. Governmental funds therefore provide information for a detailed short-term view that help determine whether there are more or less financial resources that can be spent in the near future to fund the City's activities. Readers can compare information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. This comparison may help to communicate the long-term impact of the government's near-term financing decisions. Reconciliations between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds are

provided following the governmental fund financial statements.

The City has two major and three non-major governmental funds. The City's major governmental funds are the General Fund and SPLOST Fund. The City's non-major governmental funds are the Multiple Grant Fund, Hotel/Motel Tax Fund, and the Streetscape Fund.

Proprietary Funds

The City maintains one of two types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water and sewage systems operations and its solid waste collection operation.

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 Sewage Fund and Solid Waste Fund.

The basic proprietary fund financial statements can be found on pages 32 through 35 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 can be found on pages 38 through 64 of this report.

Other Information

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 66 through 101 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's net assets for governmental activities decreased \$40,499, or 0.45%, during the year ending September 30, 2012. Net assets invested in capital assets (net of related debt) increased \$660,484, restricted net assets decreased \$545,393, and unrestricted net assets decreased \$155,590. Unrestricted net assets are funds available to finance governmental operations. Although revenues for the City are rebounding, operating costs continue to rise resulting in the net asset decrease in FY 2012. The City maintains a large amount of its net assets in cash to enable the City to have funds for emergencies and avoid short term borrowing.

Approximately 20.36% of the City's governmental activities revenues came from property taxes and approximately 45.93% came from sales and other taxes. Combined the City is dependent on taxes for approximately 66.29% of its governmental activities revenues.

Following is a summary of the City's Statement of Net Assets as found on pages 24 and 25 of this report.

| | Governmental | | Business-Type | | Total | |
|--|--------------------|--------------------|---------------------|---------------------|---------------------|---------------------|
| | Activities | | Activities | | | |
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Current assets | \$4,717,443 | \$5,490,033 | \$ 5,763,573 | \$ 6,000,061 | \$10,481,016 | \$11,490,094 |
| Capital assets | 5,168,468 | 4,488,191 | 43,746,394 | 45,119,124 | 48,914,862 | 49,607,315 |
| Other noncurrent assets | 0 | 0 | 570,966 | 596,410 | 570,966 | 596,410 |
| Total assets | <u>9,885,911</u> | <u>9,978,224</u> | <u>50,080,933</u> | <u>51,715,595</u> | <u>59,966,844</u> | <u>61,693,819</u> |
| Current liabilities | 888,533 | 938,790 | 1,507,352 | 1,424,938 | 2,395,885 | 2,363,728 |
| Noncurrent liabilities | 9,181 | 10,738 | 34,340,246 | 35,470,069 | 34,349,427 | 35,480,807 |
| Total liabilities | <u>897,714</u> | <u>949,528</u> | <u>35,847,598</u> | <u>36,895,007</u> | <u>36,745,312</u> | <u>37,844,535</u> |
| Net assets: | | | | | | |
| Invested in capital assets, net of related debt | 5,138,468 | 4,477,984 | 11,091,994 | 11,446,338 | 16,230,462 | 15,924,322 |
| Restricted | 516,149 | 1,061,542 | 194,395 | 22,823 | 710,544 | 1,084,365 |
| Unrestricted | 3,333,580 | 3,489,170 | 2,946,946 | 3,351,427 | 6,280,526 | 6,840,597 |
| Total net assets | <u>\$8,988,197</u> | <u>\$9,028,696</u> | <u>\$14,233,335</u> | <u>\$14,820,588</u> | <u>\$23,221,532</u> | <u>\$23,849,284</u> |

Net assets for business-type activities decreased \$587,253, or 3.96%. Restricted net assets increased by \$171,572. Unrestricted net assets decreased by \$404,481, or 12.1%. These funds are available to finance operations. The amount invested in capital assets (e.g. land, infrastructure, buildings, equipment, and other), less any related debt outstanding that was needed to acquire or construct the assets decreased by \$354,344, or 3.1%. The City uses these capital assets to provide services to the customers of the City; consequently, these net assets are not available for future spending. These net assets represent a capital investment in the business-type activities of the City. The decrease in this net asset class is the effect of continued depreciation of the City's capital assets.

Following is a summary of the City's Statement of Activities as found on page 26 of this report.

| Revenues | Governmental Activities | | Business-Type Activities | | Total | |
|--|----------------------------|---------------------|-----------------------------|----------------------|----------------------|----------------------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Program revenues: | | | | | | |
| Charges for services | \$ 382,589 | \$ 394,266 | \$ 4,020,401 | \$ 4,101,156 | \$ 4,402,990 | \$ 4,495,422 |
| Operating grants and contributions | 34,910 | 24,392 | 0 | 0 | 34,910 | 24,392 |
| Capital grants and contributions | 953,515 | 660,679 | 0 | 0 | 953,515 | 660,679 |
| General revenues: | | | | | | |
| Property taxes | 861,790 | 890,743 | 0 | 0 | 861,790 | 890,743 |
| Sales taxes | 756,139 | 763,535 | 0 | 0 | 756,139 | 763,535 |
| Other taxes | 1,187,749 | 1,111,505 | 0 | 0 | 1,187,749 | 1,111,505 |
| Interest and investment earnings | 9,773 | 10,755 | 135,030 | 67,471 | 144,803 | 78,226 |
| Miscellaneous revenue | 46,030 | 53,442 | 4,390 | 5,006 | 50,420 | 58,448 |
| Total revenues | 4,232,495 | 3,909,317 | 4,159,821 | 4,173,633 | 8,392,316 | 8,082,950 |
| Expenses | | | | | | |
| General government | 1,039,743 | 1,036,537 | 0 | 0 | 1,039,743 | 1,036,537 |
| Judicial | 225,240 | 233,740 | 0 | 0 | 225,240 | 233,740 |
| Public Safety | 80,483 | 84,785 | 0 | 0 | 80,483 | 84,785 |
| Public Works | 1,085,828 | 1,051,610 | 0 | 0 | 1,085,828 | 1,051,610 |
| Culture and Recreation | 26,427 | 23,294 | 0 | 0 | 26,427 | 23,294 |
| Housing and Development | 530,445 | 540,307 | 0 | 0 | 530,445 | 540,307 |
| Interest on long-term debt | 569 | 834 | 0 | 0 | 569 | 834 |
| Water and Sewage | 0 | 0 | 5,364,216 | 5,555,316 | 5,364,216 | 5,555,316 |
| Solid Waste | 0 | 0 | 470,213 | 459,381 | 470,213 | 459,381 |
| Total expenses | 2,988,735 | 2,971,107 | 5,834,429 | 6,014,697 | 8,823,164 | 8,985,804 |
| Increase (decrease) in net assets before special items and transfer | 1,243,760 | 938,210 | (1,674,608) | (1,841,064) | (430,848) | (902,854) |
| Special items | 0 | 0 | (296,937) | 0 | (296,937) | 0 |
| Transfers | (1,384,292) | (284,292) | 1,384,292 | 284,292 | 0 | 0 |
| Increase (decrease) in net assets | (140,532) | 653,918 | (587,253) | (1,556,772) | (727,785) | (902,854) |
| Net assets - beginning (original) | 9,028,696 | 8,374,778 | 14,820,588 | 16,377,360 | 23,849,284 | 24,752,138 |
| Prior period adjustments | 100,033 | 0 | 0 | 0 | 100,033 | 0 |
| Net assets - beginning (restated) | 9,128,729 | 8,374,778 | 14,820,588 | 16,377,360 | 23,949,317 | 24,752,138 |
| Net assets - ending | \$ 8,988,197 | \$ 9,028,696 | \$14,233,335 | \$ 14,820,588 | \$ 23,221,532 | \$ 23,849,284 |

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows and outflows and the balance of resources available for spending. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the close of the year, the City's governmental funds reported a combined ending fund balance of \$3,842,657, with \$82,918 reported as nonspendable, \$516,149 reported as restricted, \$1,978,040 reported as assigned, and the remaining amount of \$1,265,550 reported as unassigned.

The General Fund is the operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,265,550. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures for fiscal year 2012. Unassigned fund balance represents 42.14% of total General Fund expenditures. The net change in the General Fund's fund balance for the year ended September 30, 2012 was a decrease of \$219,109. The decrease, in part, is due to significant capital projects in street construction during FY 2012; fund balance was used to complete these projects.

The SPLOST Fund is required by Georgia State law to account for the collection and expending of proceeds of a one percent Special Purpose Local Option Sales Tax. Of this one percent sales tax the City of Dahlonega receives 17.3%. These funds are limited to paying debt service on bonds issued to finance a water treatment facility. The sales tax generated \$523,223 in revenues and transfers to the Water and

Sewage Fund totaling \$1,100,000 were made in fiscal year 2012 to fund debt service payments. The total fund balance for this fund at September 30, 2012 was \$122,135, which will be used to fund future debt service payments. The net change in the SPLOST Fund's fund balance for the year ended September 30, 2012 was a decrease of \$576,048. The decrease is due to the timing of transfers made to the Water and Sewage Fund.

Enterprise Funds

The Enterprise Funds are composed of the Water and Sewage Fund and the Solid Waste Fund. The net change in the total Enterprise Funds' net asset balance for the year ended September 30, 2012 was a decrease before special items and transfers of \$1,674,608 and after special items and transfers a decrease of \$587,253. Interest expense related to 2008 bond issue remains a large expense for the Water and Sewage Fund. The total net assets for the Enterprise Funds at the beginning of the fiscal year were \$14,820,588 and net assets at the end of the fiscal year were \$14,233,335.

BUDGETARY HIGHLIGHTS

The City revised the General Fund Budget at various times through the end of the fiscal year to reflect changes in estimated revenues and expenditures. Total amendments to the General Fund Budget increased revenues and other financing sources by approximately \$208,000 and increased expenditures and other financing uses by approximately \$208,000. The final budget reflected an anticipated \$228,659 use of prior fund balance.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

At September 30, 2012, the City reported \$48,914,862 in capital assets net of accumulated depreciation. This is a decrease of \$792,486 or 1.6% under fiscal year 2011. Additional information on the City's capital assets can be found in Note 8

in the Notes to the Financial Statements beginning on page 53 of this report.

At September 30, 2012, the City reported long-term debt of \$35,471,612 net of unamortized bond discounts. This is a decrease of \$1,030,450 or 2.82% under fiscal year 2011. Additional information about the City's long-term debt activity can be found in Notes 9 and 10 in the Notes to the Financial Statements beginning on page 54.

In conclusion, the City of Dahlonega finished the year with a decrease in fund balance and a decrease in net assets. The property tax digest decreased while the property tax millage rate changed from 3.99 to 4.212. Fiscal management has been sound while providing the services that the citizens expect and deserve.

This financial report is designed to provide a general overview of the City of Dahlonega's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to:

City of Dahlonega
Director of Finance
465 Riley Road
Dahlonega, Georgia 30533.

FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS

CITY OF DAHLONEGA, GEORGIA
STATEMENT OF NET ASSETS
September 30, 2012

| | Primary Government | | | Component Unit |
|--|----------------------------|-----------------------------|-------------------|--------------------------------------|
| | Governmental Activities | Business-type Activities | Total | Downtown Development Authority |
| ASSETS | | | | |
| Current assets | | | | |
| Cash and cash equivalents | \$ 3,141,101 | \$ 1,571,857 | \$ 4,712,958 | \$ 187,505 |
| Restricted assets | | | | |
| Cash and cash equivalents | 377,970 | 1,004,449 | 1,382,419 | 4,073 |
| Certificates of deposit | 0 | 0 | 0 | 0 |
| Investments | 0 | 2,229,071 | 2,229,071 | 0 |
| Receivables (net) | | | | |
| Accounts | 647 | 618,910 | 619,557 | 795 |
| Taxes | 853,523 | 0 | 853,523 | 0 |
| Fines | 79,159 | 0 | 79,159 | 0 |
| Intergovernmental | 176,066 | 0 | 176,066 | 397 |
| Inventory | 24,425 | 176,103 | 200,528 | 0 |
| Property held for resale | 0 | 90,000 | 90,000 | 0 |
| Prepaid items | 58,493 | 79,242 | 137,735 | 2,793 |
| Internal balances | 6,059 | (6,059) | 0 | 0 |
| Total current assets | 4,717,443 | 5,763,573 | 10,481,016 | 195,563 |
| Noncurrent assets | | | | |
| Debt issuance costs | 0 | 570,966 | 570,966 | 0 |
| Capital assets | | | | |
| Non-depreciable | 2,318,500 | 3,323,896 | 5,642,396 | 0 |
| Depreciable (net) | 2,849,968 | 40,422,498 | 43,272,466 | 0 |
| Total noncurrent assets | 5,168,468 | 44,317,360 | 49,485,828 | 0 |
| Total assets | 9,885,911 | 50,080,933 | 59,966,844 | 195,563 |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Payables | | | | |
| Accounts | 117,800 | 61,477 | 179,277 | 1,611 |
| Intergovernmental | 12,330 | 1,572 | 13,902 | 0 |
| Interest | 0 | 30,542 | 30,542 | 0 |
| Accrued payroll liabilities | 2,956 | 2,780 | 5,736 | 458 |
| Deferred revenue | 720,909 | 0 | 720,909 | 0 |
| Compensated absences | 34,538 | 52,019 | 86,557 | 1,669 |
| Notes payable | 0 | 667,482 | 667,482 | 0 |
| Capital leases payable | 0 | 2,711 | 2,711 | 0 |
| Liabilities payable from restricted assets | | | | |
| Interest payable | 0 | 111,670 | 111,670 | 0 |
| Customer deposits payable | 0 | 102,099 | 102,099 | 0 |
| Revenue bonds payable | 0 | 475,000 | 475,000 | 0 |
| Total current liabilities | 888,533 | 1,507,352 | 2,395,885 | 3,738 |

See accompanying notes to the financial statements.

CITY OF DAHLONEGA, GEORGIA
STATEMENT OF NET ASSETS
September 30, 2012

| | Primary Government | | | Component Unit |
|--|----------------------------|-----------------------------|----------------------|--------------------------------------|
| | Governmental Activities | Business-type Activities | Total | Downtown Development Authority |
| Noncurrent liabilities | | | | |
| Compensated absences | \$ 9,181 | \$ 13,827 | \$ 23,008 | \$ 444 |
| Notes payable | 0 | 9,544,351 | 9,544,351 | 0 |
| Revenue bonds payable | 0 | 24,782,068 | 24,782,068 | 0 |
| Total noncurrent liabilities | 9,181 | 34,340,246 | 34,349,427 | 444 |
| Total liabilities | 897,714 | 35,847,598 | 36,745,312 | 4,182 |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | 5,138,468 | 11,091,994 | 16,230,462 | 0 |
| Restricted for: | | | | |
| General government | 4,689 | 0 | 4,689 | 0 |
| Public works | 359,076 | 0 | 359,076 | 0 |
| Housing and development | 30,249 | 0 | 30,249 | 4,073 |
| Debt service | 122,135 | 194,395 | 316,530 | 0 |
| Unrestricted | 3,333,580 | 2,946,946 | 6,280,526 | 187,308 |
| Total net assets | \$ 8,988,197 | \$ 14,233,335 | \$ 23,221,532 | \$ 191,381 |

See accompanying notes to the financial statements.

CITY OF DAHLONEGA, GEORGIA

STATEMENT OF ACTIVITIES

For the fiscal year ended September 30, 2012

| FUNCTIONS/PROGRAMS | Expenses | Program Revenues | | | Net (Expense) Revenue |
|--|--------------------------------|---------------------------------|--|--|-----------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Primary government | | | | | |
| Governmental activities | | | | | |
| General Government | \$ 1,039,743 | \$ 82,110 | \$ 5,000 | \$ 0 | \$ (952,633) |
| Judicial | 225,240 | 197,935 | 0 | 0 | (27,305) |
| Public Safety | 80,483 | 0 | 0 | 0 | (80,483) |
| Public Works | 1,085,828 | 87,250 | 29,910 | 853,340 | (115,328) |
| Culture and Recreation | 26,427 | 0 | 0 | 0 | (26,427) |
| Housing and Development | 530,445 | 15,294 | 0 | 100,175 | (414,976) |
| Interest on long-term debt | 569 | 0 | 0 | 0 | (569) |
| Total governmental activities | <u>2,988,735</u> | <u>382,589</u> | <u>34,910</u> | <u>953,515</u> | <u>(1,617,721)</u> |
| Business-type activities | | | | | |
| Water and Sewage | 5,364,216 | 3,454,006 | 0 | 0 | (1,910,210) |
| Solid Waste | 470,213 | 566,395 | 0 | 0 | 96,182 |
| Total business-type activities | <u>5,834,429</u> | <u>4,020,401</u> | <u>0</u> | <u>0</u> | <u>(1,814,028)</u> |
| Total primary government | <u>8,823,164</u> | <u>4,402,990</u> | <u>34,910</u> | <u>953,515</u> | <u>(3,431,749)</u> |
| Component Unit | | | | | |
| Downtown Development Authority | | | | | |
| Housing and Development | 165,494 | 0 | 2,365 | 0 | (163,129) |
| Primary Government | | | | | |
| | Governmental Activities | Business-Type Activities | Total | Component Unit | |
| Change in net assets | | | | | |
| Net (expense) revenue | \$ (1,617,721) | \$ (1,814,028) | \$ (3,431,749) | \$ (163,129) | |
| General revenues | | | | | |
| Taxes | | | | | |
| Property | 861,790 | 0 | 861,790 | 0 | |
| Sales | 756,139 | 0 | 756,139 | 0 | |
| Franchise | 505,998 | 0 | 505,998 | 0 | |
| Insurance premium | 245,897 | 0 | 245,897 | 0 | |
| Intangibles | 12,388 | 0 | 12,388 | 0 | |
| Alcoholic beverage | 162,457 | 0 | 162,457 | 0 | |
| Occupational | 111,636 | 0 | 111,636 | 0 | |
| Hotel/Motel | 149,373 | 0 | 149,373 | 0 | |
| Payments from City of Dahlonega | 0 | 0 | 0 | 157,150 | |
| Interest and investment earnings | 9,773 | 135,030 | 144,803 | 682 | |
| Miscellaneous | 46,030 | 4,390 | 50,420 | 865 | |
| Special items | 0 | (296,937) | (296,937) | 0 | |
| Transfers | (1,384,292) | 1,384,292 | 0 | 0 | |
| Total general revenues, special items, and transfers | <u>1,477,189</u> | <u>1,226,775</u> | <u>2,703,964</u> | <u>158,697</u> | |
| Change in net assets | <u>(140,532)</u> | <u>(587,253)</u> | <u>(727,785)</u> | <u>(4,432)</u> | |
| Net assets - beginning (original) | 9,028,696 | 14,820,588 | 23,849,284 | 195,813 | |
| Prior period adjustments | 100,033 | 0 | 100,033 | 0 | |
| Net assets - beginning (restated) | <u>9,128,729</u> | <u>14,820,588</u> | <u>23,949,317</u> | <u>195,813</u> | |
| Net assets - ending | <u>\$ 8,988,197</u> | <u>\$ 14,233,335</u> | <u>\$ 23,221,532</u> | <u>\$ 191,381</u> | |

See accompanying notes to the financial statements.

CITY OF DAHLONEGA, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2012

| | <u>General</u> | <u>SPLOST</u> | <u>Nonmajor Governmental Funds</u> | <u>Totals</u> |
|--|---------------------|-------------------|--|---------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 2,950,273 | \$ 29,185 | \$ 161,643 | \$ 3,141,101 |
| Restricted cash and cash equivalents | 359,076 | 0 | 18,894 | 377,970 |
| Receivables (net) | | | | |
| Accounts | 647 | 0 | 0 | 647 |
| Taxes | 837,943 | 0 | 15,580 | 853,523 |
| Fines | 79,159 | 0 | 0 | 79,159 |
| Intergovernmental | 4,797 | 92,950 | 78,319 | 176,066 |
| Inventory | 24,425 | 0 | 0 | 24,425 |
| Prepaid items | 58,493 | 0 | 0 | 58,493 |
| Due from other funds | 6,059 | 0 | 0 | 6,059 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total assets | \$ 4,320,872 | \$ 122,135 | \$ 274,436 | \$ 4,717,443 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities | | | | |
| Payables | | | | |
| Accounts | \$ 57,733 | \$ 0 | \$ 60,067 | \$ 117,800 |
| Intergovernmental | 12,330 | 0 | 0 | 12,330 |
| Accrued salaries and payroll expenses | 2,956 | 0 | 0 | 2,956 |
| Deferred revenue | 741,700 | 0 | 0 | 741,700 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total liabilities | 814,719 | 0 | 60,067 | 874,786 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Fund balances | | | | |
| Nonspendable: | | | | |
| Inventory | 24,425 | 0 | 0 | 24,425 |
| Prepaid items | 58,493 | 0 | 0 | 58,493 |
| Restricted for: | | | | |
| General government | 0 | 0 | 4,689 | 4,689 |
| Public works | 359,076 | 0 | 0 | 359,076 |
| Housing and development | 0 | 0 | 30,249 | 30,249 |
| Debt service | 0 | 122,135 | 0 | 122,135 |
| Assigned to: | | | | |
| Public works | 0 | 0 | 32,666 | 32,666 |
| Housing and development | 0 | 0 | 9,172 | 9,172 |
| Capital outlay | 100,000 | 0 | 137,593 | 237,593 |
| City Hall construction | 1,500,000 | 0 | 0 | 1,500,000 |
| Subsequent year's budget | 198,609 | 0 | 0 | 198,609 |
| Unassigned | 1,265,550 | 0 | 0 | 1,265,550 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total fund balances | 3,506,153 | 122,135 | 214,369 | 3,842,657 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total liabilities and fund balances | \$ 4,320,872 | \$ 122,135 | \$ 274,436 | \$ 4,717,443 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

See accompanying notes to the financial statements.

