

CITY OF CARROLLTON, GEORGIA

**Financial Statements and Supplementary Information
For the Fiscal Year Ended June 30, 2009**

And

Independent Auditor's Report

City of Carrollton, Georgia
June 30, 2009

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June 30, 2009

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City of Carrollton, Georgia
List of Principal City Officials
June 30, 2009

<u>Name</u>	<u>Office Held</u>
Wayne Garner	Mayor
Dr. Peter Balega	City Council Member
Gerald Byrd	City Council Member
Mandy Maierhofer	City Council Member
Casey Coleman	City Manager
Jim Triplett	Finance Officer/City Clerk

FINANCIAL SECTION

Independent Auditor's Report

Honorable Mayor and City Council
Carrollton, 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 Carrollton, Georgia, as of and for the year ended June 30, 2009, 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 Carrollton'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 Carrollton, Georgia, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof 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 December 29, 2009, on our consideration of City of Carrollton's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, budgetary comparison information, and Schedule of Funding Progress on pages 6 through 13 and 58 through 60 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

As described in Note 4.A. to the financial statements, the City has implemented the requirements of Governmental Accounting Standards Board Statements No. 45, *Accounting and Financial Reporting by Employers For Postemployment Benefits Other Than Pensions*, as of and for the year ended June 30, 2009.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Carrollton's basic financial statements. The accompanying other supplementary information, as listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "*Audits of States, Local Governments and Non-profit Organizations*" and is also not a required part of the basic financial statements of the City of Carrollton, Georgia. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

December 29, 2009

MANAGEMENT DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Carrollton's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2009. Please read it in conjunction with the City's financial statements, which begin on page 14.

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (pages 14 and 15) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 16. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities

Our analysis of the City as a whole begins on page 14. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. You can think of the City's net assets – the difference between assets and liabilities – as one way to measure the City's financial health, or financial position. Over time, increases and decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors; however, such as changes in the City's property tax base and the condition of the City's infrastructure, to assess the overall health of the City.

In the statement of Net Assets and the Statement of Activities, we divide the City into three kinds of activities:

- Governmental activities – Most of the City's basic services are reported here, including the police, fire, streets, general government, and recreation departments. Property tax, franchise fees, sales tax, occupation tax, and fines and forfeitures finance most of these activities.
- Business-type activities – The City charges fees to customers to help it cover the costs of certain services it provides. The City water/sewer and sanitation operations are reported here.
- Component units – The City includes one separate legal entity in its report – Carrollton Redevelopment Authority. Although legally separate, this component unit is important because the City is financially accountable for it.

Reporting the City's Most Significant Funds

Fund Financial Statements

Our analysis of the City's major funds begins on page 16 and provides detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by State law and by bond covenants. The City's two kinds of funds – governmental and proprietary-use different accounting approaches.

- **Governmental Funds** –Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.
- **Proprietary Funds** – When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. These funds are the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds.

The City as a Whole

Net Assets

The City's combined net assets increased from \$159,748,377 in 2008 to \$164,066,592 in 2009, an increase of \$4,318,215. Our analysis below focuses on the net assets (Table 1) of the City's governmental and business-type activities.

The net assets for governmental activities increased from \$92,643,918 in 2008 to \$94,891,167 in 2009, an increase of \$2,247,249. Unrestricted net assets for governmental activities decreased from \$10,183,685 in 2008 to \$3,376,122 in 2009, a decrease of \$6,807,563.

Total net assets for business-type activities increased from \$67,104,459 in 2008 to \$69,175,425 in 2009. The statement of Net Assets for Business-type Activities shows unrestricted net assets of \$2,954,336 for 2009, as opposed to \$6,352,365 for 2008.

City of Carrollton
Table 1 - Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Current assets	\$ 28,289,186	\$ 21,132,412	\$ 4,363,420	\$ 7,774,032	\$ 32,652,606	\$ 28,906,444
Restricted assets	00	00	607,618	34,709	607,618	34,709
Capital assets, net	79,871,170	76,417,190	76,735,527	70,839,705	156,606,697	147,256,895
Noncurrent assets	<u>00</u>	<u>00</u>	<u>125,211</u>	<u>151,517</u>	<u>125,211</u>	<u>151,517</u>
Total assets	<u>108,160,356</u>	<u>97,549,602</u>	<u>81,831,776</u>	<u>78,799,963</u>	<u>189,992,132</u>	<u>176,349,565</u>
Current liabilities	2,393,585	4,728,976	3,036,633	2,973,263	5,434,218	7,702,239
Noncurrent liabilities	<u>10,875,604</u>	<u>176,708</u>	<u>9,619,718</u>	<u>8,722,241</u>	<u>20,495,322</u>	<u>8,898,949</u>
Total liabilities	<u>13,269,189</u>	<u>4,905,684</u>	<u>12,656,351</u>	<u>11,695,504</u>	<u>25,925,540</u>	<u>16,601,188</u>
Net assets:						
Invested in capital assets, net of related debt	77,239,605	73,947,636	65,613,471	60,717,385	142,853,076	134,665,021
Restricted:						
Capital projects	13,599,625	4,054,581	30,965	4,307	13,630,590	4,058,888
Debt service	286,658	3,937,302	576,653	30,402	863,311	3,967,704
Other purposes	389,157	520,714	00	00	389,157	520,714
Unrestricted	<u>3,376,122</u>	<u>10,183,685</u>	<u>2,954,336</u>	<u>6,352,365</u>	<u>6,330,458</u>	<u>16,536,050</u>
Total net assets	<u>\$ 94,891,167</u>	<u>\$ 92,643,918</u>	<u>\$ 69,175,425</u>	<u>\$ 67,104,459</u>	<u>\$ 164,066,592</u>	<u>\$ 159,748,377</u>

Changes in Net Assets

The City's combined change in net assets decreased from \$10,381,865 in 2008 to \$4,318,215 in 2009. Our analysis below focuses on the changes in net assets (Table 2) of the City's governmental and business-type activities.

Governmental Activities

Revenues for the City's governmental activities totaled \$25,710,328 (excluding special items and transfers). This total represents an increase of \$1,378,722 (6%) over the FY2008 total of \$24,331,606. This net increase was primarily attributable to these three factors:

- The City received intergovernmental contributions from Carroll County of \$2,097,715 for greenspace and courthouse parking deck purchases and University of West Georgia of \$591,527 for UWG stadium road infrastructure.
- Increases in tax revenue due to the start of the 2009 Special Purpose Local Option Sales Tax (SPLOST) which will be used to fund specific capital projects as outlined in the referendum ballot and approved by voters.
- A reduction in intergovernmental income because education SPLOST was not received by the City due to the payoff of obligation bonds in the current year.

Expenditures for the City's governmental activities totaled \$24,420,682 (excluding transfers). This total represents an increase of \$1,326,096 (6%) from the FY2008 total of \$23,094,586.

Business-Type Activities

Revenues for the City's business-type activities totaled \$14,208,476 (excluding capital grants and contributions). This represents a decrease of \$759,430 (5%) from FY2008 to of \$14,967,906. This decrease resulted from a decrease in interest income, water/sewer tap revenue, and sewer charge revenues. These revenue line item decreases were due to a drop in the prime rate which adversely affected interest income, lower available cash reserves available for investment, and a decrease in construction activity which adversely affected water/sewer tap fee revenue. Operating expenses for the City's business activities totaled \$12,561,042 (excluding transfers and donations) a decrease of \$320,413 (2%) from the fiscal year 2008 total of \$12,881,455.

The operating revenues are as follows:

	<u>2009</u>	<u>2008</u>
Charges for services:		
Water and sewer fees & charges	\$ 10,026,449	\$ 10,881,889
Garbage and landfill fees	<u>3,990,046</u>	<u>3,741,364</u>
Total	<u>\$ 14,016,495</u>	<u>\$ 14,623,253</u>

The non-operating revenues (expenses) consist of the following material changes from FY2008 to FY2009:

- Interest revenue decreased from \$236,396 to \$ 53,230, a decrease of \$183,166 (77%).
- Capital contributions in the amount of \$1,273,648 were recorded in the Water and Sewer Fund from ongoing construction projects, in the current year as opposed to \$2,178,135 in FY2008. This represents a decrease of \$904,487 (42%).

The total decrease in operating expenses of \$320,413 included a decrease in the Water and Sewer Fund of \$217,598 and \$102,815 in the Sanitation Fund. These decreases were attributable to budget reductions by City management which were necessary due to the severe downturn in the nation's economy.

City of Carrollton
Table 2 - Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Revenues:						
Program revenues:						
Charges for services	\$ 3,721,691	\$ 3,870,186	\$ 14,016,495	\$ 14,623,253	\$ 17,738,186	\$ 18,493,439
Operating grants & contributions	1,982,595	1,843,465	00	00	1,982,595	1,843,465
Capital grants & contributions	2,724,417	28,500	1,273,648	2,178,135	3,998,065	2,206,635
General revenues:						
Property taxes	3,652,296	3,576,689	00	00	3,652,296	3,576,689
Franchise & public service taxes	3,463,675	3,339,693	00	00	3,463,675	3,339,693
Sales and hotel/motel taxes	4,440,350	4,682,530	00	00	4,440,350	4,682,530
Intergovernmental	4,684,305	5,614,720	00	00	4,684,305	5,614,720
Other taxes	673,036	703,802	00	00	673,036	703,802
Interest and investment earnings	208,676	425,237	53,230	236,396	261,906	661,633
Miscellaneous	159,287	246,784	138,751	108,257	298,038	355,041
Special items:						
Transfer from component unit	00	5,181,165	00	00	00	5,181,165
Contributions	107,487	288,861	00	00	107,487	288,861
Total revenues	<u>25,817,815</u>	<u>29,801,632</u>	<u>15,482,124</u>	<u>17,146,041</u>	<u>41,299,939</u>	<u>46,947,673</u>
Expenses:						
Program expenses:						
General government	1,987,788	1,815,689	00	00	1,987,788	1,815,689
Public safety	10,365,045	9,611,640	00	00	10,365,045	9,611,640
Highways and streets	2,647,404	2,516,018	00	00	2,647,404	2,516,018
Landfill	66,627	65,604	00	00	66,627	65,604
Recreation and culture	5,926,625	5,831,469	00	00	5,926,625	5,831,469
Economic development	169,094	364,705	00	00	169,094	364,705
Intergovernmental	889,249	39,627	00	00	889,249	39,627
Water and sewer	00	00	9,552,041	9,769,639	9,552,041	9,769,639
Sanitation	00	00	3,009,001	3,111,816	3,009,001	3,111,816
Payments to Carrollton						
Redevelopment Authority	2,327,600	2,623,834	00	00	2,327,600	2,623,834
Interest on long-term debt	41,250	226,000	00	00	41,250	226,000
Transfers	(850,116)	482,094	850,116	(482,094)	00	00
Donation of property	00	00	00	589,767	00	589,767
Total expenses	<u>23,570,566</u>	<u>23,576,680</u>	<u>13,411,158</u>	<u>12,989,128</u>	<u>36,981,724</u>	<u>36,565,808</u>
Change in net assets	2,247,249	6,224,952	2,070,966	4,156,913	4,318,215	10,381,865
Net assets, beginning of year	93,810,779	87,638,293	67,112,265	62,955,352	160,923,044	150,593,645
Prior period adjustments	(1,166,861)	(52,466)	(7,806)	00	(1,174,667)	(52,466)
Net assets, end of year	<u>\$ 94,891,167</u>	<u>\$ 93,810,779</u>	<u>\$ 69,175,425</u>	<u>\$ 67,112,265</u>	<u>\$ 164,066,592</u>	<u>\$ 160,973,044</u>