CITY OF DAHLONEGA, GEORGIA
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET ASSETS
September 30, 2012

| | | |
|---|-----------|-------------------------|
| Total fund balance - total governmental funds | \$ | 3,842,657 |
| Amounts reported for governmental activities in the statement of net assets are different because: | | |
| Capital assets of \$7,172,137, net of accumulated depreciation of (\$2,003,669), are not financial resources and, therefore, are not reported in the funds. | | 5,168,468 |
| Long-term assets (receivables) are not available to pay current period expenditures and, therefore, are deferred in the funds. These include deferred property taxes of \$20,791. | | 20,791 |
| Long-term liabilities are not due and payable in the current period and are not reported in the funds. These are compensated absences of (\$43,719). | | <u>(43,719)</u> |
| Net assets of governmental activities | \$ | <u>8,988,197</u> |

CITY OF DAHLONEGA, GEORGIA
STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the fiscal year ended September 30, 2012

| | General | SPLOST | Nonmajor Governmental Funds | Totals |
|--|---------------------|-------------------|-----------------------------------|---------------------|
| REVENUES | | | | |
| Taxes | \$ 2,661,049 | \$ 0 | \$ 149,373 | \$ 2,810,422 |
| Licenses and permits | 97,404 | 0 | 0 | 97,404 |
| Fines, fees and forfeitures | 197,935 | 0 | 0 | 197,935 |
| Charges for services | 87,250 | 0 | 0 | 87,250 |
| Intergovernmental | 69,278 | 523,223 | 345,020 | 937,521 |
| Interest | 9,493 | 729 | 280 | 10,502 |
| Contributions | 0 | 0 | 50,175 | 50,175 |
| Other | 46,030 | 0 | 0 | 46,030 |
| Total revenues | 3,168,439 | 523,952 | 544,848 | 4,237,239 |
| EXPENDITURES | | | | |
| Current | | | | |
| General Government | 1,019,621 | 0 | 3,585 | 1,023,206 |
| Judicial | 225,240 | 0 | 0 | 225,240 |
| Public Safety | 80,483 | 0 | 0 | 80,483 |
| Public Works | 1,275,639 | 0 | 10,631 | 1,286,270 |
| Culture and Recreation | 14,625 | 0 | 0 | 14,625 |
| Housing and Development | 376,872 | 0 | 261,110 | 637,982 |
| Debt Service | 10,776 | 0 | 0 | 10,776 |
| Capital outlay | 0 | 0 | 301,626 | 301,626 |
| Total expenditures | 3,003,256 | 0 | 576,952 | 3,580,208 |
| Excess (deficiency) of revenues over (under) expenditures | 165,183 | 523,952 | (32,104) | 657,031 |
| Other financing sources (uses) Transfers in (out) | (384,292) | (1,100,000) | 100,000 | (1,384,292) |
| Net change in fund balances | (219,109) | (576,048) | 67,896 | (727,261) |
| Fund balances, October 1 | 3,725,262 | 698,183 | 146,473 | 4,569,918 |
| Fund balances, September 30 | \$ 3,506,153 | \$ 122,135 | \$ 214,369 | \$ 3,842,657 |

See accompanying notes to the financial statements.

CITY OF DAHLONEGA, GEORGIA
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the fiscal year ended September 30, 2012

Net change in fund balances - total governmental funds \$ (727,261)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$855,320 exceed depreciation of (\$268,936) in the current period. 586,384

In the statement of activities, the gain or loss on the sale of assets is reported, whereas in the governmental funds the proceeds from the sale increase financial resources. The change in net assets differs from the change in fund balance by the cost of the assets sold of (\$13,067), net of related accumulated depreciation of \$6,927. (6,140)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These include recognition of unavailable deferred revenue. (4,744)

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. These include the net change of \$1,022 in compensated absences. 1,022

The proceeds of debt issuance provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which debt payments of \$10,207 exceeded proceeds of \$0. 10,207

Change in net assets of governmental activities \$ (140,532)

CITY OF DAHLONEGA, GEORGIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET (GAAP) AND ACTUAL
For the fiscal year ended September 30, 2012

| | Budget | | Actual | Variance with |
|--|------------------|------------------|---------------------|---------------------|
| | Original | Final | | Final Budget |
| REVENUES | | | | |
| Taxes | \$ 2,534,196 | \$ 2,628,685 | \$ 2,661,049 | \$ 32,364 |
| Licenses and permits | 117,000 | 117,000 | 97,404 | (19,596) |
| Fines, fees and forfeitures | 255,000 | 255,000 | 197,935 | (57,065) |
| Charges for services | 49,500 | 87,000 | 87,250 | 250 |
| Intergovernmental | 0 | 74,500 | 69,278 | (5,222) |
| Interest | 10,500 | 10,500 | 9,493 | (1,007) |
| Contributions | 300 | 300 | 0 | (300) |
| Other | 43,500 | 45,000 | 46,030 | 1,030 |
| Total revenues | <u>3,009,996</u> | <u>3,217,985</u> | <u>3,168,439</u> | <u>(49,546)</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| General Government | | | | |
| Legislative | 160,121 | 160,121 | 158,632 | 1,489 |
| Executive | 200,223 | 225,000 | 224,025 | 975 |
| Elections | 3,265 | 3,265 | 1,442 | 1,823 |
| General Administration | 571,294 | 636,176 | 635,522 | 654 |
| Judicial | | | | |
| Municipal Court | 231,339 | 231,339 | 225,240 | 6,099 |
| Public Safety | | | | |
| Law Enforcement | 117,355 | 80,500 | 80,483 | 17 |
| Public Works | | | | |
| Street Maintenance | 546,577 | 519,621 | 499,738 | 19,883 |
| Street Construction | 515,890 | 615,000 | 594,287 | 20,713 |
| Shop Department | 70,010 | 76,500 | 76,047 | 453 |
| Cemetery | 72,106 | 106,000 | 105,567 | 433 |
| Culture and Recreation | | | | |
| Parks | 11,966 | 15,000 | 14,625 | 375 |
| Housing and Development | | | | |
| Building Inspections | 159,343 | 182,000 | 181,024 | 976 |
| Better Home Towns | 43,900 | 43,900 | 38,698 | 5,202 |
| Downtown Development Authority | 157,150 | 157,150 | 157,150 | 0 |
| Debt Service | | | | |
| General Government | | | | |
| General Administration | 3,824 | 3,824 | 3,824 | 0 |
| Public Works | | | | |
| Street Maintenance | 0 | 6,956 | 6,952 | 4 |
| Total expenditures | <u>2,864,363</u> | <u>3,062,352</u> | <u>3,003,256</u> | <u>59,096</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>145,633</u> | <u>155,633</u> | <u>165,183</u> | <u>9,550</u> |
| Other financing sources (uses) | | | | |
| Transfers out | (284,292) | (384,292) | (384,292) | 0 |
| Contingency | (90,000) | 0 | 0 | 0 |
| Total other financing sources (uses) | <u>(374,292)</u> | <u>(384,292)</u> | <u>(384,292)</u> | <u>0</u> |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses | <u>(228,659)</u> | <u>(228,659)</u> | <u>(219,109)</u> | <u>9,550</u> |
| Fund balances, October 1 | <u>228,659</u> | <u>228,659</u> | <u>3,725,262</u> | <u>3,496,603</u> |
| Fund balances, September 30 | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 3,506,153</u> | <u>\$ 3,506,153</u> |

See accompanying notes to the financial statements.

CITY OF DAHLONEGA, GEORGIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
September 30, 2012

| | Water and Sewage | Solid Waste | Totals |
|---|----------------------|-------------------|----------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 1,486,569 | \$ 85,288 | \$ 1,571,857 |
| Restricted assets | | | |
| Cash and cash equivalents | 1,004,449 | 0 | 1,004,449 |
| Investments | 2,229,071 | 0 | 2,229,071 |
| Accounts receivable (net) | 540,569 | 78,341 | 618,910 |
| Inventory | 176,103 | 0 | 176,103 |
| Property held for resale | 90,000 | 0 | 90,000 |
| Prepaid items | 66,269 | 12,973 | 79,242 |
| Total current assets | 5,593,030 | 176,602 | 5,769,632 |
| Noncurrent assets | | | |
| Capital assets | | | |
| Non-depreciable | 3,323,896 | 0 | 3,323,896 |
| Depreciable (net) | 39,902,537 | 519,961 | 40,422,498 |
| Other assets | | | |
| Debt issuance costs | 570,966 | 0 | 570,966 |
| Total noncurrent assets | 43,797,399 | 519,961 | 44,317,360 |
| Total assets | 49,390,429 | 696,563 | 50,086,992 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Payables | | | |
| Accounts | 60,770 | 707 | 61,477 |
| Intergovernmental | 1,572 | 0 | 1,572 |
| Interest | 30,542 | 0 | 30,542 |
| Accrued salaries and payroll expenses | 2,191 | 589 | 2,780 |
| Compensated absences | 49,298 | 2,721 | 52,019 |
| Due to other funds | 2,356 | 3,703 | 6,059 |
| Notes payable | 667,482 | 0 | 667,482 |
| Capital leases payable | 2,711 | 0 | 2,711 |
| Liabilities payable from restricted assets: | | | |
| Interest payable | 111,670 | 0 | 111,670 |
| Customer deposits payable | 102,099 | 0 | 102,099 |
| Revenue bonds payable | 475,000 | 0 | 475,000 |
| Total current liabilities | 1,505,691 | 7,720 | 1,513,411 |
| Noncurrent liabilities | | | |
| Compensated absences | 13,104 | 723 | 13,827 |
| Notes payable | 9,544,351 | 0 | 9,544,351 |
| Revenue bonds payable | 24,782,068 | 0 | 24,782,068 |
| Total noncurrent liabilities | 34,339,523 | 723 | 34,340,246 |
| Total liabilities | 35,845,214 | 8,443 | 35,853,657 |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 10,572,033 | 519,961 | 11,091,994 |
| Restricted for debt service | 194,395 | 0 | 194,395 |
| Unrestricted | 2,778,787 | 168,159 | 2,946,946 |
| Total net assets | \$ 13,545,215 | \$ 688,120 | \$ 14,233,335 |

See accompanying notes to the financial statements.

CITY OF DAHLONEGA, GEORGIA
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the fiscal year ended September 30, 2012

| | Water and Sewage | Solid Waste | Totals |
|--|----------------------|-------------------|----------------------|
| OPERATING REVENUES | | | |
| Charges for sales and services | \$ 3,454,006 | \$ 566,395 | \$ 4,020,401 |
| Other | 2,421 | 14 | 2,435 |
| Total operating revenues | 3,456,427 | 566,409 | 4,022,836 |
| OPERATING EXPENSES | | | |
| Costs of sales and services | 856,895 | 167,870 | 1,024,765 |
| Personal services | 985,250 | 267,684 | 1,252,934 |
| Depreciation | 1,741,114 | 34,659 | 1,775,773 |
| Total operating expenses | 3,583,259 | 470,213 | 4,053,472 |
| Operating income (loss) | (126,832) | 96,196 | (30,636) |
| Non-operating revenues (expenses) | | | |
| Interest revenue | 134,390 | 640 | 135,030 |
| Interest expense | (1,780,957) | 0 | (1,780,957) |
| Gain (loss) on sale of property held for resale | 1,955 | 0 | 1,955 |
| Total non-operating revenues (expenses) | (1,644,612) | 640 | (1,643,972) |
| Income (loss) before special items and transfers | (1,771,444) | 96,836 | (1,674,608) |
| Special items | | | |
| Unrealized loss on property held for resale | (296,937) | 0 | (296,937) |
| Income (loss) before transfers | (2,068,381) | 96,836 | (1,971,545) |
| Transfers in (out) | | | |
| Transfers in | 1,384,292 | 0 | 1,384,292 |
| Change in net assets | (684,089) | 96,836 | (587,253) |
| Net assets, October 1 | 14,229,304 | 591,284 | 14,820,588 |
| Net assets, September 30 | \$ 13,545,215 | \$ 688,120 | \$ 14,233,335 |

See accompanying notes to the financial statements.

CITY OF DAHLONEGA, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the fiscal year ended September 30, 2012

| | Water and Sewage | Solid Waste | Totals |
|--|----------------------------|-------------------------|----------------------------|
| Cash flows from operating activities: | | | |
| Receipts from customers | \$ 3,447,408 | \$ 565,290 | \$ 4,012,698 |
| Payments to suppliers | (934,874) | (173,120) | (1,107,994) |
| Payments to employees | (985,789) | (267,364) | (1,253,153) |
| Other receipts | 2,421 | 14 | 2,435 |
| Net cash provided (used) by operating activities | <u>1,529,166</u> | <u>124,820</u> | <u>1,653,986</u> |
| Cash flows from non-capital financing activities: | | | |
| Receipts from other funds | 408,024 | 0 | 408,024 |
| Payments to other funds | 0 | (123,648) | (123,648) |
| Net cash provided (used) by non-capital financing activities | <u>408,024</u> | <u>(123,648)</u> | <u>284,376</u> |
| Cash flows from capital and related financing activities: | | | |
| Receipts from other funds | 1,100,000 | 0 | 1,100,000 |
| Payments for acquisitions of capital assets | (61,247) | (333,652) | (394,899) |
| Principal payments - revenue bonds | (380,000) | 0 | (380,000) |
| Principal payments - promissory notes | (640,479) | 0 | (640,479) |
| Payment of capital leases | (17,274) | 0 | (17,274) |
| Interest paid | (1,741,526) | 0 | (1,741,526) |
| Net cash provided (used) by capital and related financing activities | <u>(1,740,526)</u> | <u>(333,652)</u> | <u>(2,074,178)</u> |
| Cash flows from investing activities: | | | |
| Proceeds from sale of property held for resale | 1,955 | 0 | 1,955 |
| Proceeds from sale of investments | 8,908,253 | 0 | 8,908,253 |
| Purchases of investments | (8,913,671) | 0 | (8,913,671) |
| Interest received | 134,390 | 640 | 135,030 |
| Net cash provided (used) by investing activities | <u>130,927</u> | <u>640</u> | <u>131,567</u> |
| Net increase (decrease) in cash and cash equivalents | 327,591 | (331,840) | (4,249) |
| Cash and cash equivalents, October 1 | <u>2,163,427</u> | <u>417,128</u> | <u>2,580,555</u> |
| Cash and cash equivalents, September 30 | <u><u>\$ 2,491,018</u></u> | <u><u>\$ 85,288</u></u> | <u><u>\$ 2,576,306</u></u> |

See accompanying notes to the financial statements.

CITY OF DAHLONEGA, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the fiscal year ended September 30, 2012

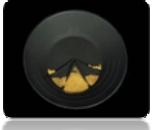
| | Water and Sewage | Solid Waste | Totals |
|--|-----------------------------|------------------------|---------------|
| Reconciliation of operating income (loss) to net cash cash provided (used) by operating activities: | | | |
| Operating income (loss) | \$ (126,832) | \$ 96,196 | \$ (30,636) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | |
| Depreciation expense | 1,741,114 | 34,659 | 1,775,773 |
| (Increase) decrease in accounts receivable | (9,120) | (1,105) | (10,225) |
| (Increase) decrease in inventory | (44,505) | 0 | (44,505) |
| (Increase) decrease in prepaid items | (4,006) | (628) | (4,634) |
| Increase (decrease) in accounts payable | (29,736) | (4,622) | (34,358) |
| Increase (decrease) in intergovernmental payable | 268 | 0 | 268 |
| Increase (decrease) in payroll liabilities | (539) | 320 | (219) |
| Increase (decrease) in deposits payable | 2,522 | 0 | 2,522 |
| Total adjustments | 1,655,998 | 28,624 | 1,684,622 |
| Net cash provided (used) by operating activities | \$ 1,529,166 | \$ 124,820 | \$ 1,653,986 |
| Cash and cash equivalents reconciliation: | | | |
| Cash and cash equivalents | \$ 1,486,569 | \$ 85,288 | \$ 1,571,857 |
| Restricted assets | | | |
| Cash and cash equivalents | 1,004,449 | 0 | 1,004,449 |
| Total cash and cash equivalents | \$ 2,491,018 | \$ 85,288 | \$ 2,576,306 |

Noncash capital and related financing and investing activities:

Unrealized loss on property held for resale totaled \$296,937 for the fiscal year ended September 30, 2012.



NOTES TO THE FINANCIAL STATEMENTS



1. DESCRIPTION OF GOVERNMENT UNIT

The City of Dahlonega incorporated under the laws of the State of Georgia in 1833. The City operates under a council/mayor form of government and provides the following services: public safety, street and sanitation, culture and recreation, public improvements and general and administrative services. In addition, the City operates a public utility (water and sewage) for the incorporated and immediate surrounding areas.

The City is governed by an elected seven-member council.

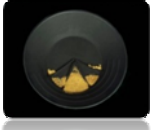
2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of the City of Dahlonega, Georgia, 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 accounting policies established in GAAP and used by the City are discussed below.

B. Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Dahlonega, Georgia (the primary government) and material component units. The component unit discussed below is included in the City's reporting entity because of the significance of its operational and financial relationship with the City. In conformity with generally accepted accounting principles, as set forth in Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, the financial statements of the following component unit have been included as a discretely presented component unit.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Reporting Entity, continued

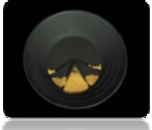
City of Dahlonega Downtown Development Authority

The City of Dahlonega Downtown Development Authority was established as a legally separate entity, which operates pursuant to the Official Code of Georgia Annotated. The Authority consists of seven members appointed by the City Council, an executive director and three ex-officio members. The Downtown Development Authority provides for the vitalization of the downtown area of the City of Dahlonega. In many respects, the Authority functions similar to a City department through regular participation in department director meetings, budget approval, accounting, payroll, etc.

The City of Dahlonega Downtown Development Authority is reported in a separate column to emphasize that it is legally separate from the City. Individual financial statements are presented as part of the City's Annual Financial Report in the sections labeled "Component Unit". The City of Dahlonega Downtown Development Authority has a September 30th year-end. Individual financial statements may be obtained by contacting the City of Dahlonega Downtown Development Authority, 465 Riley Road, Dahlonega, GA 30533.

C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Government-wide and Fund Financial Statements, continued

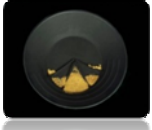
The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The City's government-wide financial statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of Governmental and Business-Type activities for the City.

These statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Accordingly, all the City's assets and liabilities, including capital assets, as well as current year infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in assets. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The types of transaction reported as program revenues for the City are reported in three categories: 1) charges for services to customers who directly benefit from goods, services or privileges provided by a given function, 2) operating grants and contributions that are restricted to meeting the operational needs requirements of a particular function and 3) capital grants and contributions that are restricted to meeting the capital needs requirements of a particular function.



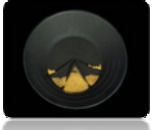
2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation, continued

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, those transactions between governmental and business-type activities have not been eliminated. Governmental activities that normally are supported by taxes and intergovernmental revenues are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for the major governmental fund and non-major funds aggregated. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Those revenues susceptible to accrual are property taxes, sales taxes, licenses, interest revenue and charges for services. Sales taxes collected and held by the state at year-end on behalf of the government also are recognized as revenue. The City considers property taxes as available in the period for which they were levied if they are collected within 60 days subsequent to year-end. A 60-day availability period is also used for revenue recognition for all other governmental fund revenue.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation, continued

The City reports the following major governmental funds:

General Fund - The general operating fund of the City is used to account for all financial resources except those required to be accounted for in another fund.

SPLOST Fund - This fund is used to account for long-term projects financed by the passage of a special purpose local option sales tax.

The City reports the following major proprietary funds:

Water and Sewage Fund - This fund is used to account for activities connected with the development, operation and maintenance of water and sewage services in the City of Dahlonega.

Solid Waste Fund - This fund is used to account for activities connected with the collection and disposal of residential, commercial, industrial and institutional solid waste in the City of Dahlonega.

Additionally, the City reports the following fund types:

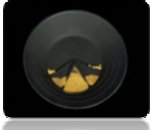
Governmental Fund Types

Special Revenue Funds - This fund type is used to account for the proceeds of specific revenue sources that are legally or donor restricted to expenditure for specified purposes.

Capital Projects Funds - This fund type is used to account for financial resources to be used for the acquisition or construction of specifically planned projects (other than those financed by proprietary funds).

Component Units

The City of Dahlonega Downtown Development Authority is accounted for using a current financial resources measurement focus and uses the modified accrual basis of accounting. Under this method, revenues are recognized when susceptible to accrual (i.e. when they both become measurable and available).



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation, continued

Component Units, continued

GASB Statement No. 34 eliminates the presentation of the General Fixed Asset Account Group and the General Long-Term Debt Account Group, but provides for these records to be maintained and incorporates the information into the Governmental Activities column in the government-wide Statement of Net Assets.

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.

Private-sector standards of accounting and financial reporting issued on or before November 30, 1989, are generally followed in the governmental and business-type activities and enterprise fund financial statements to the extent that those standards do no conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option for following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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. 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. Certain indirect costs have been included as part of the program expenses reported for the various functional activities.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgets and Budgetary Accounting

Formal budgetary accounting is employed as a management control for the General Fund, Special Revenue Funds, and Enterprise Funds. Annual operating budgets are adopted each fiscal year through approval by the Council. Each year about the middle of July, the City Manager submits a proposed budget to the City Council for their review. Prior to adoption, a public hearing is held to receive comment from the citizenry on the proposed budget. This hearing is publicized in the local newspaper one week before the hearing, and the budget document is made available for public inspection during this week. After the public hearing, the budget is then revised by the City Council and the first reading of the proposed budget is made.

At the next City Council meeting, the second reading of the proposed budget is made and the City Council votes to adopt the proposed budget. The annual operating budget is adopted no later than August 31 for the following fiscal year.

The annual budget for the General Fund and Special Revenue Funds are prepared in accordance with the basis of accounting utilized by that fund. The budget for the Enterprise Funds is adopted under a basis consistent with GAAP, except that depreciation, certain capital expenses, non-operating income and expense items are not considered. All unencumbered budget appropriations, except project budgets, lapse at the end of each year.

The legal level of budgetary control is the departmental level. Any increases in total appropriations of a department require approval and amendment of the budget by the City Council. Except as indicated on the major fund budgetary comparison statement, budget amounts included in this report are as amended as of September 30, 2012.

F. Cash and Investments

Cash and cash equivalents, as reported in the statement of cash flows, includes amounts in demand deposits, amounts with fiscal agents and investments with an original maturity at three months or less. Investments are reported at fair value with accrued interest shown under a separate caption on the balance sheet. Reinvested interest on certain debt service and capital project investments is included in the investment accounts.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Intergovernmental Receivables

Receivables for state, federal, and local governments are recorded as revenue for the period of the allocation or as earned based on expenditures made for which reimbursement is due.

H. Inventories

Inventories for the General Fund are valued at average cost and recorded as expenditures when consumed. Inventories of all other funds are valued at cost on the first-in, first-out method.

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond September 30, 2012 are recorded as prepaid items. Prepaid items in the governmental funds are recorded as expenditures when consumed.

J. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (i.e., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

GASB Statement No. 34 required the City to report and depreciate new infrastructure assets effective with the beginning of the fiscal year ended September 30, 2004. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the City. Prior to October 1, 2007, neither their historical costs nor related depreciation had historically been reported in the financial statements. For entities the size of the City of Dahlonega, retroactive reporting of infrastructure assets was not required.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets, continued

Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets ranging as follows:

| | Useful Life | Capitalization |
|-------------------------|--------------------|-----------------------|
| | in Years | Threshold |
| Buildings | 50 | \$ 2,000 |
| Distribution systems | 40 | \$ 2,000 |
| Infrastructure | 30 | \$ 2,000 |
| Building improvements | 20 | \$ 2,000 |
| Machinery and equipment | 10 | \$ 2,000 |
| Vehicles | 2-15 | \$ 2,000 |
| Furniture and fixtures | 3-15 | \$ 2,000 |
| Land improvements | 15 | \$ 2,000 |

All land will be valued and capitalized. The costs of normal maintenance and repairs that do not add value or materially extend the life of the asset are charged to operations as incurred. Costs of major additions and improvements are capitalized.

K. Restricted Assets

Restricted assets of the Enterprise Funds represent certain resources set aside for the repayment of revenue bonds because their use is limited by applicable bond covenants.

L. Compensation for Future Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and compensation benefits. These will be paid to the employees upon separation from City service. Accumulated unpaid vacation pay amounts are accrued when incurred by the City in the government-wide and proprietary fund financial statements. The liability of the proprietary funds is recorded as an expense and a liability of those funds as the benefits accrue to the employees. In governmental fund types, a liability is recorded only if the benefit has matured and is expected to be liquidated with expendable available financial resources.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. 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. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. The face amount of debt issued is reported as an other financing source. Premiums received on debt issuances are reported as other financial sources while discounts on debt issuances are reported as other financing uses. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

N. Capital Contributions

Federal, state and local government assistance in the form of grants that are permanent in nature and restricted for the construction or acquisition of specific property and equipment is recorded as an asset and as non-operating revenue.

O. Fund Balances of Governmental Funds

The City implemented GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in fiscal year 2011. In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable – includes amounts that are not in spendable form (e.g. supplies, inventories, and prepaid items), amounts that cannot currently be spent (e.g. the long-term portion of loans receivable and non-financial assets held for resale), and amounts that are legally or contractually required to be maintained intact (principal of an endowment or revolving loan fund).



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Fund Balances of Governmental Funds, continued

Restricted – includes amounts that are constrained by an external party, such as creditors, grantors, contributors, or laws or regulations of other governments. Also included are amounts on which constraints have been placed by law through constitutional provisions or by enabling legislation and are legally enforceable by external parties. Restrictions may be changed or lifted only with the consent of the resource provider.

Committed – includes amounts on which constraints have been placed by the City Council, the City's highest level decision making authority, through the adoption of a resolution which includes the terms "committed for the purpose of". Commitments may only be changed or rescinded through the adoption of a subsequent resolution that shall refer to the original resolution by number. Resolutions committing amounts must be adopted prior to the end of the fiscal year. However, the amount to be committed may be determined within 90 days of fiscal year-end.

Assigned – includes amounts on which constraints have been placed by the City to use for a special purpose. The City Council may assign amounts through the adoption of a motion made during a public meeting of the Council. The City Council also authorizes the City Manager to assign amounts through a written memorandum. Assignments must be adopted prior to the end of the fiscal year; the amount must also be determined prior to fiscal year-end.

Transfers to special revenue, capital projects, debt service, or permanent funds shall constitute assignments and shall be documented through the adoption of the City's operating budgets or subsequent budget amendments. Amounts appropriated to eliminate a projected deficit in the subsequent fiscal year's budget shall constitute assignments and shall be documented through the adopted of the City's operating budgets. Equity amounts reported in special revenue, capital projects, debt service, or permanent funds not otherwise classified as nonspendable, restricted, or committed shall constitute assignments.

Unassigned – includes amounts reported in the General Fund not otherwise classified as nonspendable, restricted, committed, or assigned. Unassigned amounts are the portion of fund balance that is available for any purpose. Governmental funds other than the General Fund shall not report positive unassigned fund balance. Governmental funds shall not report assignments of fund balance which result in negative unassigned fund balance.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Fund Balances of Governmental Funds, continued

The City has established a fund balance target for the General Fund. The fund balance target shall not be less than six months of regular general fund operating revenues or operating expenditures. In calculating the ratio of unassigned fund balance to proposed revenues or expenditures, the latest audited Comprehensive Annual Financial Report (CAFR) shall be compared with the budget in effect when the CAFR is released. The City has established a priority list for designation or appropriation if it is determined there is a surplus (an amount in excess of the upper limit of the fund balance range). If it is determined there is a shortfall (an amount below the lower limit of the fund balance range), the fund balance is to be rebuilt through the following mechanisms in order of priority:

- Distribution of surplus from other related funds as delineated under “Surplus” category.
- An appropriation during the next annual budget process of at least 20% of the difference between the current unassigned fund balance and the fund balance target. If this is not financially feasible, a written plan shall be forwarded by the City Manager to the Council for approval in order to restore the unassigned fund balance to the fund balance target amount within a reasonable time frame. This plan may require reduction of services, increases in taxes, fees, or rates, or some combination thereof.

For the purpose of fund balance classification, the City considers restricted amounts spent first when an expenditure is incurred for which both restricted and unrestricted fund balance is available. Furthermore, the City first considers committed, then assigned, and then unassigned amounts are spent when an expenditure is incurred for purposes of which those unrestricted fund balance classifications are available.

3. DEPOSIT AND INVESTMENT RISK

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the City’s deposits may not be returned. The City has no formal policy, but follows the State of Georgia requirement that all deposits be federally insured or fully collateralized.



3. DEPOSIT AND INVESTMENT RISK (CONTINUED)

Investment Policies

The City's financial policies authorize investment in any securities approved by the State of Georgia for local governments. Authorized investments include certificates of deposit, repurchase agreements, direct and agency obligations of the United States, obligations of the State of Georgia, pooled investment programs of the State of Georgia, and no-load mutual funds of direct obligations of the United States. The City has no investment policy that would further limit its investment choices. The City places no limits on the amount the City may invest in any one issuer of equity or debt securities. Investments are reported at fair market value.

Credit Risk

At September 30, 2012, the City's investments in securities were as follows:

| Investment | Fair Value | Average Maturity (in years) | Standard and Poor's Credit Rating |
|---------------------------------|-------------------|------------------------------------|--|
| GMAC LLC Note (FDIC Guaranteed) | \$ 2,229,071 | < 1 | AA+ |

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.

Concentration of Credit Risk

The City has no formal policy on the amount the City may invest in any one issuer.

Foreign currency risk

The City has no investments denominated in a foreign currency.



CITY OF DAHLONEGA – NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2012

4. ACCOUNTS RECEIVABLE

Net accounts receivable at September 30, 2012 consist of the following:

| Major Funds | |
|-------------------------------------|-------------------|
| General Fund | \$ 647 |
| Enterprise Funds | |
| Water and Sewage | 571,147 |
| Less: Allowances for Uncollectibles | (30,578) |
| Solid Waste | 83,691 |
| Less: Allowances for Uncollectibles | <u>(5,350)</u> |
| Total Primary Government | <u>\$ 619,557</u> |

5. INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at September 30, 2012 consist of the following:

| Major Funds | |
|---|-------------------|
| General Fund | |
| North Georgia College and State University | \$ 3,478 |
| Lumpkin County Board of Commissioners | 1,210 |
| Dahlonega Housing Authority | <u>109</u> |
| | \$ 4,797 |
| SPLOST Capital Projects Fund | |
| Lumpkin County Board of Commissioners | 92,950 |
| Nonmajor Funds | |
| Multiple Grant Special Revenue Fund | |
| Appalachian Regional Commission | 50,000 |
| Lumpkin County Historical Society | 63 |
| Streetscape Capital Projects Fund | |
| State of Georgia Department of Transportation | <u>28,256</u> |
| Total Primary Government | <u>\$ 176,066</u> |

6. PROPERTY TAXES

Property tax rates are set by the City Council each year and are limited by statutory or constitutional provision. Property values are assessed as of January 1st each year. Property taxes for digest year 2011, based upon the assessments of January 1, 2011, were levied on July 13, 2011, billed on August 14, 2011, and due on November 15, 2011. Taxes were delinquent and subject to liens on November 16, 2011.



7. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

A summary of interfund receivables and payables as of September 30, 2012 is as follows:

| | Due from: | | |
|--------------------|---------------------|----------------|----------|
| | Major Funds | | |
| | Water and Sewage | Solid Waste | Total |
| Due to: | | | |
| Major Funds | | | |
| General | \$ 2,356 | \$ 3,703 | \$ 6,059 |

The balance reported as Due to/Due from represent loans between the borrow fund and the lender fund. Except as noted below, the balances result mainly from the time lag between the dates that (1) reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between the funds are made. All other balances are also expected to be repaid within one year. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances”.

A summary of interfund transfers as of September 30, 2012 is as follows:

| | Transfers out: | | |
|-----------------------|-----------------------|---------------------|---------------------|
| | Major Funds | | |
| | General | SPLOST | Total |
| Transfers in: | | | |
| Major Funds | | | |
| Water and Sewage | \$ 284,292 | \$ 1,100,000 | \$ 1,384,292 |
| Nonmajor Funds | | | |
| Streetscape | 100,000 | 0 | 100,000 |
| Total | <u>\$ 384,292</u> | <u>\$ 1,100,000</u> | <u>\$ 1,484,292</u> |

Interfund transfers are used to 1) move revenues from the fund that statute or budget requires collecting them to the fund that statute or budget requires to expend them, 2) use unrestricted revenues collected to finance various programs accounted for in other funds in accordance with budgetary authorizations, and 3) move capital assets and the related accumulated depreciation between funds. Transfers are eliminated in the government-wide financial statements if the interfund transfer is within the governmental fund group or business-type fund group.



CITY OF DAHLONEGA - NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

8. CAPITAL ASSETS

Capital asset activity for the primary government for the year ended September 30, 2012 was as follows:

| | <u>Balance</u> <u>9/30/2011</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance</u> <u>9/30/2012</u> |
|--|------------------------------------|-----------------------|---------------------|------------------------------------|
| Governmental activities | | | | |
| Non-depreciable assets | | | | |
| Land | \$ 2,207,123 | \$ 0 | \$ 0 | \$ 2,207,123 |
| Construction in progress | 171,403 | 132,171 | (192,197) | 111,377 |
| Total non-depreciable assets | <u>2,378,526</u> | <u>132,171</u> | <u>(192,197)</u> | <u>2,318,500</u> |
| Depreciable assets | | | | |
| Buildings and improvements | 1,850,601 | 0 | 0 | 1,850,601 |
| Equipment | 724,778 | 71,415 | (13,067) | 783,126 |
| Infrastructure | 1,375,979 | 843,931 | 0 | 2,219,910 |
| Total depreciable assets | <u>3,951,358</u> | <u>915,346</u> | <u>(13,067)</u> | <u>4,853,637</u> |
| Accumulated depreciation | | | | |
| Buildings and improvements | (906,128) | (49,731) | 0 | (955,859) |
| Equipment | (492,659) | (63,796) | 6,927 | (549,528) |
| Infrastructure | (342,873) | (155,409) | 0 | (498,282) |
| Total accumulated depreciation | <u>(1,741,660)</u> | <u>(268,936)</u> | <u>6,927</u> | <u>(2,003,669)</u> |
| Total depreciable assets, net | <u>2,209,698</u> | <u>646,410</u> | <u>(6,140)</u> | <u>2,849,968</u> |
| Governmental activities capital assets, net | <u>\$ 4,588,224</u> | <u>\$ 778,581</u> | <u>\$ (198,337)</u> | <u>\$ 5,168,468</u> |
| Business-type activities | | | | |
| Non-depreciable assets | | | | |
| Land | \$ 3,303,852 | \$ 20,044 | \$ 0 | \$ 3,323,896 |
| Depreciable assets | | | | |
| Buildings | 22,502,653 | 0 | 0 | 22,502,653 |
| Improvements | 3,850,661 | 5,762 | 0 | 3,856,423 |
| Equipment and vehicles | 5,317,189 | 373,487 | 0 | 5,690,676 |
| Water and sewer infrastructure | 21,264,002 | 3,750 | 0 | 21,267,752 |
| Total depreciable assets | <u>52,934,505</u> | <u>382,999</u> | <u>0</u> | <u>53,317,504</u> |
| Accumulated depreciation | | | | |
| Buildings | (1,565,830) | (741,391) | 0 | (2,307,221) |
| Improvements | (1,349,225) | (101,343) | 0 | (1,450,568) |
| Equipment and vehicles | (3,230,827) | (300,701) | 0 | (3,531,528) |
| Water and sewer infrastructure | (4,973,351) | (632,338) | 0 | (5,605,689) |
| Total accumulated depreciation | <u>(11,119,233)</u> | <u>(1,775,773)</u> | <u>0</u> | <u>(12,895,006)</u> |
| Total depreciable assets, net | <u>41,815,272</u> | <u>(1,392,774)</u> | <u>0</u> | <u>40,422,498</u> |
| Business-type activities capital assets, net | <u>\$ 45,119,124</u> | <u>\$ (1,372,730)</u> | <u>\$ 0</u> | <u>\$ 43,746,394</u> |

A prior period adjustment has been made in the governmental activities to adjust beginning capital asset balances (See Note 11).



8. CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs as follows:

Primary Government

Governmental activities

| | |
|--|--------------------------|
| General Government | \$ 51,147 |
| Public Works | 203,731 |
| Culture and Recreation | 11,802 |
| Housing and Development | <u>2,256</u> |
| Total depreciation expense for governmental activities | <u><u>\$ 268,936</u></u> |

Business-type activities

| | |
|---|----------------------------|
| Water and Sewage | \$ 1,741,114 |
| Solid Waste | <u>34,659</u> |
| Total depreciation expense for business-type activities | <u><u>\$ 1,775,773</u></u> |

9. CAPITAL AND OPERATING LEASE AGREEMENTS

The City has entered into agreements for the lease of certain equipment. The terms of the agreements meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, which defines a capital lease generally as one which transfers benefits and risk of ownership to the lessee. The balances of these leases at September 30, 2012 are \$2,711 for business-type activities. Total assets leased under capital leases are \$49,710 for business-type activities and are classified as equipment and vehicles. The following is a schedule of the future minimum lease payments together with the present value of the net minimum lease payments as of September 30, 2012:

| Year Ending September 30, | Business-type activities |
|--|-------------------------------------|
| <u>2013</u> | <u>\$ 2,738</u> |
| Less amounts representing interest | <u>(27)</u> |
| Present value of minimum lease payments | <u><u>\$ 2,711</u></u> |

The City's lease agreements, other than such agreements described above, are relatively minor commitments (generally for office machines) and are in compliance with state law.



10. LONG-TERM DEBT

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities, while revenue bonds are issued for the construction and expansion of proprietary activities. General obligation bonds are direct obligations and pledge the full faith, credit and taxing powers of the City while revenue bonds pledge the revenues of the proprietary activity for repayment of the bond issues.

Revenue Bonds

Revenue bonds have been issued for business-type activities and are comprised of the following individual issues at September 30, 2012:

- \$27,470,000 - 2008 Water and Sewage Revenue Bonds – Series A & B series bonds due in annual principal payments on September 1 with semi-annual interest payments (4.25% - 5.56%) due on March 1 and September 1. The bonds are used for expansion of the Water and Sewage system in the City of Dahlonega, Georgia. In 2008, a 1% Special Purpose Local Option Sales Tax (SPLOST) was approved by the voters. The City’s portion of the tax is to be used to repay a portion of the bond debt.

Annual debt service requirements to maturity for revenue bonds are as follows:

| Year Ending September 30, | Principal | Interest | Total |
|--|----------------------|----------------------|----------------------|
| 2013 | \$ 475,000 | \$ 1,340,044 | \$ 1,815,044 |
| 2014 | 580,000 | 1,316,294 | 1,896,294 |
| 2015 | 685,000 | 1,293,094 | 1,978,094 |
| 2016 | 105,000 | 1,265,694 | 1,370,694 |
| 2017 | 150,000 | 1,261,494 | 1,411,494 |
| 2018 - 2022 | 2,615,000 | 6,096,919 | 8,711,919 |
| 2023 - 2027 | 4,680,000 | 5,212,800 | 9,892,800 |
| 2028 - 2032 | 6,835,000 | 3,806,712 | 10,641,712 |
| 2033 - 2037 | 9,525,000 | 1,628,000 | 11,153,000 |
| Totals | \$ 25,650,000 | \$ 23,221,051 | \$ 48,871,051 |



10. LONG-TERM DEBT (CONTINUED)

Notes Payable

The City has entered into 8 borrowings with the Georgia Environmental Facilities Authority for expansion of the City's water and sewage system. At September 30, 2012 the original amounts of these borrowings were \$7,970,290, with a total outstanding balance of \$4,340,360. Monthly installments of principal and interest are due through October 1, 2030; interest at 3.75% to 5.56%.

Additionally, the City has entered into an agreement with the Georgia Environmental Facilities Authority for land and construction of a reservoir, in the original amount of \$6,433,843. At September 30, 2012, the balance of this note is \$5,871,473. Monthly installments of principal and interest are due through January 1, 2045; interest at 3.00%. The payments for this note payable are currently funded through transfers from the General Fund.

Annual debt service requirements to maturity for notes payable are as follows:

| Year Ending September 30, | Principal | Interest | Total |
|--|----------------------|---------------------|----------------------|
| 2013 | \$ 667,482 | \$ 355,113 | \$ 1,022,595 |
| 2014 | 695,403 | 327,250 | 1,022,653 |
| 2015 | 724,628 | 298,025 | 1,022,653 |
| 2016 | 745,108 | 267,664 | 1,012,772 |
| 2017 | 695,850 | 237,768 | 933,618 |
| 2018 - 2022 | 1,815,625 | 901,330 | 2,716,955 |
| 2023 - 2027 | 933,514 | 676,206 | 1,609,720 |
| 2028 - 2032 | 1,021,609 | 515,951 | 1,537,560 |
| 2033 - 2037 | 1,060,838 | 360,640 | 1,421,478 |
| 2038 - 2042 | 1,232,287 | 189,191 | 1,421,478 |
| 2043 - 2046 | 619,489 | 21,607 | 641,096 |
| Totals | \$ 10,211,833 | \$ 4,150,745 | \$ 14,362,578 |



10. LONG-TERM DEBT (CONTINUED)

Changes in Long-Term Debt

The following is a summary of changes in long-term debt of the City for the year ended September 30, 2012:

| | <u>Balance</u> <u>9/30/2011</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>9/30/2012</u> | <u>Due Within</u> <u>One Year</u> |
|---------------------------------|------------------------------------|------------------|---------------------|------------------------------------|--------------------------------------|
| Governmental activities | | | | | |
| Capital lease obligations | \$ 10,207 | \$ 0 | \$ 10,207 | \$ 0 | \$ 0 |
| Compensated absences | 44,741 | 43,719 | 44,741 | 43,719 | 34,538 |
| Total governmental activities | <u>\$ 54,948</u> | <u>\$ 43,719</u> | <u>\$ 54,948</u> | <u>\$ 43,719</u> | <u>\$ 34,538</u> |
| Business-type activities | | | | | |
| Notes payable | \$ 10,852,312 | \$ 0 | \$ 640,479 | \$ 10,211,833 | \$ 667,482 |
| Revenue bonds | 26,030,000 | 0 | 380,000 | 25,650,000 | 475,000 |
| Unamortized bond discount | (410,442) | 0 | (17,510) | (392,932) | 0 |
| Capital lease obligations | 19,985 | 0 | 17,274 | 2,711 | 2,711 |
| Compensated absences | 66,071 | 65,846 | 66,071 | 65,846 | 52,019 |
| Total business-type activities | <u>\$ 36,557,926</u> | <u>\$ 65,846</u> | <u>\$ 1,086,314</u> | <u>\$ 35,537,458</u> | <u>\$ 1,197,212</u> |

Revenue bond issue costs and discounts/premiums are amortized over the life of the related debt using the straight-line method. In prior years, long-term liabilities, such as compensated absences, of the governmental activities were liquidated in the General Fund.

11. CHANGES IN BEGINNING BALANCES

Governmental Activities

A prior period adjustment has been made to capitalize a prior year construction project that was not originally anticipated to be classified as a capital project. This adjustment increased beginning net assets by \$100,033.



12. PENSION PLAN

Plan Description

The City of Dahlonega is a participating member in the Georgia Municipal Employees Benefit System (GMEBS), a defined benefit plan ("Plan"), which is a service of Georgia Municipal Association (GMA). GMEBS is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipalities in Georgia. The City elected to participate in GMEBS as of May 1, 1973, as a result of City Ordinance and a contract between the City and GMA. The Plan's assets may be used only for the payment of benefits to the members of the Plan, in accordance with the terms of the Plan. See Note 2 - Summary of Significant Accounting Policies for reporting of investments. All City employees who work a minimum of twenty hours per week are eligible to participate in the Plan after completing one year of service. Mayor and Council are eligible immediately. Benefits vest after five years of service. Participants become eligible to retire with unreduced benefits at age 65 with five years of service. Mayor and Council are not subject to the five-year minimum service. GMA 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 Georgia Municipal Association at 21 Pryor Street, SW, Atlanta, Georgia 30303.

Vested employees who have reached the age of 65 and have completed five years of credited service are eligible to receive a monthly benefit, payable for life. The benefit is equal to 2.25% of the employee's average salary for the five highest years of employment multiplied by the years of credited service. The plan also provides benefits in the event of death or disability. These benefits provisions were established by an adoption agreement executed by the City Council. Vested employees who have reached age 55 with at least five years of credited service are eligible to receive an early retirement benefit, payable monthly for life, reduced on an actuarial equivalent basis. Death benefits and optional forms of retirement income on an actuarial equivalent basis are also available.

Current Membership is as follows:

| | |
|--|----|
| Retirees and beneficiaries currently receiving benefits | 18 |
| Terminated vested participants entitled to but not yet receiving benefits | 9 |
| Active participants | 46 |
| Total number of participants | 73 |



12. PENSION PLAN (CONTINUED)

Funding Policy

The funding policy for the plan is to contribute an amount equal to the recommended contribution each year. The current rate is 23.14% of annual covered payroll. The Plan is a noncontributory participant plan. The recommended contribution meets the guidelines for calculating an annual required contribution set forth in Paragraphs 9-10 of GASB Statement No. 27. These contributions are determined under the projected unit credit actuarial cost method and the asset valuation method for developing the actuarial value of assets. The actuarial value of plan assets was determined by using the prior year's actuarial value, plus current year activity, plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at the end of the year. The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 1982 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. The unfunded actuarially accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at January 1, 2011 varies for the bases, with a net effective amortization period of 10 years. The City Council provides for the benefits and funding policy through City ordinance and maintains the authority to change the policy.

Annual Pension Cost

For fiscal year 2012, the City's annual pension cost of \$367,821 was equal to the City's recommended and actual contributions. The required contribution was \$367,821. The recommended contribution (projected to October 1, 2011) was computed as part of an actuarial valuation as of January 1, 2011. Significant actuarial assumptions used in the valuation include: (a) a rate of return on the investment of present and future assets of 7.75 percent per year compounded annually, (b) projected salary increases of 5.5 percent per year compounded annually (3.5 percent and 2.0 percent attributable to merit and inflation, respectively), (c) no post-retirement benefit increases.