The City's Funds

As the City completed FY2009, its governmental funds (as presented in the balance sheet on page 16) reported a combined fund balance of \$25,804,730. This represents an increase of \$7,279,538 (39%) from the combined fund balance of \$18,525,192 for FY2008. The City's proprietary funds (as presented in the balance sheet on page 19) reported combined unrestricted net assets available for appropriation in the amount of \$2,954,335. This represents a decrease of \$3,398,030 (53%) from the combined net assets available for appropriation for FY2008, and is due to the large amount of net assets in the Water and Sewer Fund being utilized for capital construction projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

Revenues

General Fund budgetary highlights discussed below are shown in Table 3. Total actual revenue was over total budgeted revenue by \$232,025. Of this amount, tax revenue on real, personal, and intangible property was \$76,034 under budget. Tax revenue on automobiles and mobile homes was \$24,052 under budget. Sales tax revenue was \$199,246 under budget. These negative budget variances can be attributed to the downturn in the nation's economy.

Revenue from licenses and permits was realized at an amount of \$26,573 under budget projections. As discussed above, this negative variance is directly related to the downturn in our national economy.

Intergovernmental revenues were realized at an amount of \$340,704 over budget projections. Of this amount, \$177,159 was the Fire Assistance Grant used to hire personnel to staff the new Northside Fire Station, and \$100,111 was reimbursement from Carrollton City Schools for the School Resource Officer and School Crossing Guards.

Recreation Department program fee revenue was realized at an amount of \$164,561 over budget projection. This result reflects higher than anticipated utilization of the City's Recreation Department programs and services.

Fines and Forfeitures were realized at an amount of \$208,564 over budget projections. Police fines that the City imposes are subject to certain payments for restricted uses as specified by State Law. These payments are determined according to a rate schedule and are used to fund such initiative as the Police Officers' Annuity and Benefit Fund and the Police Officers Training Fund. The City "nets" these payments against the Fines and Forfeitures revenue account in order to determine a net revenue amount for internal financial reporting and budgeting purposes. These payments are reclassified as revenue for external financial reporting purposes which produce a revenue figure in excess of budget projects.

Interest on invested funds was realized at an amount of \$160,282 under budget projections. This negative variance was due to multiple rate cuts by the Federal Reserve Board in an attempt to stimulate the economy.

Table 3 – General Fund Revenues

	-----2009-----			-----2008-----		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Taxes	\$ 9,879,237	\$ 9,596,518	\$ (282,719)	\$ 9,684,000	\$ 9,731,173	\$ 47,173
Licenses and permits	3,658,000	3,631,427	(26,573)	3,452,000	3,553,329	101,329
Intergovernmental	1,263,628	1,604,332	340,704	881,820	1,427,449	545,629
Charges for services	1,017,856	1,182,417	164,561	1,126,459	1,162,268	35,809
Fines and forfeitures	950,000	1,158,564	208,564	900,000	1,237,708	337,708
Interest on invested funds	275,000	114,718	(160,282)	275,000	341,324	66,324
Miscellaneous	<u>238,000</u>	<u>225,770</u>	<u>(12,230)</u>	<u>145,000</u>	<u>472,486</u>	<u>327,486</u>
Total	<u>\$ 17,281,721</u>	<u>\$ 17,513,746</u>	<u>\$ 232,025</u>	<u>\$ 16,464,279</u>	<u>\$ 17,925,737</u>	<u>\$ 1,461,458</u>

Expenditures

General Fund expenditure highlights discussed below are shown in Table 4. The City completed FY2009 with a total of \$17,712,196 in General Fund operating expenditures. The operating budget for these expenditures totaled \$19,350,218. All major City departments completed FY2009 with expenditures less than the budgeted amounts. These favorable operating results can be attributed to conservative budget management practices by City departments. Also, the FYE2009 General Fund budget included \$1,198,385 for the purchase of a fire truck. Subsequently to the approval of the FYE2009 budget, voters approved the 2009 tax referendum in November 2008 which allowed the ladder fire truck to be purchased with SPLOST funds rather than through the General Fund.

Table 4 – General Fund Operating Expenditures

	-----2009-----			-----2008-----		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General government	\$ 1,835,601	\$ 1,734,159	\$ 101,442	\$ 1,892,418	\$ 1,790,570	\$ 101,848
Public safety	10,918,499	9,663,798	1,254,701	9,677,117	9,098,221	578,896
Highways and streets	1,010,661	897,986	112,675	967,924	1,056,739	(88,815)
Landfill	66,830	66,627	203	63,708	65,604	(1,896)
Cultural and recreation	5,503,627	5,324,226	179,401	5,016,678	5,744,068	(727,390)
Intergovernmental	<u>15,000</u>	<u>25,400</u>	<u>(10,400)</u>	<u>00</u>	<u>39,627</u>	<u>(39,627)</u>
Total operating expenditures	<u>\$ 19,350,218</u>	<u>\$ 17,712,196</u>	<u>\$ 1,638,022</u>	<u>\$ 17,617,845</u>	<u>\$ 17,794,829</u>	<u>\$ (176,984)</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

At the end of fiscal year 2009 the City had \$156,606,697 invested in a broad range of capital assets, including police and fire equipment, buildings, recreation and cultural arts facilities, and water and sewer infrastructure. Please refer to our analysis below for a breakdown of the City's capital assets and to notes to the financial statements for more information.

Table 5 – Capital Assets at June 30, 2009, Net of Depreciation

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Land	\$ 8,212,916	\$ 5,501,280	\$ 8,779,730	\$ 8,746,082	\$ 16,992,646	\$ 14,247,362
Land improvements	3,854,166	3,848,156	00	00	3,854,166	3,848,156
Buildings and improvements	20,225,332	18,639,918	2,454,374	1,952,127	22,679,706	20,592,045
Equipment	3,968,145	3,230,037	1,395,670	1,755,678	5,363,815	4,985,715
Infrastructure	42,165,532	43,137,947	60,368,546	49,597,872	102,534,078	92,735,819
Construction in progress	<u>1,445,079</u>	<u>2,059,852</u>	<u>3,737,207</u>	<u>8,787,946</u>	<u>5,182,286</u>	<u>10,847,798</u>
Totals	<u>\$ 79,871,170</u>	<u>\$ 76,417,190</u>	<u>\$ 76,735,527</u>	<u>\$ 70,839,705</u>	<u>\$ 156,606,697</u>	<u>\$ 147,256,895</u>

DEBT

The total long-term debt of the City outstanding at June 30, 2009 was \$21,514,471. The City had \$2,743,066 in revenue bond debt outstanding. Amounts reported as intergovernmental debt of \$10,619,420 relate to advance funding of construction costs for recreation, sidewalks, and downtown development improvements financed by the 2009 Special Purpose Local Option Sales Tax. Notes payable balances reported in the business-type activities relate to improvements to the City's water and sewer systems. On May 19, 2008, the City entered into an agreement with the Georgia Environmental Facilities Authority to obtain a promissory note in the amount of \$7,568,728 to be disbursed in periodic advances to finance water plant improvements and sewer line construction of which \$5,202,144 had been advanced at June 30, 2009. Please refer to our analysis below for a breakdown to the City's outstanding debt and notes to the financial statements for more information.

Table 6 – Outstanding Debt at Year End

	Governmental Activities		Business-Type Activities		Component Unit		Totals	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
General obligation bonds \$	00	\$ 2,200,000	\$ 00	\$ 00	\$ 00	\$ 00	\$ 00	\$ 2,200,000
Revenue bonds	00	00	2,743,066	3,169,965	00	3,935,000	2,743,066	7,104,965
Notes payable	00	00	7,852,917	6,340,760	00	00	7,852,917	6,340,760
Lease payable	176,724	269,554	122,344	199,116	00	00	299,068	468,670
Intergovernmental debt	<u>10,619,420</u>	<u>00</u>	<u>00</u>	<u>00</u>	<u>00</u>	<u>00</u>	<u>10,619,420</u>	<u>00</u>
Totals	<u>\$ 10,796,144</u>	<u>\$ 2,469,554</u>	<u>\$ 10,718,327</u>	<u>\$ 9,709,841</u>	<u>\$ 00</u>	<u>\$ 3,935,000</u>	<u>\$ 21,514,471</u>	<u>\$ 16,114,395</u>

ECONOMIC FACTORS AND NEXT YEARS BUDGETS AND RATES

The City's elected and appointed officials considered many factors when preparing the FY2010 budget, millage rates, and user fees that will be charged for business-type activities. The growth in the property tax digest, as well as the projected collection rate in property taxes is taken into account when the millage rate is approved by the Mayor and City Council. Also, growth rates in other General Fund revenue categories such as sales tax, automobile tax, utility franchise fees, and occupation tax are taken into account when preparing the General Fund budget.

The above indicators were taken into account when adopting the General Fund budget for FY2010. The fiscal year 2010 General Fund budget totals \$17,482,829 a decrease of \$1,867,389 over the FY2009 budget.

The property tax digest is not expected to show any growth due to the severe economic recession our country is experiencing. Other revenue categories are also expected to remain at or near current levels.