12. PENSION PLAN (CONTINUED)

Historical Trend Information

Historical trend information for Annual Pension Cost and funding progress is as follows:

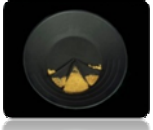
Pension Cost Information

| Funding Fiscal Year | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|----------------------------|----------------------------------|--------------------------------------|-------------------------------|
| 9/30/2007 | \$ 154,451 | 100% | \$ 0 |
| 9/30/2008 | 189,671 | 100% | 0 |
| 9/30/2009 | 282,269 | 100% | 0 |
| 9/30/2010 | 380,869 | 100% | 0 |
| 9/30/2011 | 363,128 | 100% | 0 |
| 9/30/2012 | 367,821 | 100% | 0 |

Schedule of Funding Progress

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | (Funded) Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|---------------------------------|--------------------------------------|--|---|---------------------------|----------------------------|--|
| 5/1/2007 | \$ 2,312,173 | \$ 2,838,688 | \$ 526,515 | 81.45% | \$ 1,314,660 | 40.05% |
| 5/1/2008 | 2,524,647 | 3,483,911 | 959,264 | 72.47% | 1,472,806 | 65.13% |
| 5/1/2009 | 1,875,376 | 3,740,153 | 1,864,777 | 50.14% | 1,518,853 | 122.78% |
| 1/1/2010 | 2,571,306 | 3,900,120 | 1,328,814 | 65.93% | 1,596,682 | 83.22% |
| 1/1/2011 | 2,964,150 | 4,240,874 | 1,276,724 | 69.89% | 1,549,377 | 82.40% |
| 1/1/2012 | 3,335,273 | 4,679,631 | 1,344,358 | 71.27% | 1,545,896 | 86.96% |

The actuarial value of assets is calculated as the sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return (7.75%), adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 50% of market value for 2009, 44% of market value for 2010, 38% of market value for 2011, 32% of market value for 2012, 26% of market value for 2013, and 20% of market value for 2014 and later years.



13. DEFERRED COMPENSATION PLANS

The City has established the GMA 401(a) Defined Contribution Plan for the City Manager. The Plan was created under Internal Revenue Code Section 401(a). The plan is administered by the Georgia Municipal Association ("GMA"), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating cities in Georgia. Under the terms of the Plan, the City contributes 12.71% of the eligible employee's salary each year. The City Council provides for the benefits and funding policy through City ordinance and maintains the authority to change the policy.

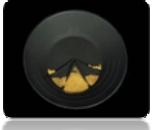
The Plan is a noncontributory participant plan. Funds vest 100% at the time of contribution. Amounts held in the Plan are not available to the employees until termination, retirement, or death. During the year, the City contributed \$22,300 to the Plan based on covered salaries of \$86,674. The plan member did not make any voluntary contributions during fiscal year 2012.

The City has no fiduciary relationship with the Plan, and Plan assets are not available to the City or its general creditors. The Plan assets are held in trust by the administrator for the exclusive benefit of the participants of the Plan.

The City also provides retirement benefits for its employees through three deferred compensation plans. The Plans were created under Internal Revenue Code Section 457 and are administered by the Georgia Municipal Association, The International City Management Association Retirement Corporation and Nationwide Retirement Solutions, Inc., independent third parties. Under the terms of the Plans, employees may defer a portion of their salary through voluntary contributions to the Plans. Employees may defer up to the maximum allowed by federal law. Employees may choose to contribute to one or multiple Plans. Amounts held in the Plans are not available to the employees until termination, retirement, death, or unforeseeable emergency.

During the year, plan members made voluntary contributions of \$38,515.

The City has no fiduciary relationship with the Plans, and Plan assets are not available to the City or its general creditors. The Plan assets are held in trust by the administrators for the exclusive benefit of the participants of the Plans.



14. HOTEL/MOTEL LODGING TAX

The City has levied a 5% lodging tax, in accordance with Official Code of Georgia Annotated (OCGA) Section 48-13-51(3). The City is required to spend an amount equal to the amount by which the total taxes collected under the Code section exceed the taxes which would be collected at a rate of 3 percent for the purpose of promoting tourism, conventions, and trade shows. A summary of the transactions for the year ending September 30, 2012 follows:

| | |
|---|--------------------------------|
| Lodging Tax Receipts | \$149,373 |
| Disbursements to the Dahlonega - Lumpkin County Chamber of Commerce | \$149,373 100% of tax receipts |

15. JOINT VENTURES

Under Georgia law, the City, in conjunction with other cities and counties in the northeast Georgia area, is a member of the Georgia Mountains Regional Commission (GMRC) and is required to pay annual dues thereto. During its fiscal year ended September 30, 2012, the City paid \$5,663 in such dues. Membership in an RC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the RC in Georgia. The RC 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 RC. Separate financial statements may be obtained from Georgia Mountains Regional Commission, PO Box 1720, Gainesville, GA 30503.

On March 6, 1998, the City of Dahlonega, Georgia (City), Lumpkin County (County) and the Lumpkin County Water and Sewage Authority (Authority) formed a joint authority to construct a reservoir. The City and County have signed an agreement to each own 54% and 46% undivided interest in the reservoir assets, respectively. The responsibility of constructing the reservoir and liability for the debt was divided between the City (47.59%), the County (52.41%) and the Authority (0%). A Georgia Environmental Facilities Authority note for which the City and County will be responsible for based on the preceding debt percentages originally funded the project. The City has been paying principal and interest payments based on their percentage of 47.59% during fiscal year 2012.



16. RELATED ORGANIZATIONS

The Housing Authority of the City of Dahlonega is considered a related organization to the City of Dahlonega. The City appoints members to the Authority, but does not have the ability to impose its will or create a financial benefit or burden for the Authority. The Authority provides low-income housing for the individuals in the City of Dahlonega. The City received \$2,186 as payment-in-lieu-of-taxes for 2012. Separate financial statements may be obtained from Housing Authority of the City of Dahlonega, 90 Thompson Circle, Dahlonega, GA 30553.

17. SPECIAL ITEMS

Near the end of fiscal year 2011, the City took out of service an unused water treatment plant and equipment and reclassified the net book value of \$386,937 from capital assets to property held for resale. During fiscal year 2012, the City obtained an appraisal of the property held for resale and recorded an unrealized loss on property held for resale totaling \$296,937. The loss is reported as a special item.

18. RISK MANAGEMENT

Material estimates have been made by management about the life of depreciated capital assets. Management has used a conservative approach on these estimates.

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

As part of these risk pools, the City is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The City is also obligated 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.



18. RISK MANAGEMENT (CONTINUED)

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

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

Management estimates liabilities for unpaid claims based on the probability of losses exceeding the occurrence limits and the reasonableness of estimating those losses. At September 30, 2012, the City has no losses that are probable or estimable and accordingly has not recognized any liability.

19. COMMITMENTS AND CONTINGENCIES

Commitments

The City has active construction projects as of September 30, 2012. At fiscal year end, the City's commitments with contractors are as follows:

| Project | Amount Spent to Date | Remaining Commitment |
|---|-------------------------------------|---------------------------------|
| Dahlonega Diving Bell Pavilion Contract | <u>\$111,737</u> | <u>\$38,487</u> |

Contingencies

The City is a defendant in several lawsuits. Management intends to contest these open cases vigorously. The City's legal counsel has stated that the outcome of these lawsuits is not presently determinable.

COMBINING STATEMENTS

NONMAJOR GOVERNMENTAL FUNDS

CITY OF DAHLONEGA, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2012

| | Special Revenue | | Capital Projects | Total Nonmajor Governmental Funds |
|--|-------------------|--------------------|---------------------|--|
| | Multiple Grant | Hotel/Motel Tax | Streetscape | |
| ASSETS | | | | |
| Current assets | | | | |
| Cash and cash equivalents | \$ 37,937 | \$ 14,369 | \$ 109,337 | \$ 161,643 |
| Restricted cash and cash equivalents | 18,894 | 0 | 0 | 18,894 |
| Receivables (net) | | | | |
| Taxes | 0 | 15,580 | 0 | 15,580 |
| Intergovernmental | 50,063 | 0 | 28,256 | 78,319 |
| Total assets | \$ 106,894 | \$ 29,949 | \$ 137,593 | \$ 274,436 |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 30,118 | \$ 29,949 | \$ 0 | \$ 60,067 |
| Fund balances | | | | |
| Restricted for: | | | | |
| General government | 4,689 | 0 | 0 | 4,689 |
| Housing and development | 30,249 | 0 | 0 | 30,249 |
| Assigned to: | | | | |
| Public works | 32,666 | 0 | 0 | 32,666 |
| Housing and development | 9,172 | 0 | 0 | 9,172 |
| Capital outlay | 0 | 0 | 137,593 | 137,593 |
| Total fund balances | 76,776 | 0 | 137,593 | 214,369 |
| Total liabilities and fund balances | \$ 106,894 | \$ 29,949 | \$ 137,593 | \$ 274,436 |

CITY OF DAHLONEGA, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the fiscal year ended September 30, 2012

| | Special Revenue | | Capital Projects | Total Nonmajor Governmental Funds |
|---|-------------------------|--------------------|--------------------------|--|
| | Multiple Grant | Hotel/Motel Tax | Streetscape | |
| REVENUES | | | | |
| Taxes | \$ 0 | \$ 149,373 | \$ 0 | \$ 149,373 |
| Intergovernmental | 65,632 | 0 | 279,388 | 345,020 |
| Interest | 280 | 0 | 0 | 280 |
| Contributions | 50,175 | 0 | 0 | 50,175 |
| Total revenues | <u>116,087</u> | <u>149,373</u> | <u>279,388</u> | <u>544,848</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| General Government | 3,585 | 0 | 0 | 3,585 |
| Public Works | 10,631 | 0 | 0 | 10,631 |
| Housing and Development | 111,737 | 149,373 | 0 | 261,110 |
| Capital outlay | 0 | 0 | 301,626 | 301,626 |
| Total expenditures | <u>125,953</u> | <u>149,373</u> | <u>301,626</u> | <u>576,952</u> |
| Excess (deficiency) of revenues over (under) expenditures | (9,866) | 0 | (22,238) | (32,104) |
| Other financing sources (uses) | | | | |
| Transfers in | 0 | 0 | 100,000 | 100,000 |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources | (9,866) | 0 | 77,762 | 67,896 |
| Fund balances, October 1 | <u>86,642</u> | <u>0</u> | <u>59,831</u> | <u>146,473</u> |
| Fund balances, September 30 | <u><u>\$ 76,776</u></u> | <u><u>\$ 0</u></u> | <u><u>\$ 137,593</u></u> | <u><u>\$ 214,369</u></u> |



GENERAL FUND

THE GENERAL OPERATING FUND OF THE CITY IS USED TO ACCOUNT FOR ALL FINANCIAL RESOURCES EXCEPT THOSE REQUIRED TO BE ACCOUNTED FOR IN ANOTHER FUND.

CITY OF DAHLONEGA, GEORGIA
GENERAL FUND
COMPARATIVE BALANCE SHEETS
September 30, 2012 and 2011

| | 2012 | 2011 |
|--|--------------|--------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 2,950,273 | \$ 3,214,900 |
| Receivables (net) | | |
| Accounts | 647 | 3,987 |
| Taxes | 837,943 | 865,934 |
| Fines | 79,159 | 88,116 |
| Intergovernmental | 4,797 | 12,954 |
| Inventory | 24,425 | 22,123 |
| Prepaid items | 58,493 | 50,119 |
| Due from other funds | 6,059 | 6,005 |
| Restricted assets | | |
| Cash and cash equivalents | 359,076 | 321,828 |
| Total assets | \$ 4,320,872 | \$ 4,585,966 |
| LIABILITIES AND FUND BALANCES | | |
| Liabilities | | |
| Payables | | |
| Accounts | \$ 57,733 | \$ 69,947 |
| Intergovernmental | 12,330 | 20,867 |
| Deposits | 0 | 300 |
| Accrued salaries and payroll expenses | 2,956 | 3,113 |
| Deferred revenue | 741,700 | 766,477 |
| Total liabilities | 814,719 | 860,704 |
| Fund balances | | |
| Nonspendable: | | |
| Inventory | 24,425 | 22,123 |
| Prepaid items | 58,493 | 50,119 |
| Restricted for public works | 359,076 | 321,828 |
| Assigned to: | | |
| Capital outlay | 100,000 | 349,368 |
| City Hall construction | 1,500,000 | 1,500,000 |
| Subsequent year's budget | 198,609 | 285,000 |
| Unassigned | 1,265,550 | 1,196,824 |
| Total fund balances | 3,506,153 | 3,725,262 |
| Total liabilities and fund balances | \$ 4,320,872 | \$ 4,585,966 |

CITY OF DAHLONEGA, GEORGIA
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the fiscal years ended September 30, 2012 and 2011

| | <u>2012</u> | <u>2011</u> |
|---|---------------------|---------------------|
| REVENUES | | |
| Taxes | \$ 2,661,049 | \$ 2,615,155 |
| Licenses and permits | 97,404 | 130,755 |
| Fines, fees and forfeitures | 197,935 | 223,361 |
| Charges for services | 87,250 | 40,150 |
| Intergovernmental | 69,278 | 0 |
| Interest | 9,493 | 10,755 |
| Contributions | 0 | 392 |
| Other | 46,030 | 53,442 |
| | <hr/> | <hr/> |
| Total revenues | 3,168,439 | 3,074,010 |
| | <hr/> | <hr/> |
| EXPENDITURES | | |
| Current | | |
| General Government | 1,019,621 | 993,190 |
| Judicial | 225,240 | 233,740 |
| Public Safety | 80,483 | 84,785 |
| Public Works | 1,275,639 | 1,080,232 |
| Culture and Recreation | 14,625 | 8,820 |
| Housing and Development | 376,872 | 376,987 |
| Debt Service | 10,776 | 13,677 |
| | <hr/> | <hr/> |
| Total expenditures | 3,003,256 | 2,791,431 |
| | <hr/> | <hr/> |
| Excess of revenues over expenditures | 165,183 | 282,579 |
| | <hr/> | <hr/> |
| Other financing sources (uses) | | |
| Transfers in (out) | | |
| Multiple Grant Special Revenue Fund | 0 | (44,400) |
| Water and Sewage Enterprise Fund | (284,292) | (284,292) |
| Streetscape Capital Projects Fund | (100,000) | 0 |
| | <hr/> | <hr/> |
| Total other financing sources (uses) | (384,292) | (328,692) |
| | <hr/> | <hr/> |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses | (219,109) | (46,113) |
| | <hr/> | <hr/> |
| Fund balances, October 1 | 3,725,262 | 3,771,375 |
| | <hr/> | <hr/> |
| Fund balances, September 30 | <u>\$ 3,506,153</u> | <u>\$ 3,725,262</u> |

CITY OF DAHLONEGA, GEORGIA

GENERAL FUND

SCHEDULE OF REVENUES

BUDGET (GAAP BASIS) AND ACTUAL

For the fiscal year ended September 30, 2012

(With comparative actual amounts for the fiscal year ended September 30, 2011)

| | 2012 | | | 2011 |
|------------------------------------|---------------------|---------------------|--------------------|---------------------|
| | Final Budget | Actual | Variance | Actual |
| REVENUES | | | | |
| Taxes | | | | |
| General property taxes | | | | |
| Property tax | \$ 823,640 | \$ 836,635 | \$ 12,995 | \$ 857,611 |
| Real estate transfer tax | 12,500 | 12,388 | (112) | 8,191 |
| Motor vehicle tax | 22,556 | 23,390 | 834 | 23,913 |
| Cost, penalties, and interest | 6,500 | 6,509 | 9 | 8,252 |
| Total general property taxes | 865,196 | 878,922 | 13,726 | 897,967 |
| Local option sales tax | 756,000 | 756,139 | 139 | 763,535 |
| Franchise tax | 500,802 | 505,998 | 5,196 | 478,013 |
| Insurance premium tax | 230,687 | 245,897 | 15,210 | 195,840 |
| Alcoholic beverage excise tax | 162,000 | 162,457 | 457 | 164,240 |
| Occupational tax | 114,000 | 111,636 | (2,364) | 115,560 |
| Total taxes | 2,628,685 | 2,661,049 | 32,364 | 2,615,155 |
| Licenses and Permits | | | | |
| Alcohol licenses | 76,000 | 82,110 | 6,110 | 80,081 |
| Building permits | 41,000 | 15,294 | (25,706) | 50,674 |
| Total licenses and permits | 117,000 | 97,404 | (19,596) | 130,755 |
| Fines, fees and forfeitures | 255,000 | 197,935 | (57,065) | 223,361 |
| Charges for Services | | | | |
| Cemetery | 87,000 | 87,250 | 250 | 40,150 |
| Intergovernmental | 74,500 | 69,278 | (5,222) | 0 |
| Interest | 10,500 | 9,493 | (1,007) | 10,755 |
| Contributions | 300 | 0 | (300) | 392 |
| Other | 45,000 | 46,030 | 1,030 | 53,442 |
| Total revenues | <u>\$ 3,217,985</u> | <u>\$ 3,168,439</u> | <u>\$ (49,546)</u> | <u>\$ 3,074,010</u> |

CITY OF DAHLONEGA, GEORGIA

GENERAL FUND

SCHEDULE OF EXPENDITURES BUDGET (GAAP BASIS) AND ACTUAL

For the fiscal year ended September 30, 2012

(With comparative actual amounts for the fiscal year ended September 30, 2011)

| | 2012 | | | 2011 |
|------------------------------|------------------|------------------|--------------|----------------|
| | Final Budget | Actual | Variance | Actual |
| EXPENDITURES | | | | |
| General Government | | | | |
| Legislative | | | | |
| Personal services | \$ 127,121 | \$ 121,243 | \$ 5,878 | \$ 136,001 |
| Contract services | 32,000 | 32,604 | (604) | 32,929 |
| Supplies and materials | 1,000 | 4,785 | (3,785) | 4,619 |
| Total Legislative | <u>160,121</u> | <u>158,632</u> | <u>1,489</u> | <u>173,549</u> |
| Executive | | | | |
| Personal services | 195,123 | 192,502 | 2,621 | 166,354 |
| Contract services | 29,377 | 30,011 | (634) | 20,135 |
| Supplies and materials | 500 | 1,512 | (1,012) | 825 |
| Total Executive | <u>225,000</u> | <u>224,025</u> | <u>975</u> | <u>187,314</u> |
| Elections | | | | |
| Contract services | 3,050 | 1,398 | 1,652 | 386 |
| Supplies and materials | 215 | 44 | 171 | 581 |
| Total Elections | <u>3,265</u> | <u>1,442</u> | <u>1,823</u> | <u>967</u> |
| General Administration | | | | |
| Personal services | 288,144 | 216,595 | 71,549 | 295,461 |
| Contract services | 270,632 | 345,004 | (74,372) | 288,489 |
| Supplies and materials | 38,200 | 42,223 | (4,023) | 37,375 |
| Capital outlay | 39,200 | 31,700 | 7,500 | 10,035 |
| Total General Administration | <u>636,176</u> | <u>635,522</u> | <u>654</u> | <u>631,360</u> |
| Total General Government | <u>1,024,562</u> | <u>1,019,621</u> | <u>4,941</u> | <u>993,190</u> |
| Judicial | | | | |
| Municipal Court | | | | |
| Personal services | 12,789 | 7,781 | 5,008 | 7,859 |
| Contract services | 153,250 | 144,649 | 8,601 | 148,195 |
| Supplies and materials | 1,300 | 1,553 | (253) | 1,317 |
| Payments to other agencies | 64,000 | 71,257 | (7,257) | 76,369 |
| Total Judicial | <u>231,339</u> | <u>225,240</u> | <u>6,099</u> | <u>233,740</u> |

CITY OF DAHLONEGA, GEORGIA

GENERAL FUND

SCHEDULE OF EXPENDITURES BUDGET (GAAP BASIS) AND ACTUAL

For the fiscal year ended September 30, 2012

(With comparative actual amounts for the fiscal year ended September 30, 2011)

| | 2012 | | | 2011 |
|---------------------------|------------------|------------------|---------------|------------------|
| | Final Budget | Actual | Variance | Actual |
| Public Safety | | | | |
| Law Enforcement | | | | |
| Contract services | \$ 78,500 | \$ 79,529 | \$ (1,029) | \$ 82,475 |
| Supplies and materials | 2,000 | 954 | 1,046 | 2,310 |
| Total Public Safety | <u>80,500</u> | <u>80,483</u> | <u>17</u> | <u>84,785</u> |
| Public Works | | | | |
| Street Maintenance | | | | |
| Personal services | 371,951 | 363,232 | 8,719 | 383,224 |
| Contract services | 25,250 | 34,848 | (9,598) | 47,583 |
| Supplies and materials | 122,420 | 101,658 | 20,762 | 94,403 |
| Total Street Maintenance | <u>519,621</u> | <u>499,738</u> | <u>19,883</u> | <u>525,210</u> |
| Street Construction | | | | |
| Personal services | 176,490 | 166,395 | 10,095 | 76,853 |
| Contract services | 12,000 | 5,536 | 6,464 | 4,809 |
| Supplies and materials | 39,600 | 38,529 | 1,071 | 55,633 |
| Capital outlay | 386,910 | 383,827 | 3,083 | 268,749 |
| Total Street Construction | <u>615,000</u> | <u>594,287</u> | <u>20,713</u> | <u>406,044</u> |
| Shop Department | | | | |
| Personal services | 56,800 | 56,015 | 785 | 55,531 |
| Contract services | 2,000 | 2,438 | (438) | 3,562 |
| Supplies and materials | 17,700 | 17,594 | 106 | 14,527 |
| Total Shop Department | <u>76,500</u> | <u>76,047</u> | <u>453</u> | <u>73,620</u> |
| Cemetery | | | | |
| Personal services | 66,956 | 65,879 | 1,077 | 67,702 |
| Contract services | 1,850 | 1,525 | 325 | 1,829 |
| Supplies and materials | 10,694 | 11,733 | (1,039) | 5,827 |
| Capital outlay | 26,500 | 26,430 | 70 | 0 |
| Total Cemetery | <u>106,000</u> | <u>105,567</u> | <u>433</u> | <u>75,358</u> |
| Total Public Works | <u>1,317,121</u> | <u>1,275,639</u> | <u>41,482</u> | <u>1,080,232</u> |

CITY OF DAHLONEGA, GEORGIA

GENERAL FUND

SCHEDULE OF EXPENDITURES BUDGET (GAAP BASIS) AND ACTUAL

For the fiscal year ended September 30, 2012

(With comparative actual amounts for the fiscal year ended September 30, 2011)

| | 2012 | | | 2011 |
|--------------------------------|----------------------------|----------------------------|-------------------------|----------------------------|
| | Final Budget | Actual | Variance | Actual |
| Culture and Recreation | | | | |
| Parks | | | | |
| Personal services | \$ 761 | \$ 119 | \$ 642 | \$ 0 |
| Contract services | 3,105 | 1,353 | 1,752 | 2,864 |
| Supplies and materials | 9,634 | 13,153 | (3,519) | 5,956 |
| Capital outlay | 1,500 | 0 | 1,500 | 0 |
| Total Culture and Recreation | <u>15,000</u> | <u>14,625</u> | <u>375</u> | <u>8,820</u> |
| Housing and Development | | | | |
| Building Inspections | | | | |
| Personal services | 144,443 | 141,428 | 3,015 | 140,634 |
| Contract services | 32,657 | 32,506 | 151 | 28,402 |
| Supplies and materials | 4,900 | 7,090 | (2,190) | 5,143 |
| Total Building Inspections | <u>182,000</u> | <u>181,024</u> | <u>976</u> | <u>174,179</u> |
| Better Home Towns | | | | |
| Contract services | 42,400 | 38,630 | 3,770 | 56,977 |
| Supplies and materials | 1,500 | 68 | 1,432 | 2,043 |
| Total Better Home Towns | <u>43,900</u> | <u>38,698</u> | <u>5,202</u> | <u>59,020</u> |
| Downtown Development Authority | | | | |
| Payment to others | 157,150 | 157,150 | 0 | 143,788 |
| Total Housing and Development | <u>383,050</u> | <u>376,872</u> | <u>6,178</u> | <u>376,987</u> |
| Debt Service | | | | |
| General Government | | | | |
| General Administration | 3,824 | 3,824 | 0 | 3,518 |
| Public Works | | | | |
| Street Maintenance | 6,956 | 6,952 | 4 | 10,159 |
| Total Debt Service | <u>10,780</u> | <u>10,776</u> | <u>4</u> | <u>13,677</u> |
| Total expenditures | <u><u>\$ 3,062,352</u></u> | <u><u>\$ 3,003,256</u></u> | <u><u>\$ 59,096</u></u> | <u><u>\$ 2,791,431</u></u> |



SPECIAL REVENUE FUNDS

SPECIAL REVENUE FUNDS ARE USED TO ACCOUNT FOR THE PROCEEDS OF SPECIFIC REVENUE SOURCES THAT ARE LEGALLY OR DONOR RESTRICTED TO EXPENDITURE FOR SPECIFIED PURPOSES.

Multiple Grant Fund

This fund is used to account for the grant revenues and expenditures for various government purposes.

Hotel/Motel Tax Fund

This fund is used to collect Hotel/Motel taxes which are used to support trade and tourism in the City of Dahlonega.

CITY OF DAHLONEGA, GEORGIA
MULTIPLE GRANT SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
September 30, 2012 and 2011

| | 2012 | 2011 |
|--|-------------------|------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 37,937 | \$ 37,773 |
| Restricted cash and cash equivalents | 18,894 | 41,531 |
| Intergovernmental receivable | 50,063 | 10,000 |
| Total assets | \$ 106,894 | \$ 89,304 |
| LIABILITIES AND FUND BALANCES | | |
| Liabilities | | |
| Accounts payable | \$ 30,118 | \$ 2,662 |
| Fund balances | | |
| Restricted for: | | |
| General government | 4,689 | 3,274 |
| Housing and development | 30,249 | 41,531 |
| Assigned to: | | |
| Public works | 32,666 | 32,665 |
| Housing and development | 9,172 | 9,172 |
| Total fund balances | 76,776 | 86,642 |
| Total liabilities and fund balances | \$ 106,894 | \$ 89,304 |

CITY OF DAHLONEGA, GEORGIA
MULTIPLE GRANT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL

For the fiscal year ended September 30, 2012

(With comparative actual amounts for the fiscal year ended September 30, 2011)

| | 2012 | | | 2011 |
|---|-----------------|-----------|-----------|-----------|
| | Final Budget | Actual | Variance | Actual |
| REVENUES | | | | |
| Intergovernmental | \$ 65,000 | \$ 65,632 | \$ 632 | \$ 14,000 |
| Interest | 0 | 280 | 280 | 0 |
| Contributions | 50,000 | 50,175 | 175 | 51,531 |
| Total revenues | 115,000 | 116,087 | 1,087 | 65,531 |
| EXPENDITURES | | | | |
| Current | | | | |
| General Government | 4,000 | 3,585 | 415 | 4,218 |
| Public Works | 11,000 | 10,631 | 369 | 11,496 |
| Housing and Development | 112,000 | 111,737 | 263 | 11,828 |
| Total expenditures | 127,000 | 125,953 | 1,047 | 27,542 |
| Excess (deficiency) of revenues over (under) expenditures | (12,000) | (9,866) | 2,134 | 37,989 |
| Other financing sources (uses) | | | | |
| Transfers in (out) | | | | |
| General Fund | 0 | 0 | 0 | 44,400 |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources | (12,000) | (9,866) | 2,134 | 82,389 |
| Fund balances, October 1 | 12,000 | 86,642 | 74,642 | 4,253 |
| Fund balances, September 30 | \$ 0 | \$ 76,776 | \$ 76,776 | \$ 86,642 |

CITY OF DAHLONEGA, GEORGIA
HOTEL/MOTEL TAX SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
September 30, 2012 and 2011

| | 2012 | 2011 |
|--------------------------------------|-----------|-----------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 14,369 | \$ 12,724 |
| Taxes receivable | 15,580 | 13,914 |
| Total assets | \$ 29,949 | \$ 26,638 |
| LIABILITIES AND FUND BALANCES | | |
| Liabilities | | |
| Accounts payable | \$ 29,949 | \$ 26,638 |

CITY OF DAHLONEGA, GEORGIA
HOTEL/MOTEL TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL

For the fiscal year ended September 30, 2012

(With comparative actual amounts for the fiscal year ended September 30, 2011)

| | 2012 | | | 2011 |
|--|-----------------|----------------|--------------|----------------|
| | Final Budget | Actual | Variance | Actual |
| REVENUES | | | | |
| Hotel/Motel taxes | \$ 150,000 | \$ 149,373 | \$ (627) | \$ 149,661 |
| Total revenues | <u>150,000</u> | <u>149,373</u> | <u>(627)</u> | <u>149,661</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Housing and Development | | | | |
| Tourism | | | | |
| Chamber of Commerce | 150,000 | 149,373 | 627 | 149,661 |
| Total expenditures | <u>150,000</u> | <u>149,373</u> | <u>627</u> | <u>149,661</u> |
| Excess (deficiency) of revenues over (under) expenditures | 0 | 0 | 0 | 0 |
| Fund balances, October 1 | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Fund balances, September 30 | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |



CAPITAL PROJECTS FUND

CAPITAL PROJECTS FUNDS ARE USED TO ACCOUNT FOR FINANCIAL RESOURCES TO BE USED FOR THE ACQUISITION OR CONSTRUCTION OF SPECIFICALLY PLANNED PROJECTS (OTHER THAN THOSE FINANCED BY THE PROPRIETARY OR FIDUCIARY FUNDS).

Special Purpose Local Option Sales Tax Fund

This fund is used to account for long-term projects financed by the passage of a special purpose local option sales tax.

Streetscape Capital Project Fund

This fund is used to account for long-term road improvement projects financed by Federal and State grants along with contributions from City.

CITY OF DAHLONEGA, GEORGIA
SPECIAL PURPOSE LOCAL OPTION SALES TAX
CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEETS
September 30, 2012 and 2011

| | 2012 | 2011 |
|--|------------|------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 29,185 | \$ 604,566 |
| Intergovernmental receivable | 92,950 | 93,617 |
| Total assets | \$ 122,135 | \$ 698,183 |
| LIABILITIES AND FUND BALANCES | | |
| Liabilities | | |
| Fund balances | | |
| Restricted for debt service | \$ 122,135 | \$ 698,183 |
| Total liabilities and fund balances | \$ 122,135 | \$ 698,183 |

CITY OF DAHLONEGA, GEORGIA
SPECIAL PURPOSE LOCAL OPTION SALES TAX
CAPITAL PROJECTS FUND
STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

For the fiscal years ended September 30, 2012 and 2011

| | 2012 | 2011 |
|--|-------------|-------------|
| REVENUES | | |
| Intergovernmental | \$ 523,223 | \$ 528,313 |
| Interest | 729 | 863 |
| | 523,952 | 529,176 |
| Total revenues | 523,952 | 529,176 |
| Other financing uses | | |
| Transfers out | | |
| Water and Sewage Enterprise Fund | (1,100,000) | 0 |
| | (1,100,000) | 0 |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources | (576,048) | 529,176 |
| Fund balances, October 1 | 698,183 | 169,007 |
| Fund balances, September 30 | \$ 122,135 | \$ 698,183 |

CITY OF DAHLONEGA, GEORGIA
STREETSCAPE CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEETS
September 30, 2012 and 2011

| | 2012 | 2011 |
|--|-------------------|------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 109,337 | \$ 0 |
| Intergovernmental receivable | 28,256 | 89,972 |
| | \$ 137,593 | \$ 89,972 |
| Total assets | \$ 137,593 | \$ 89,972 |
| LIABILITIES AND FUND BALANCES | | |
| Liabilities | | |
| Accounts payable | \$ 0 | \$ 30,111 |
| Due to other funds | 0 | 30 |
| | 0 | 30,141 |
| Total liabilities | 0 | 30,141 |
| Fund balances | | |
| Assigned to capital outlay | 137,593 | 59,831 |
| | 137,593 | 59,831 |
| Total liabilities and fund balances | \$ 137,593 | \$ 89,972 |

CITY OF DAHLONEGA, GEORGIA
STREETSCAPE CAPITAL PROJECTS FUND
STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

For the fiscal years ended September 30, 2012 and 2011

| | <u>2012</u> | <u>2011</u> |
|--|--------------------------|-------------------------|
| REVENUES | | |
| Intergovernmental | \$ 279,388 | \$ 89,972 |
| Total revenues | <u>279,388</u> | <u>89,972</u> |
| EXPENDITURES | | |
| Capital outlay | | |
| Public works | <u>301,626</u> | <u>120,953</u> |
| Total expenditures | <u>301,626</u> | <u>120,953</u> |
| Excess (deficiency) of revenues over (under) expenditures | (22,238) | (30,981) |
| Other financing sources | | |
| Transfers in | | |
| General Fund | <u>100,000</u> | <u>0</u> |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources | 77,762 | (30,981) |
| Fund balances, October 1 | <u>59,831</u> | <u>90,812</u> |
| Fund balances, September 30 | <u><u>\$ 137,593</u></u> | <u><u>\$ 59,831</u></u> |



ENTERPRISE FUNDS

ENTERPRISE FUNDS ARE USED TO ACCOUNT FOR OPERATIONS THAT ARE FINANCED AND OPERATED IN A MANNER SIMILAR TO PRIVATE BUSINESS ENTERPRISES. THE FUNDS ARE SELF-SUPPORTING IN NATURE WHERE THE COSTS, INCLUDING DEPRECIATION, OF PROVIDING GOODS OR SERVICES TO THE GENERAL PUBLIC ON A CONTINUING BASIS ARE FINANCED OR RECOVERED PRIMARILY THROUGH USER CHARGES.

Water and Sewage Fund

This fund is used to account for activities connected with the development, operation and maintenance of water and sewer services in the City of Dahlonega.

Solid Waste Fund

This fund is used to account for activities connected with the collection and disposal of residential, commercial, industrial, and institutional solid waste in the City of Dahlonega.

CITY OF DAHLONEGA, GEORGIA
WATER AND SEWAGE ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET ASSETS
September 30, 2012 and 2011

| | 2012 | 2011 |
|--|--------------|--------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 1,486,569 | \$ 1,332,357 |
| Accounts receivable (net) | 540,569 | 531,449 |
| Inventory | 176,103 | 131,598 |
| Property held for resale | 90,000 | 386,937 |
| Prepaid items | 66,269 | 62,263 |
| Due from other funds | 0 | 122,523 |
| Total current assets | 2,359,510 | 2,567,127 |
| Restricted assets | | |
| Debt Redemption | | |
| Cash and cash equivalents | 306,065 | 136,077 |
| Investments | 2,229,071 | 2,223,653 |
| Construction Fund | | |
| Cash and cash equivalents | 596,285 | 595,416 |
| Customer Deposits | | |
| Cash and cash equivalents | 102,099 | 99,577 |
| Total restricted assets | 3,233,520 | 3,054,723 |
| Capital assets | | |
| Land | 3,323,896 | 3,303,852 |
| Improvements | 3,844,840 | 3,839,078 |
| Buildings | 22,247,587 | 22,247,587 |
| Water and sewer lines and towers | 21,267,752 | 21,264,002 |
| Machinery and equipment | 4,988,971 | 4,949,137 |
| Accumulated depreciation | (12,446,613) | (10,705,500) |
| Total capital assets (net of accumulated depreciation) | 43,226,433 | 44,898,156 |
| Other assets | | |
| Debt issuance costs, net | 570,966 | 596,410 |
| Total assets | 49,390,429 | 51,116,416 |

CITY OF DAHLONEGA, GEORGIA
WATER AND SEWAGE ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET ASSETS
September 30, 2012 and 2011

| | 2012 | 2011 |
|---|---------------|---------------|
| LIABILITIES | | |
| Current liabilities | | |
| Payables | | |
| Accounts | \$ 60,770 | \$ 82,362 |
| Intergovernmental | 1,572 | 1,304 |
| Interest | 30,542 | 32,481 |
| Accrued salaries and payroll expenses | 2,191 | 2,185 |
| Compensated absences | 49,298 | 47,840 |
| Due to other funds | 2,356 | 1,147 |
| Notes payable | 667,482 | 640,369 |
| Capital leases payable | 2,711 | 17,274 |
| | 816,922 | 824,962 |
| Current liabilities payable from restricted assets | | |
| Interest payable | 111,670 | 113,254 |
| Customer deposits payable | 102,099 | 99,577 |
| Revenue bonds payable | 475,000 | 380,000 |
| | 688,769 | 592,831 |
| Noncurrent liabilities | | |
| Compensated absences | 13,104 | 15,107 |
| Notes payable | 9,544,351 | 10,211,943 |
| Capital leases payable | 0 | 2,711 |
| Revenue bonds payable | 24,782,068 | 25,239,558 |
| | 34,339,523 | 35,469,319 |
| Total liabilities | 35,845,214 | 36,887,112 |
| NET ASSETS | | |
| Invested in capital assets, net of related debt | 10,572,033 | 11,225,370 |
| Restricted for debt service | 194,395 | 22,823 |
| Unrestricted | 2,778,787 | 2,981,111 |
| | 13,545,215 | 14,229,304 |
| Total net assets | \$ 13,545,215 | \$ 14,229,304 |

CITY OF DAHLONEGA, GEORGIA
WATER AND SEWAGE ENTERPRISE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS

For the fiscal years ended September 30, 2012 and 2011

| | <u>2012</u> | <u>2011</u> |
|--|-----------------------------|-----------------------------|
| OPERATING REVENUES | | |
| Charges for sales and services | | |
| Water sales | \$ 2,034,867 | \$ 2,043,434 |
| Sewer charges | 1,368,306 | 1,316,006 |
| Tap fees | 50,833 | 196,499 |
| Other | 2,421 | 4,507 |
| | <u>3,456,427</u> | <u>3,560,446</u> |
| OPERATING EXPENSES | | |
| Cost of sales and services | 856,895 | 847,436 |
| Personal services | 985,250 | 1,013,629 |
| Depreciation | 1,741,114 | 1,768,427 |
| | <u>3,583,259</u> | <u>3,629,492</u> |
| Operating income (loss) | <u>(126,832)</u> | <u>(69,046)</u> |
| Non-operating revenues (expenses) | | |
| Interest revenue | 134,390 | 66,296 |
| Interest expense | (1,780,957) | (1,825,061) |
| Gain (loss) on sale of capital assets | 0 | (100,763) |
| Gain (loss) on sale of property held for resale | 1,955 | 0 |
| | <u>(1,644,612)</u> | <u>(1,859,528)</u> |
| Net income (loss) before special items and transfers | (1,771,444) | (1,928,574) |
| Special items | | |
| Unrealized loss on property held for resale | (296,937) | 0 |
| Net income (loss) before transfers | <u>(2,068,381)</u> | <u>(1,928,574)</u> |
| Transfers in (out) | | |
| General Fund | 284,292 | 284,292 |
| SPLOST Capital Projects Fund | 1,100,000 | 0 |
| | <u>1,384,292</u> | <u>284,292</u> |
| Change in net assets | (684,089) | (1,644,282) |
| Net assets, October 1 | <u>14,229,304</u> | <u>15,873,586</u> |
| Net assets, September 30 | <u><u>\$ 13,545,215</u></u> | <u><u>\$ 14,229,304</u></u> |

CITY OF DAHLONEGA, GEORGIA
WATER AND SEWAGE ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the fiscal years ended September 30, 2012 and 2011

| | 2012 | 2011 |
|--|--------------|--------------|
| Cash flows from operating activities: | | |
| Receipts from customers | \$ 3,447,408 | \$ 3,468,251 |
| Payments to suppliers | (934,874) | (846,433) |
| Payments to employees | (985,789) | (1,021,317) |
| Other receipts | 2,421 | 4,507 |
| | 1,529,166 | 1,605,008 |
| Cash flows from non-capital financing activities: | | |
| Receipts from other funds | 408,024 | 325,276 |
| Cash flows from capital and related financing activities: | | |
| Receipts from other funds | 1,100,000 | 0 |
| Payments to other funds | 0 | (4,075) |
| Payments for acquisitions of capital assets | (61,247) | (349,006) |
| Payment of capital related accounts payable | 0 | (3,129) |
| Principal payments - revenue bonds | (380,000) | (285,000) |
| Principal payments - promissory notes | (640,479) | (613,692) |
| Payment of capital leases | (17,274) | (33,170) |
| Interest paid | (1,741,526) | (1,783,286) |
| | (1,740,526) | (3,071,358) |
| Cash flows from investing activities: | | |
| Proceeds from sale of property held for resale | 1,955 | 0 |
| Proceeds from sale of investments | 8,908,253 | 4,528,224 |
| Purchases of investments | (8,913,671) | (4,512,600) |
| Interest received | 134,390 | 66,296 |
| | 130,927 | 81,920 |
| Net increase (decrease) in cash and cash equivalents | 327,591 | (1,059,154) |
| Cash and cash equivalents, October 1 | 2,163,427 | 3,222,581 |
| Cash and cash equivalents, September 30 | \$ 2,491,018 | \$ 2,163,427 |

CITY OF DAHLONEGA, GEORGIA
WATER AND SEWAGE ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the fiscal years ended September 30, 2012 and 2011

| | <u>2012</u> | <u>2011</u> |
|---|-------------------------|-------------------------|
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | |
| Operating income (loss) | \$ (126,832) | \$ (69,046) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation expense | 1,741,114 | 1,768,427 |
| (Increase) decrease in accounts receivable | (9,120) | (101,649) |
| (Increase) decrease in inventory | (44,505) | 3,729 |
| (Increase) decrease in prepaid items | (4,006) | (9,894) |
| Increase (decrease) in accounts payable | (29,736) | 6,177 |
| Increase (decrease) in intergovernmental payable | 268 | 991 |
| Increase (decrease) in payroll liabilities | (539) | (7,688) |
| Increase (decrease) in deposits payable | 2,522 | 13,961 |
| Total adjustments | <u>1,655,998</u> | <u>1,674,054</u> |
| Net cash provided (used) by operating activities | <u>\$ 1,529,166</u> | <u>\$ 1,605,008</u> |
| Cash and cash equivalents reconciliation: | | |
| Cash and cash equivalents | \$ 1,486,569 | \$ 1,332,357 |
| Debt Redemption | | |
| Cash and cash equivalents | 306,065 | 136,077 |
| Construction Fund | | |
| Cash and cash equivalents | 596,285 | 595,416 |
| Customer Deposits | | |
| Cash and cash equivalents | 102,099 | 99,577 |
| Total cash and cash equivalents | <u>\$ 2,491,018</u> | <u>\$ 2,163,427</u> |

Noncash capital and related financing and investing activities:

Reclassification of capital assets to property held for resale totaled \$386,937 for the fiscal year ended September 30, 2011.

Unrealized loss on property held for resale totaled \$296,937 for the fiscal year ended September 30, 2012.

CITY OF DAHLONEGA, GEORGIA
SOLID WASTE ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET ASSETS
September 30, 2012 and 2011

| | 2012 | 2011 |
|--|-------------------|-------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 85,288 | \$ 417,128 |
| Accounts receivable (net) | 78,341 | 77,236 |
| Prepaid items | 12,973 | 12,345 |
| Total current assets | 176,602 | 506,709 |
| Capital assets | | |
| Improvements | 11,583 | 11,583 |
| Buildings | 255,066 | 255,066 |
| Machinery and equipment | 701,705 | 368,052 |
| Accumulated depreciation | (448,393) | (413,733) |
| Total capital assets (net of accumulated depreciation) | 519,961 | 220,968 |
| Total assets | 696,563 | 727,677 |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable | 707 | 5,329 |
| Accrued salaries and payroll expenses | 589 | 589 |
| Compensated absences | 2,721 | 2,374 |
| Due to other funds | 3,703 | 127,351 |
| Total current liabilities | 7,720 | 135,643 |
| Noncurrent liabilities | | |
| Compensated absences | 723 | 750 |
| Total liabilities | 8,443 | 136,393 |
| NET ASSETS | | |
| Invested in capital assets | 519,961 | 220,968 |
| Unrestricted | 168,159 | 370,316 |
| Total net assets | \$ 688,120 | \$ 591,284 |

CITY OF DAHLONEGA, GEORGIA
SOLID WASTE ENTERPRISE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS

For the fiscal years ended September 30, 2012 and 2011

| | <u>2012</u> | <u>2011</u> |
|-----------------------------------|--------------------------|--------------------------|
| OPERATING REVENUES | | |
| Charges for sales and services | \$ 566,395 | \$ 545,217 |
| Other | 14 | 499 |
| Total operating revenues | <u>566,409</u> | <u>545,716</u> |
| OPERATING EXPENSES | | |
| Cost of sales and services | 167,870 | 171,099 |
| Personal services | 267,684 | 276,692 |
| Depreciation | 34,659 | 11,590 |
| Total operating expenses | <u>470,213</u> | <u>459,381</u> |
| Operating income (loss) | 96,196 | 86,335 |
| Non-operating revenues (expenses) | | |
| Interest revenue | 640 | 1,175 |
| Change in net assets | 96,836 | 87,510 |
| Net assets, October 1 | <u>591,284</u> | <u>503,774</u> |
| Net assets, September 30 | <u><u>\$ 688,120</u></u> | <u><u>\$ 591,284</u></u> |

CITY OF DAHLONEGA, GEORGIA
SOLID WASTE ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the fiscal years ended September 30, 2012 and 2011

| | <u>2012</u> | <u>2011</u> |
|---|-------------------|-------------------|
| Cash flows from operating activities: | | |
| Receipts from customers | \$ 565,290 | \$ 535,542 |
| Payments to suppliers | (173,120) | (174,079) |
| Payments to employees | (267,364) | (278,673) |
| Other receipts | 14 | 499 |
| | <u>124,820</u> | <u>83,289</u> |
| Cash flows from non-capital financing activities: | | |
| Payments to other funds | (123,648) | (43,819) |
| | <u>(123,648)</u> | <u>(43,819)</u> |
| Cash flows from capital and related financing activities: | | |
| Payments for acquisitions of capital assets | (333,652) | 0 |
| | <u>(333,652)</u> | <u>0</u> |
| Cash flows from investing activities: | | |
| Interest received | 640 | 1,175 |
| | <u>640</u> | <u>1,175</u> |
| Net increase (decrease) in cash and cash equivalents | (331,840) | 40,645 |
| Cash and cash equivalents, October 1 | 417,128 | 376,483 |
| Cash and cash equivalents, September 30 | <u>\$ 85,288</u> | <u>\$ 417,128</u> |
| | | |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | |
| Operating income (loss) | \$ 96,196 | \$ 86,335 |
| | <u>\$ 96,196</u> | <u>\$ 86,335</u> |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | |
| Depreciation expense | 34,659 | 11,590 |
| (Increase) decrease in accounts receivable | (1,105) | (9,675) |
| (Increase) decrease in prepaid items | (628) | 2,629 |
| Increase (decrease) in accounts payable | (4,622) | (5,609) |
| Increase (decrease) in payroll liabilities | 320 | (1,981) |
| | <u>28,624</u> | <u>(3,046)</u> |
| Total adjustments | <u>28,624</u> | <u>(3,046)</u> |
| Net cash provided (used) by operating activities | <u>\$ 124,820</u> | <u>\$ 83,289</u> |



COMPONENT UNIT

Downtown Development Authority

This component unit is used to account for governmental revenues and contributions reserved for City Business Development.