If these estimates are realized, the City's General Fund balance is expected to remain unchanged for FY2010. These results are expected to be achieved without selling capital assets or using one-time sources of funds.

As for the City's business-type activities, we expect that the FY2010 results will continue to show solid financial performance.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's financial position, and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the Finance Office at the City of Carrollton, 315 Bradley Street, Carrollton, GA. 30117.

Signed by _____
City Manager

Date _____

Signed by _____
Finance Officer/City Clerk

Date _____

City of Carrollton, Georgia
Statement of Net Assets
June 30, 2009

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Component Unit</u>
Assets				
Current assets:				
Cash and equivalents	\$ 15,985,018	\$ 2,354,862	\$ 18,339,880	\$ 00
Investments	4,196,491	00	4,196,491	1,259,320
Restricted cash and cash equivalents	00	607,618	607,618	00
Receivables, net	7,685,236	1,818,748	9,503,984	00
Internal balances	195,483	(195,483)	00	00
Inventory	00	231,161	231,161	00
Prepaid expenses	226,958	154,132	381,090	00
Total current assets	<u>28,289,186</u>	<u>4,971,038</u>	<u>33,260,224</u>	<u>1,259,320</u>
Non-current assets:				
Capital assets:				
Land and construction in progress	9,657,995	12,516,937	22,174,932	00
Other capital assets, net of accumulated depreciation	70,213,175	64,218,590	134,431,765	00
Deferred costs	00	125,211	125,211	00
Total non-current assets	<u>79,871,170</u>	<u>76,860,738</u>	<u>156,731,908</u>	<u>00</u>
Total assets	<u>\$ 108,160,356</u>	<u>\$ 81,831,776</u>	<u>\$ 189,992,132</u>	<u>\$ 1,259,320</u>
Liabilities				
Current liabilities:				
Accounts payable – unrestricted	\$ 1,763,323	\$ 577,314	\$ 2,340,637	\$ 00
Accounts payable – restricted	00	528,940	528,940	00
Customer deposits	00	500,365	500,365	00
Accrued expenses	537,398	331,405	868,803	00
Current portion of long-term obligations	92,864	1,098,609	1,191,473	00
Total current liabilities	<u>2,393,585</u>	<u>3,036,633</u>	<u>5,430,218</u>	<u>00</u>
Non-current liabilities:				
Noncurrent portion of long-term obligations	10,703,280	9,619,718	20,322,998	00
Net OPEB obligation	172,324	00	172,324	00
Total non-current liabilities	<u>10,875,604</u>	<u>9,619,718</u>	<u>20,495,322</u>	<u>00</u>
Total liabilities	<u>13,269,189</u>	<u>12,656,351</u>	<u>25,925,540</u>	<u>00</u>
Net assets				
Invested in capital assets, net of related debt	77,239,605	65,613,471	142,853,076	00
Restricted:				
Capital projects	13,599,625	30,965	13,630,590	00
Debt service	286,658	576,653	863,311	1,259,320
Other purposes	389,157	00	389,157	00
Unrestricted	3,376,122	2,954,336	6,330,458	00
Total net assets	<u>94,891,167</u>	<u>69,175,425</u>	<u>164,066,592</u>	<u>1,259,320</u>
Total liabilities and net assets	<u>\$ 108,160,356</u>	<u>\$ 81,831,776</u>	<u>\$ 189,992,132</u>	<u>\$ 1,259,320</u>

See accompanying notes to financial statements.

City of Carrollton, Georgia
Statement of Activities
For the Year Ended June 30, 2009

		-----Program Revenues-----			Net (Expenses) Revenue and -----Changes in Net Assets-----			
Function/Programs	Expenses	Charges for Services	Operating	Capital	Primary Government			Component Unit
			Grants and Contributions	Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 1,987,788	\$ 1,278,329	\$ 00	\$ 997,715	\$ 288,256	\$ 00	\$ 288,256	
Public safety	10,365,045	1,260,945	1,612,888	35,175	(7,456,037)	00	(7,456,037)	
Highways and streets	2,647,404	00	54,000	591,527	(2,001,877)	00	(2,001,877)	
Landfill	66,627	00	63,214	00	(3,413)	00	(3,413)	
Recreation and culture	5,926,625	1,182,417	237,279	00	(4,506,929)	00	(4,506,929)	
Economic development	169,094	00	15,214	1,100,000	946,120	00	946,120	
Intergovernmental	889,249	00	00	00	(889,249)	00	(889,249)	
Payments to Carrollton								
Redevelopment Authority	2,327,600	00	00	00	(2,327,600)	00	(2,327,600)	
Interest on long-term debt	<u>41,250</u>	<u>00</u>	<u>00</u>	<u>00</u>	<u>(41,250)</u>	<u>00</u>	<u>(41,250)</u>	
Total governmental activities	<u>24,420,682</u>	<u>3,721,691</u>	<u>1,982,595</u>	<u>2,724,417</u>	<u>(15,991,979)</u>	<u>00</u>	<u>(15,991,979)</u>	
Business-type activities:								
Water	5,025,218	6,150,421	00	201,962	00	1,327,165	1,327,165	
Sewer	4,526,823	3,876,028	00	1,071,686	00	420,891	420,891	
Sanitation	<u>3,009,001</u>	<u>3,990,046</u>	<u>00</u>	<u>00</u>	<u>00</u>	<u>981,045</u>	<u>981,045</u>	
Total business-type activities	<u>12,561,042</u>	<u>14,016,495</u>	<u>00</u>	<u>1,273,648</u>	<u>00</u>	<u>2,729,101</u>	<u>2,729,101</u>	
Total primary government	<u>\$ 36,981,724</u>	<u>\$ 17,738,186</u>	<u>\$ 1,982,595</u>	<u>\$ 1,308,823</u>	<u>(15,991,979)</u>	<u>2,729,101</u>	<u>(13,262,878)</u>	
Component unit:								
Carrollton Redevelopment								
Authority	<u>\$ 2,711,078</u>	<u>\$ 00</u>	<u>\$ 1,127,654</u>					<u>\$ (1,583,424)</u>
Total component unit	<u>\$ 2,711,078</u>	<u>\$ 00</u>	<u>\$ 1,127,654</u>					<u>(1,583,424)</u>
General revenues:								
Taxes:								
Property taxes levied for general purposes					3,652,296	00	3,652,296	00
Franchise and public service taxes					3,463,675	00	3,463,675	00
Sales and hotel/motel taxes					4,440,350	00	4,440,350	00
Intergovernmental					4,684,305	00	4,684,305	00
Other taxes					673,036	00	673,036	00
Payments from City of Carrollton					00	00	00	2,327,600
Interest and investment earnings					208,676	53,230	261,906	18,622
Contributions					107,487	00	107,487	00
Miscellaneous					183,811	138,751	322,562	00
Loss on sale of asset					(24,524)	00	(24,524)	00
Transfers					<u>850,116</u>	<u>(850,116)</u>	<u>00</u>	<u>00</u>
Total general revenues and transfers					<u>18,239,228</u>	<u>(658,135)</u>	<u>17,581,093</u>	<u>2,346,222</u>
Change in net assets					2,247,249	2,070,966	4,318,215	762,798
Net assets – beginning					93,810,779	67,112,265	160,923,044	179,693
Prior period adjustments					<u>(1,166,861)</u>	<u>(7,806)</u>	<u>(1,174,667)</u>	<u>316,829</u>
Net assets – ending					<u>\$ 94,891,167</u>	<u>\$ 69,175,425</u>	<u>\$ 164,066,592</u>	<u>\$ 1,259,320</u>

See accompanying notes to financial statements.

City of Carrollton, Georgia
Balance Sheet
Governmental Funds
June 30, 2009

	General Fund	Special Purpose Option	Local Sales Tax 2009	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and equivalents	\$ 6,814,331	\$ 00	\$ 8,164,579	\$ 00	\$ 1,006,108	\$ 15,985,018
Investments	4,196,491	00	00	00	00	4,196,491
Receivables, net	1,928,000	00	00	00	20,466	1,948,466
Due from other funds	432,956	1,053,968	00	00	00	1,486,924
Prepaid expenses	226,958	00	00	00	00	226,958
Receivables from other governments	<u>215,726</u>	<u>4,197,038</u>	<u>1,324,006</u>	<u>00</u>	<u>00</u>	<u>5,736,770</u>
Total assets	<u>\$ 13,814,462</u>	<u>\$ 5,251,006</u>	<u>\$ 9,488,585</u>	<u>\$ 00</u>	<u>\$ 1,026,574</u>	<u>\$ 29,580,627</u>
Liabilities						
Accounts payable	\$ 673,318	\$ 549,352	\$ 509,644	\$ 00	\$ 18,973	\$ 1,751,287
Accrued liabilities	473,752	00	00	00	63,646	537,398
Due to other funds	953,968	00	100,000	00	237,473	1,291,441
Due to other governments	5,399	00	00	00	6,637	12,036
Deferred revenue	<u>178,735</u>	<u>00</u>	<u>00</u>	<u>00</u>	<u>5,000</u>	<u>183,735</u>
Total liabilities	<u>2,285,172</u>	<u>549,352</u>	<u>609,644</u>	<u>00</u>	<u>331,729</u>	<u>3,775,897</u>
Fund balances						
Reserved for:						
Prepaid insurance	226,958	00	00	00	00	226,958
Debt service	00	00	286,658	00	00	286,658
Unreserved, reported in:						
General fund						
Undesignated	11,302,332	00	00	00	00	11,302,332
Designated:						
Special revenue	00	00	00	00	389,157	389,157
Capital projects	<u>00</u>	<u>4,701,654</u>	<u>8,592,283</u>	<u>00</u>	<u>305,688</u>	<u>13,599,625</u>
Total fund balances	<u>11,529,290</u>	<u>4,701,654</u>	<u>8,878,941</u>	<u>00</u>	<u>694,845</u>	<u>25,804,730</u>
Total liabilities and fund balances	<u>\$ 13,814,462</u>	<u>\$ 5,251,006</u>	<u>\$ 9,488,585</u>	<u>\$ 00</u>	<u>\$ 1,026,574</u>	

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	79,871,170
Some receivables are not available to pay for current-period expenditures and therefore are deferred in the funds	183,735
Notes and lease payables, are not due and payable in the current period and therefore are not reported in the funds	(10,796,144)
Other post-employment benefits payable	<u>(172,324)</u>

Net assets of governmental activities \$ 94,891,167

See accompanying notes to financial statements.

City of Carrollton, Georgia
Statements of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2009

	General Fund	Special Purpose Local Option Sales Tax		Debt Service Fund	Other Governmental Funds	Total Governmental Funds
		<u>2004</u>	<u>2009</u>			
Revenues						
Taxes	\$ 9,596,518	\$ 00	\$ 00	\$ 00	\$ 239,596	\$ 9,836,114
Fees and fines	1,158,564	00	00	00	102,381	1,260,945
Licenses and permits	3,631,427	00	00	00	00	3,631,427
Intergovernmental	1,604,332	4,923,328	2,450,219	00	440,938	9,418,817
Charges for services	1,182,417	00	00	00	00	1,182,417
Interest	114,718	00	80,479	5,068	8,411	208,676
Contributions	67,515	00	00	00	39,972	107,487
Miscellaneous	158,255	00	00	00	25,556	183,811
Total revenues	<u>17,513,746</u>	<u>4,923,328</u>	<u>2,530,698</u>	<u>5,068</u>	<u>856,854</u>	<u>25,829,694</u>
Expenditures						
Current operating:						
General government	1,710,173	00	00	00	00	1,710,173
Public safety	9,386,638	00	00	00	490,079	9,876,717
Highways and streets	889,016	45,018	00	00	5,314	939,348
Landfill	66,627	00	00	00	00	66,627
Recreation and culture	5,171,394	20,035	00	00	00	5,191,429
Economic development	00	6,570	00	00	162,524	169,094
Intergovernmental	25,400	00	00	863,849	00	889,249
Debt service:						
Principal	92,830	00	00	2,200,000	00	2,292,830
Interest	00	00	00	41,250	00	41,250
Payments to Redevelopment Authority for Debt Service	00	2,327,600	00	00	00	2,327,600
Capital outlay	<u>370,118</u>	<u>1,558,867</u>	<u>4,271,177</u>	<u>00</u>	<u>315,213</u>	<u>6,515,375</u>
Total expenditures	<u>17,712,196</u>	<u>3,958,090</u>	<u>4,271,177</u>	<u>3,105,099</u>	<u>973,130</u>	<u>30,019,692</u>
Excess (deficiency) of revenues over expenditures	<u>(198,450)</u>	<u>965,238</u>	<u>(1,740,479)</u>	<u>(3,100,031)</u>	<u>(116,276)</u>	<u>(4,189,998)</u>
Other financing sources (uses)						
Transfers in (out) – other funds	877,874	00	00	00	(27,758)	850,116
Intergovernmental debt	<u>00</u>	<u>00</u>	<u>10,619,420</u>	<u>00</u>	<u>00</u>	<u>10,619,420</u>
Total other financing sources (uses)	<u>877,874</u>	<u>00</u>	<u>10,619,420</u>	<u>00</u>	<u>(27,758)</u>	<u>11,469,536</u>
Net change in fund balance	679,424	965,238	8,878,941	(3,100,031)	(144,034)	7,279,538
Fund balances – beginning, as restated	<u>10,849,866</u>	<u>3,736,416</u>	<u>00</u>	<u>3,100,031</u>	<u>838,879</u>	<u>18,525,192</u>
Fund balances – ending	<u>\$ 11,529,290</u>	<u>\$ 4,701,654</u>	<u>\$ 8,878,941</u>	<u>\$ 00</u>	<u>\$ 694,845</u>	<u>\$ 25,804,730</u>

See accompanying notes to financial statements.

City of Carrollton, Georgia
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2009

Net change in fund balances – total government funds	\$7,279,538
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which capital outlays of \$6,515,375 exceeded depreciation of \$3,036,871 in the current period.	3,478,504
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Bonds proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This adjustment includes bond and loan repayments of \$2,292,830 and intergovernmental debt financing of \$10,619,420.	(8,326,590)
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	12,645
--	--------

Other post employment benefits are reported in the government-wide statement of activities, but do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(172,324)
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In the Statement of Activities, the loss on the sale of capital assets is reported, while in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold.	(24,524)
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Change in Net Assets of Governmental Activities	<u>\$ 2,247,249</u>
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See accompanying notes to financial statements.

City of Carrollton, Georgia
Balance Sheet
Proprietary Funds
June 30, 2009

<u>Assets</u>	<u>Business-Type Activities</u>		
	<u>Water and Sewerage Fund</u>	<u>Sanitation Fund</u>	<u>Totals</u>
Current assets:			
Non-restricted assets:			
Cash	\$ 391,357	\$ 1,963,505	\$ 2,354,862
Accounts receivable (net of allowances)	1,318,731	500,017	1,818,748
Inventory	231,161	00	231,161
Due from other funds	222,166	42,632	264,798
Prepaid insurance	<u>118,401</u>	<u>35,731</u>	<u>154,132</u>
Total non-restricted current assets	<u>2,281,816</u>	<u>2,541,885</u>	<u>4,823,701</u>
Restricted assets:			
Cash	<u>607,618</u>	<u>00</u>	<u>607,618</u>
Total restricted current assets	<u>607,618</u>	<u>00</u>	<u>607,618</u>
Total current assets	<u>2,889,434</u>	<u>2,541,885</u>	<u>5,431,319</u>
Long-term assets:			
Capital assets:			
Property, plant, and equipment	100,587,372	1,323,137	101,910,509
Accumulated depreciation	<u>(24,391,603)</u>	<u>(783,379)</u>	<u>(25,174,982)</u>
Capital assets, net	76,195,769	539,758	76,735,527
Other non-current assets:			
Unamortized bond and loan costs	<u>125,211</u>	<u>00</u>	<u>125,211</u>
Total other non-current assets	<u>125,211</u>	<u>00</u>	<u>125,211</u>
 Total assets	 <u>\$ 79,210,414</u>	 <u>\$ 3,081,643</u>	 <u>\$ 82,292,057</u>

See accompanying notes to financial statements.

City of Carrollton, Georgia
Balance Sheet
Proprietary Funds
June 30, 2009

	Business-Type Activities		
	Water and Sewerage Fund	Sanitation Fund	Totals
<u>Liabilities</u>			
Current liabilities payable from non-restricted current assets:			
Accounts payable	\$ 412,134	\$ 165,180	\$ 577,314
Leases payable – current	8,986	67,786	76,772
Accrued expenses	303,416	27,989	331,405
Due to other funds	273,884	186,397	460,281
Customer and tap deposits	<u>500,365</u>	<u>00</u>	<u>500,365</u>
Total current liabilities payable from non-restricted current assets	<u>1,498,785</u>	<u>447,352</u>	<u>1,946,137</u>
Current liabilities payable from restricted current assets:			
Accounts payable – construction projects	528,940	00	528,940
Bonds payable – current	449,201	00	449,201
Notes payable – current	<u>572,636</u>	<u>00</u>	<u>572,636</u>
Total current liabilities payable from restricted current assets	<u>1,550,777</u>	<u>00</u>	<u>1,550,777</u>
Total current liabilities	<u>3,049,562</u>	<u>447,352</u>	<u>3,496,914</u>
Long term liabilities:			
Notes payable (less current portion)	7,280,281	00	7,280,281
Bonds payable (less current portion)	2,293,865	00	2,293,865
Capital leases payable (less current portion)	<u>00</u>	<u>45,572</u>	<u>45,572</u>
Total long term liabilities	<u>9,574,146</u>	<u>45,572</u>	<u>9,619,718</u>
Total liabilities	<u>12,623,708</u>	<u>492,924</u>	<u>13,116,632</u>
<u>Fund Net Assets</u>			
Invested in capital assets, net of related debt	65,187,072	426,400	65,613,472
Restricted			
Capital projects	30,965	00	30,965
Debt service	576,653	00	576,653
Unrestricted	<u>792,016</u>	<u>2,162,319</u>	<u>2,954,335</u>
Total fund net assets	<u>66,586,706</u>	<u>2,588,719</u>	<u>69,175,425</u>
Total liabilities and fund net assets	<u>\$ 79,210,414</u>	<u>\$ 3,081,643</u>	<u>\$ 82,292,057</u>

See accompanying notes to financial statements.

City of Carrollton, Georgia
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2009

	Business-Type Activities		
	Water and Sewerage Fund	Sanitation Fund	Totals
Operating revenues:			
Charges for services	\$ 10,026,449	\$ 3,990,046	\$ 14,016,495
Operating expenses:			
Personnel services and benefits	3,776,353	1,172,350	4,948,703
Contractual services	371,187	255,378	626,565
Supplies and chemicals	1,197,313	69,089	1,266,402
Office supplies and expense	58,608	00	58,608
Utilities and telephone	965,017	308	965,325
Advertising and publicity	2,880	00	2,880
Equipment repairs	408,003	398	408,401
Vehicle repair and expense	161,344	223,205	384,549
Building and grounds repairs	118,675	00	118,675
Operating leases	19,764	00	19,764
General insurance	181,732	55,234	236,966
Depreciation	1,662,127	139,907	1,802,034
Other	5,789	6,653	12,442
Amortization	26,306	00	26,306
Landfill fees	352,413	1,094,664	1,447,077
Total operating expenses	9,307,511	3,017,186	12,324,697
Operating income	718,938	972,860	1,691,798
Non-operating revenues (expenses):			
Rents	70,368	00	70,368
Miscellaneous income (expense)	68,383	00	68,383
Interest revenue	35,262	17,968	53,230
Interest and other costs on bonded debt and notes payable	(244,530)	8,185	(236,345)
Total non-operating revenues (expenses)	(70,517)	26,153	(44,364)
Income before capital contributions and transfers	648,421	999,013	1,647,434
Capital contributions	1,273,648	00	1,273,648
Transfers in (out)	(632,640)	(217,476)	(850,116)
Change in fund net assets	1,289,429	781,537	2,070,966
Total fund net assets – beginning of year – as restated	65,297,277	1,807,182	67,104,459
Total fund net assets – end of year	\$ 66,586,706	\$ 2,588,719	\$ 69,175,425

Total fund net assets at the beginning of the year on the Water Fund have been restated to reflect the prior period adjustment discussed in Note 4.K.

See accompanying notes to financial statements.