CITY OF DAHLONEGA, GEORGIA
DOWNTOWN DEVELOPMENT AUTHORITY (A COMPONENT UNIT)
COMPARATIVE BALANCE SHEETS
September 30, 2012 and 2011

| | 2012 | 2011 |
|--|-------------------|-------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 187,505 | \$ 191,829 |
| Accounts receivable (net) | 795 | 3,156 |
| Intergovernmental receivable | 397 | 0 |
| Prepaid items | 2,793 | 1,786 |
| Restricted assets | | |
| Cash and cash equivalents | 4,073 | 1,157 |
| Total assets | \$ 195,563 | \$ 197,928 |
| LIABILITIES AND FUND BALANCES | | |
| Current Liabilities | | |
| Accounts payable | \$ 1,611 | \$ 587 |
| Accrued salaries and payroll liabilities | 458 | 289 |
| Total liabilities | 2,069 | 876 |
| Fund balances | | |
| Nonspendable: | | |
| Prepaid items | 2,793 | 1,786 |
| Restricted for housing and development | 4,073 | 1,157 |
| Assigned to: | | |
| Redevelopment projects | 153,628 | 161,109 |
| Operations | 33,000 | 33,000 |
| Total fund balances | 193,494 | 197,052 |
| Total liabilities and fund balances | \$ 195,563 | \$ 197,928 |

CITY OF DAHLONEGA, GEORGIA
DOWNTOWN DEVELOPMENT AUTHORITY (A COMPONENT UNIT)
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
For the fiscal year ended September 30, 2012
(With comparative actual amounts for the fiscal year ended September 30, 2011)

| | 2012 | | | 2011 |
|---|-----------------|-------------------|-------------------|-------------------|
| | Final Budget | Actual | Variance | Actual |
| REVENUES | | | | |
| Intergovernmental | \$ 157,150 | \$ 157,150 | \$ 0 | \$ 144,788 |
| Charges for services | 0 | 0 | 0 | 30,005 |
| Interest | 1,000 | 682 | (318) | 173 |
| Contributions | 2,000 | 2,365 | 365 | 4,569 |
| Other | 0 | 865 | 865 | 475 |
| Total revenues | 160,150 | 161,062 | 912 | 180,010 |
| EXPENDITURES | | | | |
| Current | | | | |
| Housing and Development | | | | |
| Personal services | 110,995 | 109,519 | 1,476 | 101,160 |
| Contract services | 49,400 | 46,340 | 3,060 | 40,618 |
| Supplies and materials | 5,900 | 8,761 | (2,861) | 15,300 |
| Capital outlay | 0 | 0 | 0 | 0 |
| Contingency | 0 | 0 | 0 | 0 |
| Total expenditures | 166,295 | 164,620 | 1,675 | 157,078 |
| Excess of revenues over (under) expenditures | (6,145) | (3,558) | 2,587 | 22,932 |
| Fund balances, October 1 | 6,145 | 197,052 | 190,907 | 174,120 |
| Fund balances, September 30 | \$ 0 | \$ 193,494 | \$ 193,494 | \$ 197,052 |



STATISTICAL SECTION





This part of the City of Dahlonega’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and supplementary information reveals about the City’s overall financial health.

CONTENTS **PAGES**

Financial Trends.....106 - 119

These tables/schedules contain trend information designed to assist the reader in understanding how the City has performed from a financial perspective over time.

Revenue Capacity.....120 - 129

These tables/schedules contain information that may assist the reader in assessing the viability of the City’s most significant revenue sources.

Debt Capacity.....130 - 135

These tables/schedules present information designed to assist the reader in analyzing the affordability of the City’s current levels of outstanding debt, and the City’s ability to issue additional debt in the future.

Demographic and Economic Information.....136 - 138

These tables/schedules offer demographic, economic and statistical information intended to assist the reader in understanding the environment in which the City’s financial activities take place.

Operating Information.....139 - 141

These tables/schedules contain service and infrastructure data to assist the reader in understanding how the information in the City’s financial report relates to the services the government provides and the activities it performs.

Source: Unless otherwise noted, the information in these tables is derived from the annual financial report for the relevant year.

CITY OF DAHLONEGA, GEORGIA
NET ASSETS BY COMPONENT
LAST NINE FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

| | Fiscal Year | | |
|---|----------------------|----------------------|----------------------|
| | 2004 | 2005 | 2006 |
| Governmental activities | | | |
| Invested in capital assets, net of related debt | \$ 2,688,115 | \$ 2,600,180 | \$ 3,414,970 |
| Restricted | 0 | 0 | 0 |
| Unrestricted | 1,865,610 | 2,501,358 | 2,762,158 |
| Total governmental activities net assets | <u>\$ 4,553,725</u> | <u>\$ 5,101,538</u> | <u>\$ 6,177,128</u> |
| Business-type activities | | | |
| Invested in capital assets, net of related debt | \$ 7,723,909 | \$ 8,372,856 | \$ 9,230,170 |
| Restricted | 76,201 | 74,647 | 74,330 |
| Unrestricted | 1,078,421 | 1,258,345 | 1,775,920 |
| Total business-type activities net assets | <u>\$ 8,878,531</u> | <u>\$ 9,705,848</u> | <u>\$ 11,080,420</u> |
| Primary government | | | |
| Invested in capital assets, net of related debt | \$ 10,412,024 | \$ 10,973,036 | \$ 12,645,140 |
| Restricted | 76,201 | 74,647 | 74,330 |
| Unrestricted | 2,944,031 | 3,759,703 | 4,538,078 |
| Total primary government net assets | <u>\$ 13,432,256</u> | <u>\$ 14,807,386</u> | <u>\$ 17,257,548</u> |

Note: Comparative information prior to fiscal year 2004 is not available.

Fiscal Year

| 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ 4,158,131 | \$ 4,176,172 | \$ 4,462,981 | \$ 4,360,841 | \$ 4,477,984 | \$ 5,138,468 |
| 278,314 | 278,314 | 468,257 | 571,645 | 1,061,542 | 516,149 |
| 2,457,506 | 2,975,198 | 3,320,000 | 3,442,292 | 3,489,170 | 3,333,580 |
| <u>\$ 6,893,951</u> | <u>\$ 7,429,684</u> | <u>\$ 8,251,238</u> | <u>\$ 8,374,778</u> | <u>\$ 9,028,696</u> | <u>\$ 8,988,197</u> |
| | | | | | |
| \$ 12,188,032 | \$ 12,490,290 | \$ 15,609,939 | \$ 13,637,369 | \$ 11,446,338 | \$ 11,091,994 |
| 86,896 | 0 | 0 | 124,070 | 22,823 | 194,395 |
| 877,159 | 2,144,761 | 317,421 | 2,615,921 | 3,351,427 | 2,946,946 |
| <u>\$ 13,152,087</u> | <u>\$ 14,635,051</u> | <u>\$ 15,927,360</u> | <u>\$ 16,377,360</u> | <u>\$ 14,820,588</u> | <u>\$ 14,233,335</u> |
| | | | | | |
| \$ 16,346,163 | \$ 16,666,462 | \$ 20,072,920 | \$ 17,998,210 | \$ 15,924,322 | \$ 16,230,462 |
| 365,210 | 278,314 | 468,257 | 695,715 | 1,084,365 | 710,544 |
| 3,334,665 | 5,119,959 | 3,637,421 | 6,058,213 | 6,840,597 | 6,280,526 |
| <u>\$ 20,046,038</u> | <u>\$ 22,064,735</u> | <u>\$ 24,178,598</u> | <u>\$ 24,752,138</u> | <u>\$ 23,849,284</u> | <u>\$ 23,221,532</u> |

CITY OF DAHLONEGA, GEORGIA
CHANGES IN NET ASSETS
LAST NINE FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

| Expenses | Fiscal Year | | |
|---|---------------------|---------------------|---------------------|
| | 2004 | 2005 | 2006 |
| Governmental activities: | | | |
| General Government | \$ 646,958 | \$ 757,377 | \$ 770,403 |
| Judicial | 99,057 | 119,779 | 178,877 |
| Public Safety | 0 | 0 | 3,705 |
| Public Works | 462,201 | 494,936 | 624,272 |
| Culture and Recreation | 141,645 | 178,544 | 183,599 |
| Housing and Development | 211,670 | 167,031 | 250,683 |
| Interest on long-term debt | 0 | 0 | 0 |
| Total governmental activities expenses | <u>1,561,531</u> | <u>1,717,667</u> | <u>2,011,539</u> |
| Business-type activities: | | | |
| Water and Sewage | 2,288,348 | 2,580,141 | 2,959,190 |
| Solid Waste | 391,923 | 384,201 | 418,636 |
| Total business-type activities expenses | <u>2,680,271</u> | <u>2,964,342</u> | <u>3,377,826</u> |
| Total primary government expenses | <u>\$ 4,241,802</u> | <u>\$ 4,682,009</u> | <u>\$ 5,389,365</u> |
| Program Revenues | | | |
| Governmental activities: | | | |
| Charges for services: | | | |
| General Government | \$ 25,766 | \$ 42,372 | \$ 64,627 |
| Judicial | 121,248 | 107,473 | 151,238 |
| Public Works | 0 | 0 | 0 |
| Culture and Recreation | 41,042 | 31,526 | 94,772 |
| Housing and Development | 86,866 | 110,768 | 62,600 |
| Operating grants and contributions | 7,925 | 565 | 1,069 |
| Capital grants and contributions | 49,605 | 0 | 280,349 |
| Total governmental activities program revenues | <u>332,452</u> | <u>292,704</u> | <u>654,655</u> |
| Business-Type activities: | | | |
| Charges for services: | | | |
| Water and Sewage | 2,348,629 | 3,073,112 | 2,805,964 |
| Solid Waste | 416,033 | 437,437 | 452,698 |
| Capital grants and contributions | 0 | 0 | 0 |
| Total business-type activities program revenues | <u>2,764,662</u> | <u>3,510,549</u> | <u>3,258,662</u> |
| Total primary government program revenues | <u>\$ 3,097,114</u> | <u>\$ 3,803,253</u> | <u>\$ 3,913,317</u> |

Note: Comparative information prior to fiscal year 2004 is not available.

| Fiscal Year | | | | | | |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|--|
| 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | |
| \$ 853,427 | \$ 1,034,756 | \$ 1,000,735 | \$ 1,041,292 | \$ 1,036,537 | \$ 1,039,743 | |
| 208,731 | 185,803 | 253,877 | 282,317 | 233,740 | 225,240 | |
| 0 | 85,007 | 105,371 | 60,651 | 84,785 | 80,483 | |
| 684,195 | 788,450 | 821,886 | 909,630 | 1,051,610 | 1,085,828 | |
| 83,646 | 50,405 | 64,597 | 47,874 | 23,294 | 26,427 | |
| 534,461 | 664,948 | 508,066 | 490,080 | 540,307 | 530,445 | |
| 5,770 | 2,117 | 1,938 | 1,399 | 834 | 569 | |
| <u>2,370,230</u> | <u>2,811,486</u> | <u>2,756,470</u> | <u>2,833,243</u> | <u>2,971,107</u> | <u>2,988,735</u> | |
| 3,017,628 | 3,218,598 | 3,293,531 | 4,068,774 | 5,555,316 | 5,364,216 | |
| 472,945 | 504,539 | 468,490 | 451,793 | 459,381 | 470,213 | |
| <u>3,490,573</u> | <u>3,723,137</u> | <u>3,762,021</u> | <u>4,520,567</u> | <u>6,014,697</u> | <u>5,834,429</u> | |
| <u>\$ 5,860,803</u> | <u>\$ 6,534,623</u> | <u>\$ 6,518,491</u> | <u>\$ 7,353,810</u> | <u>\$ 8,985,804</u> | <u>\$ 8,823,164</u> | |
| \$ 56,644 | \$ 66,905 | \$ 83,755 | \$ 77,355 | \$ 80,081 | \$ 82,110 | |
| 171,700 | 135,489 | 186,801 | 262,317 | 223,361 | 197,935 | |
| 52,940 | 45,800 | 29,900 | 30,950 | 40,150 | 87,250 | |
| 0 | 0 | 0 | 0 | 0 | 0 | |
| 129,677 | 70,473 | 27,729 | 36,343 | 50,674 | 15,294 | |
| 18,959 | 6,366 | 24,747 | 6,410 | 24,392 | 34,910 | |
| 0 | 31,500 | 906,645 | 524,614 | 660,679 | 953,515 | |
| <u>429,920</u> | <u>356,533</u> | <u>1,259,577</u> | <u>937,989</u> | <u>1,079,337</u> | <u>1,371,014</u> | |
| 3,368,076 | 3,219,289 | 2,878,205 | 3,520,548 | 3,555,939 | 3,454,006 | |
| 476,076 | 494,200 | 532,465 | 523,681 | 545,217 | 566,395 | |
| 1,389,610 | 997,723 | 965,685 | 100,158 | 0 | 0 | |
| <u>5,233,762</u> | <u>4,711,212</u> | <u>4,376,355</u> | <u>4,144,387</u> | <u>4,101,156</u> | <u>4,020,401</u> | |
| <u>\$ 5,663,682</u> | <u>\$ 5,067,745</u> | <u>\$ 5,635,932</u> | <u>\$ 5,082,376</u> | <u>\$ 5,180,493</u> | <u>\$ 5,391,415</u> | |

CITY OF DAHLONEGA, GEORGIA
CHANGES IN NET ASSETS
LAST NINE FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

| | Fiscal Year | | |
|--|----------------------|----------------------|----------------------|
| | 2004 | 2005 | 2006 |
| Net (expense)/revenue | | | |
| Governmental activities | \$ (1,229,079) | \$ (1,424,963) | \$ (1,356,884) |
| Business-type activities | 84,391 | 546,207 | (119,164) |
| Total primary government net (expense)/revenue | <u>(1,144,688)</u> | <u>(878,756)</u> | <u>(1,476,048)</u> |
| General revenues and other changes in net assets | | | |
| Governmental activities: | | | |
| Taxes | | | |
| Property | 440,247 | 454,066 | 646,490 |
| Local option sales | 714,983 | 708,370 | 899,995 |
| Franchise | 352,622 | 369,402 | 437,200 |
| Insurance premium | 156,271 | 169,355 | 182,204 |
| Intangibles | 12,685 | 12,081 | 16,951 |
| Alcoholic beverage | 118,244 | 149,611 | 140,133 |
| Occupational | 108,363 | 108,937 | 112,213 |
| Hotel/Motel | 83,218 | 87,929 | 107,244 |
| Investment earnings | 40,797 | 63,025 | 123,885 |
| Gain on sale of assets | 3,965 | 0 | 0 |
| Miscellaneous | 0 | 0 | 0 |
| Transfers | (336,530) | (150,000) | (233,841) |
| Total governmental activities | <u>1,694,865</u> | <u>1,972,776</u> | <u>2,432,474</u> |
| Business-type activities | | | |
| Investment earnings | 20,429 | 42,585 | 57,244 |
| Grants and contributions not restricted to specific programs | 465,520 | 88,525 | 1,056,641 |
| Gain on sale of assets | 0 | 0 | 0 |
| Miscellaneous | 0 | 0 | 1,175 |
| Special items | 0 | 0 | 0 |
| Transfers | 336,530 | 150,000 | 233,841 |
| Total business-type activities | <u>822,479</u> | <u>281,110</u> | <u>1,348,901</u> |
| Total primary government | <u>2,517,344</u> | <u>2,253,886</u> | <u>3,781,375</u> |
| Change in net assets | | | |
| Governmental activities | 465,786 | 547,813 | 1,075,590 |
| Business-type activities | 906,870 | 827,317 | 1,229,737 |
| Total primary government | <u>1,372,656</u> | <u>1,375,130</u> | <u>2,305,327</u> |
| Net assets - beginning | | | |
| Governmental activities | 4,087,939 | 4,553,725 | 5,101,538 |
| Business-type activities | 7,971,661 | 8,878,531 | 9,705,848 |
| Total primary government | <u>12,059,600</u> | <u>13,432,256</u> | <u>14,807,386</u> |
| Prior period adjustment | | | |
| Governmental activities | 0 | 0 | 0 |
| Business-type activities | 0 | 0 | 144,835 |
| Total primary government | <u>0</u> | <u>0</u> | <u>144,835</u> |
| Net assets - ending | | | |
| Governmental activities | 4,553,725 | 5,101,538 | 6,177,128 |
| Business-type activities | 8,878,531 | 9,705,848 | 11,080,420 |
| Total primary government | <u>\$ 13,432,256</u> | <u>\$ 14,807,386</u> | <u>\$ 17,257,548</u> |

Note: Comparative information prior to fiscal year 2004 is not available.

| Fiscal Year | | | | | |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| \$ (1,940,310) | \$ (2,454,953) | \$ (1,496,893) | \$ (1,895,254) | \$ (1,891,770) | \$ (1,617,721) |
| <u>1,743,189</u> | <u>988,075</u> | <u>614,334</u> | <u>(376,180)</u> | <u>(1,913,541)</u> | <u>(1,814,028)</u> |
| <u>(197,121)</u> | <u>(1,466,878)</u> | <u>(882,559)</u> | <u>(2,271,434)</u> | <u>(3,805,311)</u> | <u>(3,431,749)</u> |
| 839,600 | 878,253 | 929,774 | 903,412 | 890,743 | 861,790 |
| 837,951 | 832,447 | 723,690 | 744,801 | 763,535 | 756,139 |
| 454,128 | 488,607 | 493,335 | 460,629 | 478,013 | 505,998 |
| 190,631 | 198,849 | 203,612 | 201,702 | 195,840 | 245,897 |
| 23,432 | 28,148 | 8,306 | 11,854 | 8,191 | 12,388 |
| 147,210 | 156,736 | 166,266 | 176,223 | 164,240 | 162,457 |
| 117,176 | 123,662 | 126,506 | 110,811 | 115,560 | 111,636 |
| 115,031 | 129,217 | 119,547 | 121,833 | 149,661 | 149,373 |
| 121,675 | 102,272 | 50,981 | 41,210 | 10,755 | 9,773 |
| 0 | 294,980 | 67,352 | 0 | 0 | 0 |
| 10,510 | 41,811 | 47,647 | 47,543 | 53,442 | 46,030 |
| <u>(215,647)</u> | <u>(284,296)</u> | <u>(618,569)</u> | <u>(801,224)</u> | <u>(284,292)</u> | <u>(1,384,292)</u> |
| <u>2,641,697</u> | <u>2,990,686</u> | <u>2,318,447</u> | <u>2,018,794</u> | <u>2,545,688</u> | <u>1,477,189</u> |
| 70,758 | 78,261 | 29,226 | 22,442 | 67,471 | 135,030 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 1,123 | 6,685 | 12,521 | 0 | 0 | 0 |
| 0 | 5,405 | 17,659 | 2,514 | 5,006 | 4,390 |
| 0 | 0 | 0 | 0 | 0 | (296,937) |
| <u>215,647</u> | <u>284,296</u> | <u>618,569</u> | <u>801,224</u> | <u>284,292</u> | <u>1,384,292</u> |
| <u>287,528</u> | <u>374,647</u> | <u>677,975</u> | <u>826,180</u> | <u>356,769</u> | <u>1,226,775</u> |
| <u>2,929,225</u> | <u>3,365,333</u> | <u>2,996,422</u> | <u>2,844,974</u> | <u>2,902,457</u> | <u>2,703,964</u> |
| 701,387 | 535,733 | 821,554 | 123,540 | 653,918 | (140,532) |
| <u>2,030,717</u> | <u>1,362,722</u> | <u>1,292,309</u> | <u>450,000</u> | <u>(1,556,772)</u> | <u>(587,253)</u> |
| <u>2,732,104</u> | <u>1,898,455</u> | <u>2,113,863</u> | <u>573,540</u> | <u>(902,854)</u> | <u>(727,785)</u> |
| 6,177,128 | 6,893,951 | 7,429,684 | 8,251,238 | 8,374,778 | 9,028,696 |
| <u>11,080,420</u> | <u>13,152,087</u> | <u>14,635,051</u> | <u>15,927,360</u> | <u>16,377,360</u> | <u>14,820,588</u> |
| <u>17,257,548</u> | <u>20,046,038</u> | <u>22,064,735</u> | <u>24,178,598</u> | <u>24,752,138</u> | <u>23,849,284</u> |
| 15,436 | 0 | 0 | 0 | 0 | 100,033 |
| <u>40,950</u> | <u>120,242</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| <u>56,386</u> | <u>120,242</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| 6,893,951 | 7,429,684 | 8,251,238 | 8,374,778 | 9,028,696 | 8,988,197 |
| <u>13,152,087</u> | <u>14,635,051</u> | <u>15,927,360</u> | <u>16,377,360</u> | <u>14,820,588</u> | <u>14,233,335</u> |
| <u>\$ 20,046,038</u> | <u>\$ 22,064,735</u> | <u>\$ 24,178,598</u> | <u>\$ 24,752,138</u> | <u>\$ 23,849,284</u> | <u>\$ 23,221,532</u> |

CITY OF DAHLONEGA, GEORGIA
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
LAST NINE FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

| Fiscal Year | Property Tax | Intangible Tax | Franchise Tax | Occupational Tax |
|------------------------|-------------------------|---------------------------|--------------------------|-----------------------------|
| 2004 | \$ 440,247 | \$ 12,685 | \$ 352,622 | \$ 108,363 |
| 2005 | 454,066 | 12,081 | 369,402 | 108,937 |
| 2006 | 646,490 | 16,951 | 437,200 | 112,213 |
| 2007 | 839,600 | 23,432 | 454,128 | 117,176 |
| 2008 | 878,253 | 28,148 | 488,607 | 123,662 |
| 2009 | 929,774 | 8,306 | 493,335 | 126,506 |
| 2010 | 903,412 | 11,854 | 460,629 | 110,811 |
| 2011 | 890,743 | 8,191 | 478,013 | 115,560 |
| 2012 | 861,790 | 12,388 | 505,998 | 111,636 |
| Change 2004 - 2012 | 95.75% | -2.34% | 43.50% | 3.02% |

Note: Comparative information prior to fiscal year 2004 is not available.

| Insurance Premium Tax | Alcoholic Beverage Tax | Hotel/Motel Tax | Local Option Sales Tax | Total |
|----------------------------------|-----------------------------------|----------------------------|-----------------------------------|--------------|
| \$ 156,271 | \$ 118,244 | \$ 83,218 | \$ 714,983 | \$ 1,986,633 |
| 169,355 | 149,611 | 87,929 | 708,370 | 2,059,751 |
| 182,204 | 140,133 | 107,244 | 899,995 | 2,542,430 |
| 190,631 | 147,210 | 115,031 | 837,951 | 2,725,159 |
| 198,849 | 156,736 | 129,217 | 832,447 | 2,835,919 |
| 203,612 | 166,266 | 119,547 | 723,690 | 2,771,036 |
| 201,702 | 176,223 | 121,833 | 744,801 | 2,731,265 |
| 195,840 | 164,240 | 149,661 | 763,535 | 2,765,783 |
| 245,897 | 162,457 | 149,373 | 756,139 | 2,805,678 |
| 57.35% | 37.39% | 79.50% | 5.76% | 41.23% |

CITY OF DAHLONEGA, GEORGIA
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

| | Fiscal Year | | | |
|------------------------------------|---------------------|---------------------|---------------------|---------------------|
| | 2003 | 2004 | 2005 | 2006 |
| General fund | | | | |
| Reserved | \$ 28,352 | \$ 26,647 | \$ 32,466 | \$ 35,104 |
| Unreserved | 1,434,183 | 1,872,188 | 2,432,607 | 2,360,698 |
| Nonspendable | 0 | 0 | 0 | 0 |
| Restricted | 0 | 0 | 0 | 0 |
| Assigned | 0 | 0 | 0 | 0 |
| Unassigned | 0 | 0 | 0 | 0 |
| Total general fund | <u>1,462,535</u> | <u>1,898,835</u> | <u>2,465,073</u> | <u>2,395,802</u> |
| All other governmental funds | | | | |
| Unreserved, reported in: | | | | |
| Special revenue funds | 12,500 | 1,611 | 94,917 | 3,579 |
| Capital project funds | 0 | 0 | 0 | 0 |
| Restricted | 0 | 0 | 0 | 0 |
| Assigned | 0 | 0 | 0 | 0 |
| Total all other governmental funds | <u>12,500</u> | <u>1,611</u> | <u>94,917</u> | <u>3,579</u> |
| Total governmental funds | <u>\$ 1,475,035</u> | <u>\$ 1,900,446</u> | <u>\$ 2,559,990</u> | <u>\$ 2,399,381</u> |

Note (1): The City began reserving amounts for cemetery care.

Note (2): The City created the first Capital Projects Fund, Special Purpose Local Option Sales Tax.

Note (3): The City implemented GASB 54 in fiscal year 2011.

| Fiscal Year | | | | | |
|---------------------------|---------------------|------------------------|---------------------|---------------------|---------------------|
| 2007 | 2008 | 2009 | 2010 | 2011 ⁽³⁾ | 2012 |
| \$ 315,793 ⁽¹⁾ | \$ 316,579 | \$ 346,729 | \$ 357,608 | \$0 | \$0 |
| 2,459,781 | 2,961,152 | 3,265,866 | 3,413,767 | 0 | 0 |
| 0 | 0 | 0 | 0 | 72,242 | 82,918 |
| 0 | 0 | 0 | 0 | 321,828 | 359,076 |
| 0 | 0 | 0 | 0 | 2,134,368 | 1,798,609 |
| 0 | 0 | 0 | 0 | 1,196,824 | 1,265,550 |
| <u>2,775,574</u> | <u>3,277,731</u> | <u>3,612,595</u> | <u>3,771,375</u> | <u>3,725,262</u> | <u>3,506,153</u> |
| (3,564) | 3,238 | 18,608 | 4,253 | 0 | 0 |
| 0 | 0 | 165,993 ⁽²⁾ | 259,819 | 0 | 0 |
| 0 | 0 | 0 | 0 | 739,714 | 157,073 |
| 0 | 0 | 0 | 0 | 104,942 | 179,431 |
| <u>(3,564)</u> | <u>3,238</u> | <u>184,601</u> | <u>264,072</u> | <u>844,656</u> | <u>336,504</u> |
| <u>\$ 2,772,010</u> | <u>\$ 3,280,969</u> | <u>\$ 3,797,196</u> | <u>\$ 4,035,447</u> | <u>\$ 4,569,918</u> | <u>\$ 3,842,657</u> |

CITY OF DAHLONEGA, GEORGIA
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST NINE FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

| | Fiscal Year | | |
|---|---------------------|---------------------|---------------------|
| | 2004 | 2005 | 2006 |
| Revenues | | | |
| Taxes | \$ 1,961,456 | \$ 2,050,164 | \$ 2,517,103 |
| Licenses and permits | 110,159 | 151,726 | 126,486 |
| Fines, fees and forfeitures | 121,248 | 107,473 | 151,238 |
| Charges for services | 19,129 | 15,740 | 71,190 |
| Intergovernmental | 73,723 | 15,717 | 299,616 |
| Interest | 40,797 | 63,025 | 123,885 |
| Contributions | 0 | 0 | 0 |
| Other | 24,386 | 17,200 | 24,323 |
| Total revenues | <u>2,350,898</u> | <u>2,421,045</u> | <u>3,313,841</u> |
| Expenditures | | | |
| General Government | 588,167 | 707,006 | 1,407,922 |
| Judicial | 100,098 | 119,474 | 178,877 |
| Public Safety | 0 | 0 | 9772 |
| Public Works | 560,297 | 461,076 | 1,144,822 |
| Culture and Recreation | 149,007 | 153,738 | 160,024 |
| Housing and Development | 195,353 | 170,207 | 343,823 |
| Debt Service | | | |
| Principal | 0 | 0 | 0 |
| Interest | 0 | 0 | 0 |
| Capital outlay | 0 | 0 | 0 |
| Total expenditures | <u>1,592,922</u> | <u>1,611,501</u> | <u>3,245,240</u> |
| Excess of revenues over (under) expenditures | <u>757,976</u> | <u>809,544</u> | <u>68,601</u> |
| Other financing sources (uses) | | | |
| Transfers in | 16,231 | 112,000 | 139,772 |
| Transfers out | (352,761) | (262,000) | (373,613) |
| Issuance of capital leases | 0 | 0 | 0 |
| Sales of capital assets | 3,965 | 0 | 4,631 |
| Total other financing sources (uses) | <u>(332,565)</u> | <u>(150,000)</u> | <u>(229,210)</u> |
| Net change in fund balances | 425,411 | 659,544 | (160,609) |
| Fund balance, October 1 (original) | 1,475,035 | 1,900,446 | 2,559,990 |
| Prior period adjustments | <u>0</u> | <u>0</u> | <u>0</u> |
| Fund balance , September 30 | <u>\$ 1,900,446</u> | <u>\$ 2,559,990</u> | <u>\$ 2,399,381</u> |
| Debt service as a percentage of noncapital expenditures | 0.00% | 0.00% | 0.00% |

Note: Comparative information prior to fiscal year 2004 is not available.

Fiscal Year

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|----|------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| \$ | 2,721,488 | \$ 2,824,520 | \$ 2,750,812 | \$ 2,752,538 | \$ 2,764,816 | \$ 2,810,422 |
| | 186,291 | 137,327 | 111,484 | 113,675 | 130,755 | 97,404 |
| | 171,700 | 135,489 | 186,801 | 262,317 | 223,361 | 197,935 |
| | 52,970 | 45,851 | 29,900 | 30,973 | 40,150 | 87,250 |
| | 18,827 | 11,740 | 534,270 | 527,429 | 632,285 | 937,521 |
| | 121,675 | 102,272 | 50,981 | 43,897 | 11,618 | 10,502 |
| | 132 | 1,126 | 747 | 908 | 51,923 | 50,175 |
| | 10,510 | 41,811 | 47,647 | 47,543 | 53,442 | 46,030 |
| | <u>3,283,593</u> | <u>3,300,136</u> | <u>3,712,642</u> | <u>3,779,280</u> | <u>3,908,350</u> | <u>4,237,239</u> |
| | 1,243,109 | 1,007,524 | 1,342,371 | 1,001,586 | 997,408 | 1,023,206 |
| | 208,740 | 185,931 | 256,045 | 283,124 | 233,740 | 225,240 |
| | 0 | 85,007 | 105,371 | 60,651 | 84,785 | 80,483 |
| | 646,641 | 758,950 | 782,237 | 770,852 | 1,091,728 | 1,286,270 |
| | 75,841 | 135,478 | 54,167 | 33,446 | 8,820 | 14,625 |
| | 546,511 | 663,407 | 518,510 | 500,446 | 538,476 | 637,982 |
| | 2,454 | 11,740 | 11,739 | 12,279 | 12,843 | 10,207 |
| | 445 | 1,938 | 1,938 | 1,399 | 834 | 569 |
| | 0 | 0 | 0 | 76,022 | 120,953 | 301,626 |
| | <u>2,723,741</u> | <u>2,849,975</u> | <u>3,072,378</u> | <u>2,739,805</u> | <u>3,089,587</u> | <u>3,580,208</u> |
| | <u>559,852</u> | <u>450,161</u> | <u>640,264</u> | <u>1,039,475</u> | <u>818,763</u> | <u>657,031</u> |
| | 2,000 | 0 | 48,869 | 160,363 | 44,400 | 100,000 |
| | (217,647) | (284,296) | (667,438) | (961,587) | (328,692) | (1,484,292) |
| | 12,988 | 48,114 | 0 | 0 | 0 | 0 |
| | 0 | 294,980 | 494,532 | 0 | 0 | 0 |
| | <u>(202,659)</u> | <u>58,798</u> | <u>(124,037)</u> | <u>(801,224)</u> | <u>(284,292)</u> | <u>(1,384,292)</u> |
| | 357,193 | 508,959 | 516,227 | 238,251 | 534,471 | (727,261) |
| | 2,399,381 | 2,772,010 | 3,280,969 | 3,797,196 | 4,035,447 | 4,569,918 |
| | 15,436 | 0 | 0 | 0 | 0 | 0 |
| \$ | <u>2,772,010</u> | <u>\$ 3,280,969</u> | <u>\$ 3,797,196</u> | <u>\$ 4,035,447</u> | <u>\$ 4,569,918</u> | <u>\$ 3,842,657</u> |
| | 0.13% | 0.51% | 0.52% | 0.51% | 0.49% | 0.40% |

CITY OF DAHLONEGA, GEORGIA
GOVERNMENTAL FUNDS TAX REVENUES BY SOURCE
LAST NINE FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

| Fiscal Year | Property Tax | Intangibles Tax | Franchise Tax | Occupational Tax |
|------------------------|-------------------------|----------------------------|--------------------------|-----------------------------|
| 2004 | \$ 431,263 | \$ 12,685 | \$ 352,622 | \$ 108,363 |
| 2005 | 459,631 | 12,081 | 369,402 | 108,937 |
| 2006 | 639,352 | 16,951 | 437,200 | 112,213 |
| 2007 | 812,855 | 23,432 | 454,128 | 117,176 |
| 2008 | 895,002 | 28,148 | 488,607 | 123,662 |
| 2009 | 917,856 | 8,306 | 493,335 | 126,506 |
| 2010 | 924,685 | 11,854 | 460,629 | 110,811 |
| 2011 | 889,776 | 8,191 | 478,013 | 115,560 |
| 2012 | 866,534 | 12,388 | 505,998 | 111,636 |
| Change 2004 - 2012 | 100.93% | -2.34% | 43.50% | 3.02% |

Note: Comparative information prior to fiscal year 2004 is not available.

| <u>Insurance Premium Tax</u> | <u>Alcoholic Beverage Tax</u> | <u>Hotel/Motel Tax</u> | <u>Local Option Sales Tax</u> | <u>Total</u> |
|----------------------------------|-----------------------------------|----------------------------|-----------------------------------|--------------|
| \$ 156,271 | \$ 118,244 | \$ 83,218 | \$ 714,983 | \$ 1,977,650 |
| 169,355 | 149,611 | 87,929 | 708,370 | 2,065,316 |
| 182,204 | 140,133 | 107,244 | 899,995 | 2,535,292 |
| 190,631 | 147,210 | 115,031 | 837,951 | 2,698,414 |
| 198,849 | 156,736 | 129,217 | 832,447 | 2,852,668 |
| 203,612 | 166,266 | 119,547 | 723,690 | 2,759,118 |
| 201,702 | 176,223 | 121,833 | 744,801 | 2,752,538 |
| 195,840 | 164,240 | 149,661 | 763,535 | 2,764,816 |
| 245,897 | 162,457 | 149,373 | 756,139 | 2,810,422 |
| 57.35% | 37.39% | 79.50% | 5.76% | 42.11% |

CITY OF DAHLONEGA, GEORGIA

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY LAST TEN FISCAL YEARS

| Fiscal Year Ended September 30, | | Personal Property | | | |
|------------------------------------|-----|-------------------|----------------|--------------|--------------------|
| | | Real Property | Motor Vehicles | Mobile Homes | Heavy Equipment |
| 2003 | (1) | \$ 137,665,207 | \$ 3,196,860 | \$ 487,989 | \$0 |
| 2004 | | 143,662,554 | 3,441,780 | 382,201 | 0 |
| 2005 | | 153,850,631 | 3,863,360 | 578,594 | 0 |
| 2006 | | 172,218,674 | 4,114,840 | 539,731 | 0 |
| 2007 | | 191,169,276 | 4,479,710 | 416,297 | 15,385 |
| 2008 | (1) | 223,443,124 | 4,070,310 | 409,680 | 0 |
| 2009 | | 236,400,584 | 5,429,330 | 447,042 | 0 |
| 2010 | (2) | 242,256,781 | 6,236,220 | 455,958 | 0 |
| 2011 | (2) | 236,054,887 | 5,564,160 | 455,631 | 0 |
| 2012 | (2) | 226,846,158 | 5,666,920 | 290,325 | 0 |

Source: Georgia Department of Revenue, Property Tax Division and Lumpkin County Tax Commissioners Office.

Note: Property in the City is assessed annually. The City assesses property at approximately 40 percent of actual value for all types of real and personal property. Estimated actual value is calculated by dividing assessed value by those percentages. Taxes are per \$1,000 of assessed value.

Note (1): There was a property revaluation in 2003 and 2008 that substantially increased real property values.

Note (2): Exemptions Adjustments change due to local legislation passed.

| Exemption Adjustments | Total Taxable Assessed Value | Total Direct Tax Rate | Estimated Actual Taxable Value | Assessed Value as a Percentage of Actual Value |
|----------------------------------|---|----------------------------------|---|---|
| \$ (1,856,336) | \$ 139,493,720 | 2.93 | \$ 348,734,300 | 40% |
| (1,606,240) | 145,880,295 | 2.90 | 364,700,738 | 40% |
| (2,403,839) | 155,888,746 | 2.87 | 389,721,865 | 40% |
| (2,450,446) | 174,422,799 | 3.62 | 436,056,998 | 40% |
| (2,759,674) | 193,320,994 | 4.37 | 483,302,485 | 40% |
| (2,542,905) | 225,380,209 | 3.96 | 563,450,523 | 40% |
| (3,359,688) | 238,917,268 | 3.95 | 597,293,170 | 40% |
| (19,471,830) | 229,477,129 | 3.95 | 573,692,823 | 40% |
| (19,687,619) | 222,387,059 | 3.99 | 555,967,648 | 40% |
| (20,141,768) | 212,661,635 | 4.21 | 531,654,088 | 40% |

CITY OF DAHLONEGA, GEORGIA
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS

| Tax Year | Fiscal Year | Overlapping Rates | | |
|----------|-------------|-------------------|-----------------------------------|------------------|
| | | City of Dahlonega | Lumpkin County Board of Education | State of Georgia |
| | | Operating Millage | Operating Millage | |
| 2002 | 2003 | 2.931 | 13.250 | 0.250 |
| 2003 | 2004 | 2.900 | 13.250 | 0.250 |
| 2004 | 2005 | 2.867 | 14.250 | 0.250 |
| 2005 | 2006 | 3.620 | 14.190 | 0.250 |
| 2006 | 2007 | 4.370 | 14.190 | 0.250 |
| 2007 | 2008 | 3.959 | 11.860 | 0.250 |
| 2008 | 2009 | 3.950 | 11.840 | 0.250 |
| 2009 | 2010 | 3.950 | 12.800 | 0.250 |
| 2010 | 2011 | 3.988 | 12.800 | 0.250 |
| 2011 | 2012 | 4.212 | 14.259 | 0.250 |

Source: Lumpkin County Tax Commissioners Office.

Note 1: Property tax rate is per \$1,000 assessed value.

Note 2: The City of Dahlonega taxes on 40% of assessed value.

Overlapping Rates

| Lumpkin County | | | | Total Direct & Overlapping Rates |
|---|---|------------------------------|-------------------------------------|---|
| Operating Millage (Unincorporated) | Operating Millage (Incorporated) | Special Assesment | Total County Millage | |
| 7.483 | 8.360 | 0 | 15.843 | 32.274 |
| 7.308 | 8.275 | 0 | 15.583 | 31.983 |
| 7.277 | 8.275 | 0 | 15.552 | 32.919 |
| 8.052 | 9.068 | 0.411 | 17.531 | 35.591 |
| 8.346 | 9.385 | 0.226 | 17.957 | 36.767 |
| 6.912 | 7.724 | 0.187 | 14.823 | 30.892 |
| 6.893 | 7.707 | 0.178 | 14.778 | 30.818 |
| 6.947 | 7.842 | 0.600 | 15.389 | 32.389 |
| 7.318 | 7.907 | 0.318 | 15.543 | 32.581 |
| 7.852 | 8.881 | 0.414 | 17.147 | 35.868 |

CITY OF DAHLONEGA, GEORGIA
PRINCIPAL TAXPAYERS
September 30, 2012

| Taxpayer | Fiscal Year | | | | | |
|--|---------------------------------------|------|--|---------------------------------------|------|--|
| | 2012 | | | 2006 | | |
| | Taxable Assessed Value ⁽¹⁾ | Rank | Percentage of Total Taxable Assessed Value | Taxable Assessed Value ⁽¹⁾ | Rank | Percentage of Total Taxable Assessed Value |
| Koyo Bearings USA (formally Timken USA Corp.) | \$ 6,319,486 | 1 | 2.97% | \$ 10,627,229 | 1 | 6.09% |
| Birch River Chestatee Co. LLC | 4,148,701 | 2 | 1.95% | | | |
| Dahlonega Group LLC | 3,499,878 | 3 | 1.65% | | | |
| Green, Sherman & Roberta | 3,308,510 | 4 | 1.56% | 6,858,267 | 2 | 3.93% |
| Georgia Power Company | 2,500,409 | 5 | 1.18% | 1,599,824 | 10 | 0.92% |
| Southern Health Corp of Dahlonega Inc | 2,376,217 | 6 | 1.12% | 2,135,008 | 6 | 1.22% |
| Windstream Standard Inc. | 2,297,942 | 7 | 1.08% | 3,593,834 | 5 | 2.06% |
| Wal-Mart Stores East Inc. | 2,099,860 | 8 | 0.99% | 6,105,495 | 3 | 3.50% |
| Roberta Green | 1,659,049 | 9 | 0.78% | | | |
| Dahlonega Investory LLC | 1,560,721 | 10 | 0.73% | | | |
| Alladdin Manufacturing Corp. | | | | 3,621,645 | 4 | 2.08% |
| Bank of Dahlonega, BB&T | | | | 1,645,215 | 7 | 0.94% |
| Clark, E.L. etal | | | | 1,619,721 | 8 | 0.93% |
| Greenbriar of Dahlonega Shopping Center | | | | 1,606,194 | 9 | 0.92% |
| Total | \$ 29,770,773 | | 14.00% | \$ 39,412,432 | | 22.60% |

Source: 2011 and 2005 Lumpkin County Tax Commissioner's Digest - Dahlonega District.

Note: Comparative information prior to fiscal year 2006 is not available.

Note (1): Assessed valuation for principal taxpayers includes real property, personal property and utilities taxes, but does not include motor vehicle taxes. Selection is based on the taxpayers with the largest assessed valuation.

CITY OF DAHLONEGA, GEORGIA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

| Fiscal Year Ended September 30 | Total Adjusted Tax Levy for Fiscal Year | Collected within the Fiscal Year of the Levy | | Collections in Subsequent Years | Total Collections to Date | |
|--------------------------------------|---|---|-----------------------|---------------------------------------|---------------------------|-----------------------|
| | | Amount | Percentage of Levy | | Amount | Percentage of Levy |
| 2003 | \$ 408,856 | \$ 392,381 | 95.97% | \$ 14,328 | \$ 406,709 | 99.47% |
| 2004 | 423,053 | 409,479 | 96.79% | 10,430 | 419,909 | 99.26% |
| 2005 | 446,933 | 439,029 | 98.23% | 5,209 | 444,238 | 99.40% |
| 2006 | 628,389 | 615,133 | 97.89% | 13,144 | 628,278 | 99.98% |
| 2007 | 847,944 | 837,121 | 98.72% | 10,315 | 847,436 | 99.94% |
| 2008 | 908,245 | 873,974 | 96.23% | 34,270 | 908,245 | 100.00% |
| 2009 | 953,030 | 891,905 | 93.59% | 61,125 | 953,030 | 100.00% |
| 2010 | 980,106 | 867,945 | 88.56% | 112,161 | 980,106 | 100.00% |
| 2011 | 954,130 | 74,205 | 7.78% | 766,202 | 840,407 | 88.08% |
| 2012 | 871,631 | 74,711 | 8.57% | 0 | 74,711 | 8.57% |

Source: Lumpkin County Tax Commissioner's Digest - Dahlonega District.