City of Carrollton, Georgia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2009

	Business-Type Activities		
	Water and <u>Sewerage Fund</u>	Sanitation <u>Fund</u>	<u>Totals</u>
Cash flows from operating activities:			
Receipts from customers	\$ 10,110,958	\$ 4,024,414	\$ 14,135,372
Payments for suppliers	(4,098,351)	(1,809,259)	(5,907,610)
Payments to employees	<u>(3,778,849)</u>	<u>(1,170,657)</u>	<u>(4,949,506)</u>
Net cash provided by operating activities	<u>2,233,758</u>	<u>1,044,498</u>	<u>3,278,256</u>
Cash flows from noncapital financing activities:			
Operating subsidies and transfers to/from other funds	(586,759)	(217,476)	(804,235)
Other receipts	<u>68,384</u>	<u>00</u>	<u>68,384</u>
Net cash used by noncapital financing activities	<u>(518,375)</u>	<u>(217,476)</u>	<u>(735,851)</u>
Cash flows from capital and related financing activities:			
Capital contributions	1,273,648	00	1,273,648
GEFA Note proceeds	1,987,365	00	1,987,365
Purchases and construction of capital assets	(7,512,616)	00	(7,512,616)
Principal paid on capital debt	(911,077)	(67,802)	(978,879)
Interest paid on capital debt	<u>(244,530)</u>	<u>00</u>	<u>(244,530)</u>
Net cash used by capital and related financing activities	<u>(5,407,210)</u>	<u>(67,802)</u>	<u>(5,475,012)</u>
Cash flows from investing activities:			
Interest	<u>35,262</u>	<u>26,153</u>	<u>61,415</u>
Net cash provided by investing activities	<u>35,262</u>	<u>26,153</u>	<u>61,415</u>
Net increase (decrease) in cash and cash equivalents	(3,656,565)	785,373	(2,871,192)
Cash – beginning of year	<u>4,655,540</u>	<u>1,178,132</u>	<u>5,833,672</u>
Cash – end of year	<u>\$ 998,975</u>	<u>\$ 1,963,505</u>	<u>\$ 2,962,480</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 718,938	\$ 972,860	\$ 1,691,798
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	1,662,127	139,907	1,802,034
Amortization expense	26,306	00	26,306
Change in assets and liabilities:			
Receivables, net	(81,691)	34,368	(47,323)
Prepaid expenses	(11,462)	(12,985)	(24,447)
Inventories	(7,601)	00	(7,601)
Accounts and other payables	(236,563)	(91,345)	(327,908)
Customer deposits	166,200	00	166,200
Accrued expenses	<u>(2,496)</u>	<u>1,693</u>	<u>(803)</u>
Net cash provided by operating activities	<u>\$ 2,233,758</u>	<u>\$ 1,044,498</u>	<u>\$ 3,278,256</u>

See accompanying notes to financial statements.

City of Carrollton, Georgia
Notes to Basic Financial Statements

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City of Carrollton, Georgia
Notes to Basic Financial Statements
June 30, 2009

Note 1. Summary of Significant Accounting Policies

The City complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the City the option of electing to apply FASB pronouncements issued after November 30, 1989. The City has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

1.A. Financial Reporting Entity

The City's financial reporting entity comprises the following:

Primary Government:	City of Carrollton
Discretely Presented Component Unit:	Carrollton Redevelopment Authority

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No 14, "The Financial Reporting Entity," and includes all component units of which the City appointed a voting majority of the units' board; the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

Blended Component Units

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the component unit provides service entirely to the City. The following are blended component units:

Carrollton Swimming Association
Carrollton Area Convention and Visitors Bureau

These entities are operated under the auspices of the Carrollton Parks, Recreation and Cultural Arts Department which is included in the general fund. See Note 4E for further information about these entities.

Discretely Presented Component Unit

The discretely presented component unit is a separate legal entity that meets the component unit criteria described above but does not meet the criteria for blending. The City's discretely presented component unit issues separate component unit financial statements. Copies of component unit reports may be obtained from Jim Triplett, the finance officer for the City, at 315 Bradley Street, Carrollton, Georgia 30117.

City of Carrollton, Georgia
Notes to Basic Financial Statements
June 30, 2009

Note 1. Summary of Significant Accounting Policies - continued

1.A. Financial Reporting Entity – continued

Excluded from the reporting entity: Related Organizations

The Carrollton Board of Education has members elected by the registered voters of the City. The Board determines its annual budget without City approval. However, prior to July 1, 2004, property tax revenue levied by the City and designated for school use, funded a portion of the school board's operations. Also, the 2002 General Obligation School Bonds and 1995 General Obligation School Refunding Bonds were issued by the City for new school construction and are included in the City's long-term debt. These were paid off as of June 30, 2009. Effective July 1, 2004, the School Board became totally independent of the City; henceforth, levying its own tax and borrowing its own debt.

The City's officials have some responsibility for appointing the members of the boards of other organizations, but the City's accountability for these organizations does not extend beyond making the appointments. The Mayor and City Council jointly with the Carroll County Commissioners appoint the board members of the City/County Hospital Authority and also appoints three members of the West Georgia Library Board. The Mayor and City Council appoint all the members of the Carrollton Housing Authority, Historic Preservation Commission, Carrollton Planning Commission, and the Board of Development Appeals.

The Mayor and City Council appoint two members of the Carrollton Payroll Development Authority and two members of the Carroll County Health Board. The City funded the acquisition of property for future industrial development on behalf of the Carrollton Payroll Development Authority to be repaid as businesses are induced to locate and buy property there. The City collects revenue in lieu of taxes for City services provided to Housing Authority residents. The City provides annual funding to the local Chamber of Commerce and the West Georgia Regional Library.

The Carroll County Solid Waste Authority is considered a related organization and is excluded from the financial reporting entity. Disclosures regarding landfill closure and postclosure care are included in the Authority's separate financial statements.

1.B. Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

City of Carrollton, Georgia
Notes to Basic Financial Statements
June 30, 2009

Note 1. Summary of Significant Accounting Policies - continued

1.B. Basis of Presentation - continued

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. If applicable, funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

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

Debt Service Fund

The Debt Service Fund is utilized to account for the accumulation and disbursement of money needed to comply with the interest and principal redemption requirements of the general obligation bond issues. Provisions are made in the educational local option sales tax levy for money sufficient to meet the general obligation debt.

City of Carrollton, Georgia
Notes to Basic Financial Statements
June 30, 2009

Note 1. Summary of Significant Accounting Policies – continued

1.B. Basis of Presentation – continued

Capital Project Funds

The Capital Project Funds are used to account for resources restricted for the acquisition or construction of specific capital projects or items.

Proprietary Funds

Enterprise Funds

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

Major and Nonmajor Funds

The funds are further classified as major or nonmajor as follows:

Major Fund:	Brief Description
Governmental Funds: General	See above for description.
Capital Projects Fund: 2009 Special Purpose Local Option Sales Tax Fund	Accounts for projects funded by the 2009 special one percent local option sales tax levies.
2004 Special Purpose Local Option Sales Tax Fund	Accounts for projects funded by the 2004 special one percent local option sales tax levies.
Debt Service Fund	Accounts for accumulation and payment of monies for general bond and interest payments. These bonds were fully repaid and the fund closed this year.
Business-Type Fund: Water and Sewer Fund Sanitation Fund	Accounts for activities in providing water, wastewater and sanitation services to the public.

City of Carrollton, Georgia
Notes to Basic Financial Statements
June 30, 2008

Note 1. Summary of Significant Accounting Policies – continued

1.B. Basis of Presentation – continued

Major and Non-major Funds – continued

Non-major:	Brief Description
Special Revenue Funds: Hotel/Motel Tax Fund	Accounts for revenues and expenditures of hotel/motel tax restricted by local ordinance for the promotion of tourism and downtown development.
Drug Seizure Fund	Accounts for revenue and expenditures legally restricted for public safety use.
West Metro Regional Drug Enforcement Fund	Accounts for grants, income and expenditures related for grant purposes.
Regional Hazardous Material Team Fund	Accounts for revenues and expenditures restricted for use by the Hazardous Material Team.
Capital Project Funds: 1994 Special Purpose Local Option Sales Tax Fund	Accounts for projects funded by the 1994 special one percent local option sales tax levies.

Note 1. Summary of Significant Accounting Policies - continued

1.C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. At the fund reporting level, governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, the phrase “available for exchange transactions” means expected to be received within twelve months of year-end.

City of Carrollton, Georgia
Notes to Basic Financial Statements
June 30, 2009

Note 1. Summary of Significant Accounting Policies – continued

Basis of Accounting - continued

Non-exchange transactions in which the City receives value without directly giving equal value in return, include sales tax, property taxes, grants, and donations. On an accrual basis, revenue from sales tax is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions also must be available (i.e., collected within 60 days) before it can be recognized.

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

On the accrual basis of accounting, expenses are recognized at the time they are incurred. On the modified accrual basis, expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

1.D. Assets, Liabilities and Equity

Cash and Investments

For the purpose of the Statement of Net Assets, “cash, including time deposits” includes all demand, savings accounts, and certificates of deposits with maturity of three months or less of the City. For the purpose of the proprietary fund Statement of Cash Flows, “cash and cash equivalents” include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations with a remaining maturity at the time of purchase of one year or less. Those investments are reported at amortized cost. Fair value is based on quoted market price. Certificates of deposits with maturities greater than three months are also included in investments. Additional cash and investment disclosures are presented in Note 3.A.

Interfund Receivable and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds.” These amounts are eliminated in the governmental and business-type activities columns of the net assets, except for any net residual amounts due between governmental and business-type activities, which are reclassified and presented as internal balances.

City of Carrollton, Georgia
Notes to Basic Financial Statements
June 30, 2009

Note 1. Summary of Significant Accounting Policies - continued

1.D. Assets, Liabilities and Equity - continued

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include sales and use taxes, franchise taxes, grants and police fines. Business-type activities report utilities and interest earnings as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis.

Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable and interest earnings compose the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Inventories

The water and sewer funds maintain an inventory of supplies. Inventories maintained in the water department are recorded at cost on a first-in, first-out basis.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

Capital Assets

The accounting treatment over capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

City of Carrollton, Georgia
Notes to Basic Financial Statements
June 30, 2009

Note 1. Summary of Significant Accounting Policies – continued

1.D. Assets, Liabilities and Equity - continued

Capital Assets – continued

Government-wide Statements – continued

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining lives of the related fixed assets, as applicable. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The City has fully implemented the retroactive reporting of infrastructure.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

- Buildings	25-50 years
- Improvements	10-50 years
- Machinery and Equipment	3-20 years
- Utility System	25-50 years
- Infrastructure	25-50 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Restricted Assets

Restricted assets consist of cash included in the City's Water and Sewerage System which reflect restrictions for future construction of facilities, retainages, Revenue Bond and note payable retirement. When both restricted and unrestricted resources are available, City management determines when to use restricted resources first, then restricted resources as needed.

Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes and bonds payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

Note 1. Summary of Significant Accounting Policies - continued

1.D. Assets, Liabilities and Equity - continued

Compensated Absences

The City's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as accrued expenses in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

Equity Classifications

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

1.E. Revenues, Expenditures and Expenses

Property Tax

Property taxes attach as an enforceable lien on property as of January 1. Taxes were levied on October 1, 2008, and were due and payable on or before December 1, 2008. All unpaid taxes became delinquent December 2, 2008. The Carroll County tax commissioner bills and collects the City's property taxes. The 2008 property taxes levied for the City operations only were \$3,296,074. The millage rate is 4.69 mills for 2008 for city operations only. In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within 60 days of year-end. For any additional property taxes receivable after the 60-day period, an additional accrual is made in the government-wide financial statements. No liens were placed on delinquent properties, but penalties and interest accrue and are recorded when they are actually paid.

City of Carrollton, Georgia
Notes to Basic Financial Statements
June 30, 2009

Note 1. Summary of Significant Accounting Policies – continued

Program Revenues

Program revenues include charges paid by the recipients of the goods or services offered by the programs, grants and contributions that are restricted to meeting the operational capital requirements of a particular program.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. Nonoperating revenues and expenses include all revenue and expenses related to capital and related financing, miscellaneous or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds – By Character:	Current (classified by function)
	Intergovernmental
	Debt Service
	Capital Outlay
Proprietary Fund – By Operating and Nonoperating	

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

1.F. Accounting Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States, require management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 2. Stewardship, Compliance and Accountability

By its nature as a local government unit, the City and its component units are subject to various federal, state, and local laws and contractual regulations. An analysis of the City's compliance with significant laws and regulations and demonstration of its stewardship over City resources follows.

City of Carrollton, Georgia
Notes to Basic Financial Statements
June 30, 2009

Note 2. Stewardship, Compliance and Accountability - continued

2.A. Fund Accounting Requirements

The City complies with all state and local laws and regulations requiring the use of separate funds.

2.B. Deposits and Investments Laws and Regulations

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Georgia debt obligations, or surety bonds. As required, all financial institutions pledging collateral to the City must have a written collateral agreement approved by the board of directors or loan committee. All deposits were fully insured or collateralized.

2.C. Revenue Restrictions

The City has various restrictions placed over certain revenue sources from state or local requirements.

For the year ended June 30, 2009, the City complied, in all material respects, with these revenue restrictions.

2.D. Debt Restrictions and Covenants

General Obligation Debt

The City has complied with its restrictions which limits the amount of outstanding general obligation bonded debt of the municipality.

2.E. Material Budget Violations

The following department's expenditures exceeded its budgeted appropriations by more than three percent.

Legal	\$ 2,958
Intergovernmental	10,400

Budget violations also occurred in the West Metro Regional Drug Enforcement Fund (\$527,828), Hotel/Motel Tax Fund (\$11,324), and Drug Seizure Fund (\$6,820).

General fund revenue exceeded budgeted revenue by \$232,025, and West Metro Regional Drug Enforcement Fund revenue exceeded budgeted revenue by \$333,378.

In the future, actual expenditures will be compared to budgeted expenditures and budget amendments will be made when appropriate.

City of Carrollton, Georgia
Notes to Basic Financial Statements
June 30, 2009

Note 3. Detail Notes on Transaction Classes/Accounts

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3.A. Cash and Investments

Custodial Credit Risk Related to Deposits

At June 30, 2009 the carrying amount of the City's deposits was \$18,947,498 and the bank balances were \$19,293,716. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be covered. The state requires that all deposits with financial institutions be collateralized in an account equal to 110% of uninsured deposits. The government does not have a deposit policy for custodial credit risk.

Insured	\$ 1,205,846
Collateral held by pledging bank's trust department in the City's name	<u>18,087,870</u>
Total	<u>\$ 19,293,716</u>

Investments

State statutes authorize the City to invest only in obligations of the United States and of its agencies and instrumentalities, or bonds or certificates of indebtedness of the State of Georgia and of its agencies and instrumentalities, or certificates of deposit of banks and savings and loan associations which have deposits insured by the FDIC or FSLIC with any uninsured amounts collateralized by direct obligations of the United States or State of Georgia.

The City's investments are categorized to give an indication of the level of risk assumed by the City at June 30, 2009. The categories are described as follows:

- Category 1. Insured, registered, or securities held by the City or its agent in the City's name.
- Category 2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.
- Category 3. Uninsured and unregistered, with securities held by the counterparty, or its trust department or agent, but not in the City's name.

City of Carrollton, Georgia
Notes to Basic Financial Statements
June 30, 2009

Note 3. Detail Notes on Transaction Classes/Accounts – continued

3.A. Cash and Investments – continued

Investments - continued

Investments, categorized by level of risk, are:

<u>Types of Investment</u>	<u>Category</u>			<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Primary Government					
Certificates of deposit	<u>\$ 4,196,491</u>	<u>\$ 00</u>	<u>\$ 00</u>	<u>\$ 4,196,491</u>	<u>\$ 4,196,491</u>
Component Unit					
U.S. Government					
securities	14,413	00	00	14,413	14,413
Repurchase agreements	<u>1,244,907</u>	<u>00</u>	<u>00</u>	<u>1,244,907</u>	<u>1,244,907</u>
	<u>1,259,320</u>	<u>00</u>	<u>00</u>	<u>1,259,320</u>	<u>1,259,320</u>
Grand total investments	<u>\$ 5,455,811</u>	<u>\$ 00</u>	<u>\$ 00</u>	<u>\$ 5,455,811</u>	<u>\$ 5,455,811</u>

3.B. Accounts and Other Receivables

	<u>Receivable</u>	<u>Allowance</u>	<u>Net</u>
Governmental Activities:			
Advalorem tax	\$ 244,195	\$ (23,058)	\$ 221,137
Sales tax	638,697	00	638,697
Beer and wine tax	61,570	00	61,570
Franchise tax	740,028	00	740,028
Police fines	800,500	(543,670)	256,830
Occupation tax	5,969	00	5,969
Other	24,235	00	24,235
Other governments	<u>5,736,770</u>	<u>00</u>	<u>5,736,770</u>
	<u>\$ 8,251,964</u>	<u>\$ (566,728)</u>	<u>\$ 7,685,236</u>
Business-Type Activities:			
Receivable from customers	\$ 2,119,659	\$ (312,373)	\$ 1,807,286
Miscellaneous	<u>23,569</u>	<u>(12,107)</u>	<u>11,462</u>
	<u>\$ 2,143,228</u>	<u>\$ (324,480)</u>	<u>\$ 1,818,748</u>

City of Carrollton, Georgia
Notes to Basic Financial Statements
June 30, 2009

Note 3. Detail Notes on Transaction Classes/Accounts – continued

3.C. Capital Assets

Capital assets activity for the year ended June 30, 2009 was as follows:

	Balance at July 1, 2008	Additions	Disposals, Transfers and Adjustments	Balance at June 30, 2009
Governmental activities:				
Non-depreciable:				
Land	\$ 5,501,280	\$ 2,711,636	\$ 00	\$ 8,212,916
Construction in progress	<u>2,059,852</u>	<u>895,500</u>	<u>(1,510,273)</u>	<u>1,445,079</u>
Total non-depreciable	<u>\$ 7,561,132</u>	<u>\$ 3,607,136</u>	<u>\$ (1,510,273)</u>	<u>\$ 9,657,995</u>
Depreciable:				
Land improvements	\$ 4,530,678	\$ 196,100	\$ 00	\$ 4,726,778
Buildings and improvements	22,595,007	524,855	1,510,273	24,630,135
Furnishings, vehicles, machinery and equipment	9,443,906	1,499,371	(309,862)	10,633,415
Infrastructure	<u>61,911,331</u>	<u>687,913</u>	<u>00</u>	<u>62,599,244</u>
Totals at historical cost	<u>98,480,922</u>	<u>2,908,239</u>	<u>1,200,411</u>	<u>102,589,572</u>
Less accumulated depreciation:				
Land improvements	682,522	190,090	00	872,612
Buildings and improvements	3,955,089	449,714	00	4,404,803
Furnishings, vehicles, machinery and equipment	6,213,869	736,739	(285,338)	6,665,270
Infrastructure	<u>18,773,384</u>	<u>1,660,328</u>	<u>00</u>	<u>20,433,712</u>
Total accumulated depreciation	<u>29,624,864</u>	<u>3,036,871</u>	<u>(285,338)</u>	<u>32,376,397</u>
Governmental activities capital assets (depreciable), net	<u>\$ 68,856,058</u>	<u>\$ (128,632)</u>	<u>\$ 1,485,749</u>	<u>\$ 70,213,175</u>
Business-type activities:				
Non-depreciable:				
Land	\$ 8,746,082	\$ 33,648	\$ 00	\$ 8,779,730
Construction in progress	<u>8,787,946</u>	<u>6,159,455</u>	<u>(11,210,194)</u>	<u>3,737,207</u>
Total non-depreciable	<u>\$ 17,534,028</u>	<u>\$ 6,193,103</u>	<u>\$ (11,210,194)</u>	<u>\$ 12,516,937</u>
Depreciable:				
Buildings and improvements	\$ 5,156,020	\$ 26,734	\$ 583,455	\$ 5,766,209
Water and sewer distribution system	67,124,604	1,469,064	10,626,739	79,220,407
Vehicles, machinery and equipment	<u>4,431,423</u>	<u>8,956</u>	<u>(33,423)</u>	<u>4,406,956</u>
Totals at historical cost	<u>76,712,047</u>	<u>1,504,754</u>	<u>11,176,771</u>	<u>89,393,572</u>
Less accumulated depreciation:				
Buildings and improvements	3,203,893	107,942	00	3,311,835
Water and sewer distribution system	17,526,732	1,325,129	00	18,851,861
Vehicles, machinery and equipment	<u>2,675,745</u>	<u>368,964</u>	<u>(33,423)</u>	<u>3,011,286</u>
Total accumulated depreciation	<u>23,406,370</u>	<u>1,802,035</u>	<u>(33,423)</u>	<u>25,174,982</u>
Business-type capital assets (depreciable), net	<u>\$ 53,305,677</u>	<u>\$ (297,281)</u>	<u>\$ 11,210,194</u>	<u>\$ 64,218,590</u>

Beginning balances have been restated to reflect prior period adjustments as described in Note 4.K.

City of Carrollton, Georgia
Notes to Basic Financial Statements
June 30, 2009

Note 3. Detail Notes on Transaction Classes/Accounts – continued

3.C. Capital Assets – continued

Depreciation was charged to governmental activities as follows:

General government	\$ 105,291
Public safety	488,328
Highways and streets	1,708,056
Recreation and culture	<u>735,196</u>
	<u>\$ 3,036,871</u>

3.D. Long-Term Debt

The following is a summary of the changes in long-term debt of the City for the fiscal year ended June 30, 2009:

<u>Activity Type</u>		<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2009</u>	<u>Amounts Due Within One Year</u>
Governmental	General Obligation School Bonds, Series 2002	2,200,000	\$ 00	\$ 2,200,000	\$ 00	\$ 00
Governmental	Lease payable – GMA Lease Pool	269,554	00	92,830	176,724	92,864
Governmental	Intergovernmental Debt - Carroll County	00	10,619,420	00	10,619,420	00
Business-Type	Series 1993 Water and Sewer Bonds	1,630,000	00	295,000	1,335,000	310,000
Business-Type	Series 1997 Water and Sewer Bonds	1,539,965	00	131,899	1,408,066	139,201
Business-Type	Georgia Environmental Facilities Authority Note payable SRF 13090801	2,115,059	00	367,552	1,747,507	374,905
Business-Type	Georgia Environmental Facilities Authority Note payable SRF 93-015WS	1,010,922	00	107,656	903,266	112,860
Business-Type	Lease payable – GMA Lease Pool	199,116	00	76,772	122,344	76,772
Business-Type	Georgia Environmental Facilities Authority Note payable Project 2008-L03 WJ	<u>3,214,779</u>	<u>1,987,365</u>	<u>00</u>	<u>5,202,144</u>	<u>84,871</u>
	Total primary government	12,179,395	12,606,785	3,271,709	21,514,471	1,191,473
Component Unit	Series 2004, Redevelopment Authority Bonds	<u>3,935,000</u>	<u>00</u>	<u>3,935,000</u>	<u>00</u>	<u>00</u>
	Total primary government and component unit	<u>\$ 16,114,395</u>	<u>\$ 12,606,785</u>	<u>\$ 7,206,709</u>	<u>\$ 21,514,471</u>	<u>\$ 1,191,473</u>

City of Carrollton, Georgia
Notes to Basic Financial Statements
June 30, 2009

Note 3. Detail Notes on Transaction Classes/Accounts - continued

3.D. Long-Term Debt - continued

General Obligation Bonds

On March 6, 2002, the City sold \$9,250,000 General Obligation School Bonds, Series 2002. The proceeds from the bonds were used to acquire, construct, renovate, modify, improve, extend, and equip capital outlay projects within the Carrollton City School System. Interest payments were due on February 1, and August 1, or each year, with the first interest payment due August 1, 2002. Except for \$173,024 applied to issuance costs, which were accounted for in the Debt Service Fund, the proceeds from the sale went directly to the Carrollton School Board which administered the capital project. These bonds were paid off this year.

Intergovernmental Debt – Carroll County

During the year ended June 30, 2009, Carroll County, Georgia issued \$40,500,000 of General Obligation Sales Tax Bonds, Series 2008. The proceeds from the bonds are to be used to fund a portion of the 2009 SPLOST Carroll County projects and City of Carrollton projects.

The City of Carrollton received \$10,619,420 from the bond proceeds. This amount is reflected as a payable to Carroll County because the bonds issued are a general obligation of the County. Therefore, the full amount of bonds payable is reflected in the County's liabilities. The City of Carrollton will pay 26% of the bond interest and principal each year. Interest paid by the City will be recognized as interest expense on the payable, and the County will recognize the full amount of interest expense on the bonds. The City's portion of bond principal paid will decrease the payable to the County, while the County will use the proceeds to pay down its bonds payable balance.

The City's debt service requirements to maturity, including interest varying from 3.5% to 5.0%, is as follows:

<u>Fiscal year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 00	\$ 525,539	\$ 525,539
2011	1,565,200	442,546	2,007,746
2012	1,635,400	370,198	2,005,598
2013	1,710,800	292,198	2,002,998
2014	1,791,400	211,240	2,002,640
2015	1,873,300	129,503	2,002,803
2016	<u>2,043,320</u>	<u>43,927</u>	<u>2,087,247</u>
	<u>\$ 10,619,420</u>	<u>\$ 2,015,151</u>	<u>\$ 12,634,571</u>

City of Carrollton, Georgia
Notes to Basic Financial Statements
June 30, 2009

Note 3. Detail Notes on Transaction Classes/Accounts - continued

3.D. Long-Term Debt - continued

Business-Type Activity

Water and Sewerage Revenue Bond Series 1993

In December, 1993 the City issued Water and Sewerage Revenue Bonds Series 1993 totaling \$4,850,000 to pay the costs of certain improvements to the City's water and sewer system. The bonds are secured by a pledge of the net revenues derived from the operation of the water system. The bonds are payable over a period of twenty years at 4.8% interest payable semiannually January 1 and July 1. The principal is due annually on July 1. Bond issuance costs of \$232,818 were incurred relative to the sale which includes surety bond insurance expense of \$103,000. Total issuance cost will be amortized over the life of the bonds.

The following is a schedule of principal and interest requirements to maturity on 1993 Bonds:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
FYE 2010	\$ 310,000	\$ 65,480	\$ 375,480
FYE 2011	325,000	50,600	375,600
FYE 2012	340,000	35,000	375,000
FYE 2013	<u>360,000</u>	<u>18,000</u>	<u>378,000</u>
	<u>\$ 1,335,000</u>	<u>\$ 169,080</u>	<u>\$ 1,504,080</u>

Water and Sewerage Revenue Bond Series 1997

In November, 1997 the City issued Water and Sewerage Revenue Bonds Series 1997 totaling \$2,600,000 to pay the costs of certain improvements to the City's water and sewer system. The bonds are secured by a pledge of the net revenues derived from the operation of the water system. The bonds are payable over a period of twenty years at 5.35% interest. Quarterly payments of principal and interest are due January 1, April 1, July 1, and October 1. Bond issuance costs of \$53,300 were incurred relative to the sale which includes surety bond insurance expense of \$11,000. Total issuance cost will be amortized over the life of the bonds.

The following is a schedule of principal and interest requirements to maturity on 1997 Bonds:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
FYE 2010	\$ 139,201	\$ 73,550	\$ 212,751
FYE 2011	146,906	65,845	212,751
FYE 2012	154,881	57,870	212,751
FYE 2013	163,612	49,139	212,751
FYE 2014	172,669	40,082	212,751
FYE 2015	182,228	30,523	212,751
FYE 2016	192,262	20,489	212,751
FYE 2017	202,958	9,793	212,751
FYE 2018	<u>53,349</u>	<u>717</u>	<u>54,066</u>
	<u>\$ 1,408,066</u>	<u>\$ 348,008</u>	<u>\$ 1,756,074</u>

City of Carrollton, Georgia
Notes to Basic Financial Statements
June 30, 2009

Note 3. Detail Notes on Transaction Classes/Accounts – continued

3.D. Long-Term Debt – continued

Other Fund Requirements:

Sinking Funds

The ordinance authorizing the issuance of the Series 1993 and 1997 revenue bonds requires that a sinking fund be established for the purpose of making payments of principal and interest. Monthly transfers into the sinking fund from the water revenue account are required to provide sufficient funds to pay all outstanding bonds at their respective maturities and the interest payable thereon. This account reflected a balance of \$4,209 on June 30, 2009.

Debt Service Reserve and Surety Bonds

After satisfying sinking fund conditions, the 1993 bond ordinance specifies that a Debt Service Reserve Fund be established and amounts deposited equal to the Debt Service requirement. The bond document states that this requirement was fulfilled by depositing into the debt service fund an irrevocable surety bond of \$33,420 at the date of bond issuance.

Renewal and Extension Fund

The 1993 bond ordinance requires that after paying debt service funds, all moneys remaining in the Revenue Fund in excess of reasonable operating needs, shall be transferred to a special account designated as a "Renewal and Extension Fund" until the balance in the fund reaches \$200,000. The purpose of the fund is to be available for water system emergencies and for normal replacements.

Georgia Environmental Facilities Authority Note Payable - Water Fund - SRF 13090801

On May 19, 1989, the City signed an agreement with the Georgia Department of Natural Resources Environmental Protection Division and with the Georgia Environmental Facilities Authority to obtain a promissory note for \$6,240,000 to finance one phase of the City's environmental facilities project. The amount actually financed was \$6,696,253. The interest rate is 2% per annum with principal and interest being repaid in 80 quarterly payments of \$101,763 which began on March 1, 1994. The payment agreement changed from quarterly to monthly during fiscal year ended June 30, 2005. The principal balance payable at June 30, 2008 was \$2,115,058.

The following is a summary of the debt service requirements for the next five years.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
FYE 2010	\$ 374,905	\$ 31,532	\$ 406,437
FYE 2011	382,472	23,965	406,437
FYE 2012	390,168	16,269	406,437
FYE 2013	398,084	8,353	406,437
FYE 2014	201,878	1,185	203,063
	<u>\$ 1,747,507</u>	<u>\$ 81,304</u>	<u>\$ 1,828,811</u>

City of Carrollton, Georgia
Notes to Basic Financial Statements
June 30, 2009

Note 3. Detail Notes on Transaction Classes/Accounts – continued

3.D. Long-Term Debt – continued

Georgia Environmental Facilities Authority Note Payable - Water Fund - SRF 93-015WS

On October 26, 1993, the City signed an agreement with the Georgia Environmental Facilities Authority to obtain a promissory note for \$2,000,000 of which \$1,973,340 was used to finance another phase of the City's environmental facilities project. The interest rate on this permanent financing is 4.8%. Principal and interest will be repaid in 78 quarterly payments of \$38,555 which commenced February, 1997. The payment period changed from quarterly to monthly during the fiscal year ended June 30, 2005.