CITY OF DAHLONEGA, GEORGIA
LOCAL OPTION SALES TAX
DISTRIBUTION COMMODITY REPORT
LUMPKIN COUNTY
LAST SIX CALENDAR YEARS

| Commodity | 2012 | | | 2011 | | | 2010 | | |
|----------------------------|---------------------|------|-------------|---------------------|------|-------------|---------------------|------|-------------|
| | Total Distributed | Rank | % of Total | Total Distributed | Rank | % of Total | Total Distributed | Rank | % of Total |
| General | \$ 550,564 | 1 | 18.20% | \$ 586,756 | 1 | 17.72% | \$ 552,698 | 1 | 18.47% |
| Automotive | 455,830 | 2 | 15.07% | 422,388 | 3 | 12.75% | 346,788 | 4 | 11.59% |
| Food | 403,961 | 3 | 13.35% | 477,327 | 2 | 14.41% | 433,504 | 2 | 14.49% |
| Other Retail ₃ | 340,327 | 4 | 11.25% | 386,448 | 4 | 11.67% | 360,584 | 3 | 12.05% |
| Wholesale ₃ | 299,778 | 5 | 9.91% | 368,513 | 5 | 11.13% | 256,572 | 7 | 8.57% |
| Miscellaneous | | | | | | | | | |
| Services | 297,345 | 6 | 9.83% | 330,063 | 6 | 9.97% | 306,114 | 5 | 10.23% |
| Utilities | 294,672 | 7 | 9.74% | 326,876 | 7 | 9.87% | 298,788 | 6 | 9.98% |
| Manufacturers | 132,012 | 8 | 4.36% | 175,356 | 8 | 5.29% | 223,067 | 8 | 7.45% |
| Home | 96,536 | 9 | 3.19% | 114,015 | 9 | 3.44% | 107,528 | 9 | 3.59% |
| Miscellaneous | 86,651 | 10 | 2.86% | 45,055 | | 1.36% | 34,203 | | 1.14% |
| Accomodations ₃ | 44,927 | | 1.49% | 53,216 | 10 | 1.61% | 44,399 | 10 | 1.48% |
| Construction ₃ | 22,419 | | 0.74% | 26,144 | | 0.79% | 28,377 | | 0.95% |
| Lumber | | | | | | | | | |
| Apparel | | | | | | | | | |
| Total | \$ 3,025,022 | | 100% | \$ 3,312,157 | | 100% | \$ 2,992,622 | | 100% |

Source: Information provided by Georgia Department of Revenue - Local Government Services.

Note 1: Data is not available for City of Dahlonega; Lumpkin County totals are reported on this schedule.

Note 2: Comparative information prior to calendar year 2007 is not available.

Note 3: The Georgia Department of Revenue added new commodity codes during 2009.

| 2009 | | | 2008 | | | 2007 | | |
|---------------------|------|-------------|---------------------|------|-------------|---------------------|------|-------------|
| Total Distributed | Rank | % of Total | Total Distributed | Rank | % of Total | Total Distributed | Rank | % of Total |
| \$ 632,180 | 1 | 21.49% | \$ 742,197 | 1 | 22.73% | \$ 772,755 | 1 | 22.14% |
| 355,432 | 3 | 12.08% | 590,324 | 2 | 18.08% | 509,795 | 3 | 14.60% |
| 476,912 | 2 | 16.21% | 573,889 | 3 | 17.58% | 715,107 | 2 | 20.49% |
| 229,255 | 7 | 7.79% | | | | | | |
| 82,060 | 9 | 2.79% | | | | | | |
| 265,123 | 5 | 9.01% | 284,601 | 5 | 8.72% | 158,846 | 8 | 4.55% |
| 300,415 | 4 | 10.21% | 350,997 | 4 | 10.75% | 313,995 | 5 | 8.99% |
| 241,531 | 6 | 8.21% | 236,363 | 6 | 7.24% | 277,504 | 6 | 7.95% |
| 164,990 | 8 | 5.61% | 131,107 | 9 | 4.02% | 136,036 | 9 | 3.90% |
| 56,113 | | 1.91% | 153,864 | 8 | 4.71% | 199,886 | 7 | 5.73% |
| 29,790 | | 1.01% | | | | | | |
| 32,685 | | 1.11% | | | | | | |
| 69,546 | 10 | 2.36% | 185,651 | 7 | 5.69% | 390,883 | 4 | 11.20% |
| 5,620 | | 0.19% | 15,818 | 10 | 0.48% | 16,062 | 10 | 0.46% |
| <u>\$ 2,941,650</u> | | <u>100%</u> | <u>\$ 3,264,811</u> | | <u>100%</u> | <u>\$ 3,490,868</u> | | <u>100%</u> |



CITY OF DAHLONEGA, GEORGIA
WATER & SEWAGE UTILITY TEN LARGEST SYSTEM CUSTOMERS
SEPTEMBER 30, 2012

| <u>Customer</u> | <u>Type of Business</u> | <u>Total Water Billings</u> | <u>Total Sewer Billings</u> | <u>Total Billings</u> | <u>Percentage of System Revenues</u> |
|--|-------------------------------------|-------------------------------------|-------------------------------------|---------------------------|--|
| North Georgia College & State University | Senior Military College | \$ 281,797 | \$ 252,448 | \$ 534,245 | 15.70% |
| Koyo Bearings USA (formally Timken USA Corp.) | Manufacturer - Automobile Parts | 204,291 | 209,254 | 413,545 | 12.15% |
| Lumpkin County Board of Commissioners | Local Government | 49,202 | 43,518 | 92,720 | 2.72% |
| Chestatee Medical Center | Hospital | 44,353 | 41,772 | 86,125 | 2.53% |
| Lumpkin County Board of Education | Local Government | 37,938 | 30,959 | 68,897 | 2.02% |
| Tyson's | Manufacturer - Poultry Processor | 15,113 | 16,025 | 31,138 | 0.91% |
| Camp Glisson | Not for Profit - Religious | 20,134 | 11,442 | 31,576 | 0.93% |
| Gold City Personal Care Home | Assisted Living Home | 15,177 | 14,430 | 29,607 | 0.87% |
| Holiday Inn Express | Hospitality - Hotel | 13,648 | 12,886 | 26,535 | 0.78% |
| Gold City Nursing Home | Nursing Home | 25,719 | 21,224 | 46,944 | 1.38% |
| Total | | <u>\$ 707,371</u> | <u>\$ 653,961</u> | <u>\$ 1,361,332</u> | <u>40.00%</u> |

Total Water and Sewage sales: \$ 3,403,173

Note: This information is included to comply with continuing disclosure requirements of 2008 Water and Sewerage bond issue.

CITY OF DAHLONEGA, GEORGIA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST NINE FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

| Fiscal Year | Governmental Activities | | Business-Type Activities | | |
|----------------|-------------------------|---------|--------------------------|--------------|---------|
| | General | Capital | Water | Notes | Capital |
| | Obligation | Leases | & Sewage | Payable | Leases |
| | Bonds | | Bonds | | |
| 2004 | \$0 | \$0 | \$ 225,000 | \$ 7,061,120 | \$0 |
| 2005 | 0 | 0 | 175,000 | 6,313,789 | 0 |
| 2006 | 0 | 0 | 120,000 | 13,181,845 | 0 |
| 2007 | 0 | 10,534 | 60,433 | 12,823,146 | 62,897 |
| 2008 | 0 | 47,067 | 26,890,682 | 12,581,247 | 115,208 |
| 2009 | 0 | 35,328 | 26,383,926 | 12,114,383 | 84,875 |
| 2010 | 0 | 23,050 | 26,315,000 | 11,466,004 | 53,155 |
| 2011 | 0 | 10,207 | 26,030,000 | 10,852,312 | 19,985 |
| 2012 | 0 | 0 | 25,650,000 | 10,211,833 | 2,711 |

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

Note (1): Comparative information prior to fiscal year 2004 is not available.

Note (2): See the Schedule of Demographic and Economic Statistics on pages 136 and 137 for personal income and population data.

| | Total Primary Government | Percentage of Personal Income | Per Capita⁽²⁾ |
|----|---|--|-------------------------------------|
| \$ | 7,286,120 | 7.43% | 1,760 |
| | 6,488,789 | 6.01% | 1,522 |
| | 13,301,845 | 11.48% | 2,993 |
| | 12,957,010 | 10.37% | 2,843 |
| | 39,634,204 | 30.78% | 8,522 |
| | 38,618,512 | 28.85% | 8,098 |
| | 37,857,209 | 28.41% | 7,815 |
| | 36,912,504 | 40.71% | 7,042 |
| | 35,864,544 | 44.64% | 6,830 |

CITY OF DAHLONEGA, GEORGIA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF SEPTEMBER 30, 2012

| <u>Governmental Unit</u> | <u>Debt Outstanding</u> | <u>Estimated Percentage Available</u> | <u>Estimated Share of Overlapping Debt</u> |
|--|-----------------------------|---|--|
| Debt repaid with property taxes: Lumpkin County Board of Commissioners | \$ 6,789,012 | 100% | \$ <u>6,789,012</u> |
| Subtotal, overlapping debt | | | <u>6,789,012</u> |
| City of Dahlonega direct debt | | | <u>-</u> |
| Total direct and overlapping debt | | | <u><u>\$ 6,789,012</u></u> |

Source: Debt outstanding data per 12/31/2011 Lumpkin County CAFR.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Dahlonega. The process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

CITY OF DAHLONEGA, GEORGIA
PLEDGED-REVENUE COVERAGE
WATER & SEWAGE FUND
LAST TEN FISCAL YEARS

| Public Utilities Revenue Bonds | | | | | | |
|--------------------------------|-------------------------------------|--------------------------------------|----------------------|--------------|-----------|----------|
| Fiscal Year | Operating Revenue ⁽¹⁾ | Less: | Net | Debt Service | | Coverage |
| | | Operating Expenses ⁽²⁾ | Available Revenue | Principal | Interest | |
| 2003 | 1,955,869 | 1,271,124 | 684,745 | 375,761 | 369,401 | 0.92 |
| 2004 | 2,360,189 | 1,253,472 | 1,106,717 | 406,619 | 350,865 | 1.46 |
| 2005 | 3,115,122 | 1,549,567 | 1,565,555 | 415,836 | 311,765 | 2.15 |
| 2006 | 2,863,208 | 1,628,650 | 1,234,558 | 436,461 | 447,343 | 1.40 |
| 2007 | 3,438,834 | 1,709,249 | 1,729,585 | 572,598 | 487,986 | 1.63 |
| 2008 | 3,302,955 | 1,864,654 | 1,438,301 | 738,045 | 933,272 | 0.86 |
| 2009 | 2,922,110 | 1,790,825 | 1,131,285 | 1,087,798 | 1,856,012 | 0.38 |
| 2010 | 3,541,660 | 1,835,935 | 1,705,725 | 1,220,426 | 1,889,619 | 0.55 |
| 2011 | 3,626,742 | 1,861,065 | 1,765,677 | 931,862 | 1,825,061 | 0.64 |
| 2012 | 3,590,817 | 1,842,145 | 1,748,672 | 1,037,753 | 1,780,957 | 0.62 |

Note (1): Total operating revenue including interest.

Note (2): Total operating expenses exclusive of depreciation.

CITY OF DAHLONEGA, GEORGIA
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

| | Fiscal Year | | | |
|--|----------------------|----------------------|----------------------|----------------------|
| | 2003 | 2004 | 2005 | 2006 |
| Debt Limit | \$ 13,949,372 | \$ 14,588,030 | \$ 15,588,875 | \$ 17,442,280 |
| Total net debt applicable to limit | 0 | 0 | 0 | 0 |
| Legal debt margin | <u>\$ 13,949,372</u> | <u>\$ 14,588,030</u> | <u>\$ 15,588,875</u> | <u>\$ 17,442,280</u> |
| Total net debt applicable to the limit as a percentage of debt limit | 0.00% | 0.00% | 0.00% | 0.00% |

Note (1): Under state finance law, the City of Dahlonega's outstanding general obligation debt should not exceed 10 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

| Fiscal Year | | | | | |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| \$ 19,332,099 | \$ 22,538,021 | \$ 23,891,727 | \$ 22,947,713 | \$ 22,238,706 | \$ 21,266,164 |
| <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| <u>\$ 19,332,099</u> | <u>\$ 22,538,021</u> | <u>\$ 23,891,727</u> | <u>\$ 22,947,713</u> | <u>\$ 22,238,706</u> | <u>\$ 21,266,164</u> |
| 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |

Legal Debt Margin Calculation for Fiscal Year 2012

| | |
|--|----------------------|
| Total Assessed value | \$ 212,661,635 |
| Debt limit (10% of total assessed value) ⁽¹⁾ | 21,266,164 |
| Debt applicable to limit: | |
| General obligation bonds | 0 |
| Less: Amount set aside for repayment of general obligation debt | <u>0</u> |
| Total net debt applicable to limit | <u>0</u> |
| Legal debt margin | <u>\$ 21,266,164</u> |

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

| Fiscal Year | Lumpkin County Population^(a) | City of Dahlonega Population^(a) | Estimated City of Dahlonega Personal Income (amounts expressed in thousands)^(a) |
|------------------------|--|---|---|
| 2003 | 23,542 | 4,047 | 87,588 |
| 2004 | 24,090 | 4,141 | 98,079 |
| 2005 | 24,801 | 4,263 | 107,905 |
| 2006 | 25,855 | 4,444 | 115,905 |
| 2007 | 26,511 | 4,557 | 124,988 |
| 2008 | 27,056 | 4,651 | 128,753 |
| 2009 | 27,743 | 4,769 | 133,873 |
| 2010 | 28,180 | 4,844 | 133,244 |
| 2011 | 29,966 | 5,242 | 90,676 |
| 2012 | 30,031 | 5,251 | 80,337 |

Source (a): Information was obtained from Woods & Poole Economics Data Pamphlet and U.S. Census Data

Source (b): Information was obtained from Lumpkin County Board of Education and Office of Student Accountability.

Source (c): Information was obtained from Georgia Department of Labor.

| City of Dahlonega Per Capita Personal Income^(a) | Lumpkin County Public School Enrollment^(b) | Lumpkin County Unemployment Rate^(c) |
|---|--|---|
| 21,644 | 3,497 | 3.9% |
| 23,685 | 3,520 | 4.2% |
| 25,311 | 3,675 | 4.7% |
| 26,079 | 3,721 | 4.1% |
| 27,427 | 3,344 | 4.2% |
| 27,684 | 3,732 | 7.0% |
| 28,072 | 3,822 | 11.5% |
| 27,507 | 3,916 | 9.9% |
| 17,298 | 3,843 | 10.3% |
| 19,353 | 3,834 | 8.3% |

CITY OF DAHLONEGA, GEORGIA
PRINCIPAL EMPLOYERS/LUMPKIN COUNTY
CURRENT YEAR AND SIX YEARS AGO

| <u>Employer</u> | <u>2012</u> | | | <u>2006</u> | | |
|---|---------------------|-------------|--|---------------------|-------------|--|
| | <u>Employees</u> | <u>Rank</u> | <u>Percentage of Total County Employment</u> | <u>Employees</u> | <u>Rank</u> | <u>Percentage of Total County Employment</u> |
| North Georgia College & State University | 837 | 1 | 6.91% | 697 | 1 | 6.41% |
| Lumpkin County Board of Education | 554 | 2 | 4.57% | 615 | 2 | 5.66% |
| Lumpkin County Board of Commissioners | 250 | 3 | 2.06% | 286 | 4 | 2.63% |
| Wal-Mart Super Center | 183 | 4 | 1.51% | 265 | 5 | 2.44% |
| Koyo Bearings USA (formerly Timken USA Corp.) | 175 | 5 | 1.44% | 251 | 6 | 2.31% |
| Aramark | 132 | 6 | 1.09% | | | |
| Chestatee Regional Hospital | 123 | 7 | 1.01% | 223 | 7 | 2.05% |
| RefigiWear, Inc. | 120 | 8 | 0.99% | 110 | 8 | 1.01% |
| The Louve Shop | 93 | 9 | 0.77% | | | |
| Gold City Community Living | 89 | 10 | 0.73% | | | |
| Home Depot | | | | 92 | 9 | 0.85% |
| Mohawk Industries | | | | 350 | 3 | 3.22% |
| Ridge Creek School (formerly Hidden Lake Academy) | | | | 83 | 10 | 0.76% |
| Total | <u><u>2,556</u></u> | | <u><u>21.09%</u></u> | <u><u>2,972</u></u> | | <u><u>27.34%</u></u> |

Source: 2012 employer data was based on phone surveys and information obtained from the Georgia Dept. of Labor, Workforce Statistics & Economic Research, and business license applications. 2006 employer data was obtained from Lumpkin County Board of Commissioners.

Note 1: Percentage of employment data in 2006 was based on estimated annual average employment of 10,870, which was obtained from Woods & Poole 2011 Economic Data Pamphlet.

Note 2: Comparative information prior to fiscal year 2006 is not available.

CITY OF DAHLONEGA, GEORGIA
FULL-TIME CITY GOVERNMENT EMPLOYEES BY FUNCTION
LAST EIGHT FISCAL YEARS

| Function | Full-time Employees as of September 30, | | | | | | | |
|--|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| Primary government | | | | | | | | |
| General Government | 4 | 5 | 6 | 7 | 7 | 7 | 7 | 5 |
| Judicial | 1 | 1 | 1 | 1 | 1 | 0 | 0 | 0 |
| Public Works | 8 | 10 | 11 | 11 | 10 | 10 | 10 | 10 |
| Culture and Recreation | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| Housing and Development | 3 | 3 | 3 | 2 | 2 | 2 | 2 | 2 |
| Water and Sewage | 17 | 15 | 15 | 17 | 15 | 15 | 15 | 13 |
| Solid Waste | 6 | 6 | 6 | 6 | 5 | 5 | 5 | 5 |
| Total primary government | <u>40</u> | <u>41</u> | <u>42</u> | <u>44</u> | <u>40</u> | <u>39</u> | <u>39</u> | <u>35</u> |
| Component unit | | | | | | | | |
| Housing and Development Dahlonega Downtown Development Authority | <u>0</u> | <u>1</u> | <u>1</u> | <u>1</u> | <u>1</u> | <u>1</u> | <u>1</u> | <u>1</u> |
| Total employees | <u><u>40</u></u> | <u><u>42</u></u> | <u><u>43</u></u> | <u><u>45</u></u> | <u><u>41</u></u> | <u><u>40</u></u> | <u><u>40</u></u> | <u><u>36</u></u> |

Note: Comparative information prior to fiscal year 2005 is not available.

CITY OF DAHLONEGA, GEORGIA
OPERATING INDICATORS BY FUNCTION
LAST FIVE FISCAL YEARS

| Function | Fiscal Year | | | | |
|---|-------------|-------|-------|-------|-------|
| | 2008 | 2009 | 2010 | 2011 | 2012 |
| General Government | | | | | |
| Number of accounts payable checks issued | 3,105 | 3,011 | 3,418 | 2,698 | 2,409 |
| Number of payroll checks issued | 2,634 | 2,567 | 2,430 | 2,524 | 2,209 |
| Highways and streets | | | | | |
| Miles of right-of-way maintained | 37.8 | 37.8 | 37.8 | 37.8 | 37.8 |
| Sanitation | | | | | |
| Refuse collected (tons) | 3,083 | 3,253 | 3,161 | 3,089 | 3,073 |
| Recyclables collected (tons) | 97 | 91 | 114 | 112 | 129 |
| Water System (MGD -Millions of Gallons per Day) | | | | | |
| Number of service connections | 2,066 | 2,102 | 2,074 | 2,144 | 2,123 |
| Daily average consumption in gallons | 0.910 | 0.898 | 0.924 | 1.006 | 1.015 |
| Sewer System (MGD -Millions of Gallons per Day) | | | | | |
| Number of service connections | 1,344 | 1,402 | 1,383 | 1,462 | 1,443 |
| Daily average treatment in gallons | 0.482 | 0.488 | 0.619 | 0.631 | 0.750 |

Source: Various City Departments.

Note 1: Indicators are not available for the general government function.

Note 2: Comparative information prior to fiscal year 2008 is not available.

CITY OF DAHLONEGA, GEORGIA
CAPITAL ASSET STATISTICS BY FUNCTION
LAST FIVE FISCAL YEARS

| Function | Fiscal Year | | | | |
|--|-------------|---------|---------|---------|---------|
| | 2008 | 2009 | 2010 | 2011 | 2012 |
| Highways and streets | | | | | |
| Miles of streets | 37.8 | 37.8 | 37.8 | 37.8 | 37.8 |
| Culture and Recreation | | | | | |
| Parks | 3 | 3 | 3 | 3 | 3 |
| Park acreage | 3.58 | 3.58 | 3.58 | 3.58 | 3.58 |
| Water and Sewerage System (MGD - Millions of Gallons per Day) | | | | | |
| Water System: | | | | | |
| Number of miles of water mains | 56 | 58 | 58 | 59 | 59 |
| Number of fire hydrants | 433 | 433 | 433 | 437 | 437 |
| Number of water treatment plants | 1 | 1 | 1 | 1 | 1 |
| Number of wells | 2 | 2 | 2 | 0 | 0 |
| Maximum daily capacity of treatment plants in gallons | 1.5 MGD | 1.5 MGD | 4.0 MGD | 4.0 MGD | 4.0 MGD |
| Sewer System: | | | | | |
| Miles of sanitary sewers | 40 | 42 | 42 | 42 | 42 |
| Number of wastewater treatment plants | 1 | 1 | 1 | 1 | 1 |
| Maximum daily capacity of treatment plant in gallons | 1.1 MGD | 1.1 MGD | 1.1 MGD | 1.1 MGD | 1.1 MGD |
| Solid Waste | | | | | |
| Collection Trucks | 4 | 4 | 4 | 4 | 4 |

Source: Various City Departments.

Note 1: No capital asset indicators are available for the general government function.

Note 2: Comparative information prior to fiscal year 2008 is not available.



OTHER REPORTING SECTION



**Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Dahlonega, Georgia, as of and for the year ended September 30, 2012, which collectively comprise the City of Dahlonega, Georgia's basic financial statements and have issued our report thereon dated January 8, 2013. 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

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

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

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

Comment 12-1

Condition: The fiscal year 2011 financial statements were restated for the Governmental Activities to capitalize a prior year construction project that was not originally anticipated to be classified as a capital project.

Criteria: Generally accepted accounting principles require that capital assets be properly identified and capitalized.

Effect: Failure to properly apply generally accepted accounting principles led to financial statements that were materially misstated by \$100,033.

Recommendation: Management should verify that all capital assets are correctly identified and capitalized in accordance with generally accepted accounting principles.

Comment 12-1, continued

Management Response: Management identified this item and concurs with this finding. The Finance Director will continually monitor construction projects to determine which projects should be capitalized. This action was taken immediately upon receipt of the comment from our auditors.

Compliance and Other Matters

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

The City of Dahlonega, Georgia's response to the finding identified in our audit is described above. We did not audit the City of Dahlonega, Georgia's response and, accordingly, we express an opinion on it.

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

Rushton & Company, LLC

Certified Public Accountants

Gainesville, Georgia
January 8, 2013

STATE REPORTING SECTION

THIS SECTION CONTAINS ADDITIONAL REPORTS
REQUIRED BY THE STATE OF GEORGIA.

CITY OF DAHLONEGA, GEORGIA
SCHEDULE OF PROJECTS FINANCED WITH SPECIAL
PURPOSE LOCAL OPTION SALES TAX
For the fiscal year ended September 30, 2012

| <u>Project</u> | <u>Estimated Cost *</u> | | <u>Expenditures</u> | | |
|-------------------------------|-------------------------|----------------|------------------------|-------------------------|--------------|
| | <u>Original</u> | <u>Current</u> | <u>Prior Years</u> | <u>Current Year</u> | <u>Total</u> |
| <u>2008 Referendum</u> | | | | | |
| Water Treatment Facilities | | | | | |
| Debt Service | \$ 4,359,600 | \$ 4,359,600 | \$ 1,136,693 | \$ 1,100,000 | \$ 2,236,693 |

* Estimated cost represents the portion of these projects to be financed with Special Purpose Local Option Sales Tax. Actual costs that are in excess of these amounts have been financed through alternative funds.