The following is a summary of the current debt service requirements:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
FYE 2010	\$ 112,860	\$ 40,901	\$ 153,761
FYE 2011	118,399	35,363	153,762
FYE 2012	124,162	29,600	153,762
FYE 2013	130,342	23,420	153,762
FYE 2014	136,077	17,685	153,762
FYE 2015 to 2016	<u>281,426</u>	<u>13,062</u>	<u>294,488</u>
	<u>\$ 903,266</u>	<u>\$ 160,031</u>	<u>\$ 1,063,297</u>

Georgia Environmental Facilities Authority Note Payable - Water Fund - 2008-LO3WJ

On May 19, 2008, the City signed an agreement with the Georgia Environmental Facilities Authority to obtain a promissory note for \$7,568,728 to be disbursed in periodic advances to finance a portion of the environmental facilities project which includes water plant rehabilitation and expansion and the construction of sewers in the Lake Carroll area. The amount advanced at June 30, 2009, was \$5,202,144. The interest rate is 4.1% compounded monthly with principal and interest payable in 239 monthly installments. Interest of \$199,285 was accrued at June 30, 2009, and capitalized to the construction projects.

The following is a summary of the debt service requirements for the next five years and years thereafter.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
FYE 2010	\$ 84,871	\$ 105,922	\$ 190,793
FYE 2011	175,042	206,543	381,585
FYE 2012	182,355	199,230	381,585
FYE 2013	189,974	191,611	381,585
FYE 2014	197,911	183,674	381,585
FYE 2015 to 2019	1,120,711	787,214	1,907,925
FYE 2020 to 2024	1,375,220	532,705	1,907,925
FYE 2025 to 2029	1,687,527	220,398	1,907,925
FYE 2030	<u>188,533</u>	<u>2,261</u>	<u>190,794</u>
	<u>\$ 5,202,144</u>	<u>\$ 2,429,558</u>	<u>\$ 7,631,702</u>

City of Carrollton, Georgia
Notes to Basic Financial Statements
June 30, 2009

Note 3. Detail Notes on Transaction Classes/Accounts – continued

3.D. Long-Term Debt – continued

GMA Lease Payable – Governmental and Business Types

1998 Series

The City began leasing equipment under a second GMA lease agreement in fiscal year ended June, 1999. It executed a Master Lease Agreement with the Trust for \$2,644,000 for the period June 1, 1998 to June 1, 2028, and supplemental lease agreements for each purchase of equipment handled under this lease. The principal balance payable at June 30, 2009, was \$299,068 with \$176,724 in the General Fund, \$8,986 in the Water Fund, and \$113,357 in the Sanitation Fund.

Other components of the agreement include certificates of participation, swap providers, OID and a rebate fund which involve several financial institutions and generate interest income which reduces net interest expense similar to the previous series.

Under the terms of the agreement, the City is required to make lease payments in sufficient amounts to pay when due the principal of and interest on its share of certificates each year as well as administrative and issuance costs of the certificates. The obligation to make such payments is conditioned upon the annual appropriation of funds by the Mayor and City Council.

The following is a schedule of future minimum lease payments under this capital lease as of June 30, 2009. For purposes of this schedule, an assumed interest rate of 4.75% was used.

General Fund:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
FYE 2010	\$ 92,864	\$ 5,832	\$ 98,696
FYE 2011	83,860	1,670	85,530
	<u>\$ 176,724</u>	<u>\$ 7,502</u>	<u>\$ 184,226</u>

Business-Type Funds:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
FYE 2010	\$ 76,772	\$ 3,693	\$ 80,465
FYE 2011	45,572	907	46,479
	<u>\$ 122,344</u>	<u>\$ 4,600</u>	<u>\$ 126,944</u>

Vehicles and equipment held under capital leases at June 30, 2009 were \$631,988 in governmental-type funds and \$383,863 in business-type funds.

The City has no operating leases at this time.

City of Carrollton, Georgia
Notes to Basic Financial Statements
June 30, 2009

Note 3. Detail Notes on Transaction Classes/Accounts – continued

3.D. Long-Term Debt - continued

Component Unit Long-Term Debt – Carrollton Redevelopment Authority Revenue Bonds – Series 2004

The following is a summary of changes in the long-term debt of the Carrollton Redevelopment Authority for the year ended June 30, 2009:

	Balance <u>July 1, 2008</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2009</u>
Series 2004 Revenue Bonds Payable	\$ <u>3,935,000</u>	\$ <u>00</u>	\$ <u>3,935,000</u>	\$ <u>00</u>

These bonds were paid off this year.

3.E. Interfund Transactions and Balances

Transfers and payments within the reporting entity are substantially for the purpose of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis. Resources are accumulated in a fund or component unit to support and simplify the administration of various projects or programs.

Transfers	Transfers <u>In</u>	Transfers <u>Out</u>
General Fund:		
Nonmajor governmental	\$ 27,758	\$ 00
Water and sewer	632,640	00
Sanitation	<u>217,476</u>	<u>00</u>
	<u>\$ 877,874</u>	<u>\$ 00</u>
Nonmajor Funds:		
General fund	<u>\$ 00</u>	<u>\$ 27,758</u>
Business-type:		
Water and sewer fund	\$ 00	\$ 632,640
General fund		
Sanitation fund		
General fund	<u>00</u>	<u>217,476</u>
	<u>\$ 00</u>	<u>\$ 850,116</u>

City of Carrollton, Georgia
Notes to Basic Financial Statements
June 30, 2009

Note 3. Detail Notes on Transaction Classes/Accounts – continued

3.E. Interfund Transactions and Balances

Interfund balances at June 30, 2009, consisted of the following amounts and represent charges for services or reimbursable expenses. These remaining balances resulted from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting period, and (3) payments between funds are made. The City expects to repay all interfund balances within one year.

Interfund balances reported in the fund financial statements are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Governmental Funds:		
General Fund:		
2004 SPLOST Fund	\$ 00	\$ 00
Debt Service Fund	00	00
Hotel/Motel Tax Fund	10,270	00
1994 SPLOST Fund	5,037	00
Water Fund	231,252	00
Sanitation Fund	186,397	00
2009 SPLOST Fund	<u>00</u>	<u>953,968</u>
	<u>432,956</u>	<u>953,968</u>
2004 SPLOST Fund:		
General Fund	953,968	00
2009 SPLOST Fund	<u>100,000</u>	<u>00</u>
	<u>1,053,968</u>	<u>00</u>
2009 SPLOST Fund:		
2004 SPLOST Fund	<u>00</u>	<u>100,000</u>
Total Major Funds	<u>1,486,924</u>	<u>1,053,968</u>
Non-Major Governmental Funds:		
1994 SPLOST Fund:		
General Fund	00	5,037
Water Fund	<u>00</u>	<u>222,166</u>
	<u>00</u>	<u>227,203</u>
Hotel/Motel Fund:		
General Fund	<u>00</u>	<u>10,270</u>
Total Non-Major Governmental Funds	<u>00</u>	<u>237,473</u>
Grand Total – Governmental Funds	<u>\$ 1,486,924</u>	<u>\$ 1,291,441</u>
Net of receivables over payables		<u>\$ 195,483</u>

City of Carrollton, Georgia
Notes to Basic Financial Statements
June 30, 2009

Note 3. Detail Notes on Transaction Classes/Accounts – continued

3.E. Interfund Transactions and Balances – continued

Business-Type Funds:	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Water and Sewer Fund:		
General Fund	\$ 00	\$ 231,252
1994 SPLOST	222,166	00
Sanitation Fund	<u>00</u>	<u>42,632</u>
	<u>222,166</u>	<u>273,884</u>
Sanitation Fund:		
General Fund	00	186,397
Water Fund	<u>42,632</u>	<u>00</u>
	<u>42,632</u>	<u>186,397</u>
Total Business – Type Funds	<u>\$ 264,798</u>	<u>\$ 460,281</u>
Net of receivables over payables		<u>\$ (195,483)</u>

3.F. Deferred Costs

Enterprise Fund

Loan closing cost of \$240,000 on the note from the State revolving loan is being amortized over the loan repayment period in the City's Water and Sewerage System Enterprise Fund and the net unamortized value is \$53,000. Bond issuance costs of \$232,818 and \$53,300 were incurred on the 1993 and 1997 Water and Sewerage Revenue Bonds, respectively as reflected in Note 3D. These are being amortized over the bond repayment period. The net unamortized balances are \$49,780 and \$22,431 respectively.

3.G. Pensions

The City's provisions for cost of retirement and OPEB are recorded on the accrual basis in the governmental wide statement.

3.H. Accumulated Unpaid Vacation and Sick Pay

Accumulated unpaid vacation has been accrued in the various funds where applicable. Sick pay is not paid upon termination and therefore has not been accrued in the various funds.

3.I. Enterprise and Capital Project Fund Interest

Enterprise and capital project fund interest is charged to expense as incurred except for interest related to borrowings used for construction projects net of earnings which is capitalized until such time when construction is substantially complete.

City of Carrollton, Georgia
Notes to Basic Financial Statements
June 30, 2009

Note 4. Other Notes

4.A. Retirement Plan and Post Retirement Benefits

Plan Description of the City of Carrollton Retirement Plan

The City contributes to the Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for cities in the State of Georgia. The City's payroll for employees covered by the system for the year ended May 1, 2009, was \$10,987,492, and total wages were \$12,827,215.

All full-time City employees with one year of service are eligible to participate in the system. Benefits vest after 10 years of credited service. City employees can retire at or after age 65 with five years of credited service or after age 55 with 10 years of credited service. There is no maximum employee entry age. The benefit formula ranges from 1.0% to 1.75% of annual salary based on year of birth of the employee. An extra credit is earned for years of service. The system also provides death and disability benefits. These benefit provisions and all other requirements are established by the Georgia Municipal Employees Benefit System and the adoption agreement executed by the City.

City employees are not required to contribute to the Plan, rather the City contributed the amount necessary to fund the system, using the actuarial basis specified by the adoption agreement.

As of May 1, 2009, the current plan membership includes the following categories of participants:

Retirees and beneficiaries currently receiving benefits	87
Terminated employees entitled to benefits but not yet receiving them	67
Current active employees:	
Vested	124
Nonvested	<u>159</u>
Total membership in the plan	<u>437</u>

Plan Asset Matters and Accounting Policies

Asset Data: The Georgia Municipal Employees Benefit System has supplied all asset data used in the valuation. The actuarial value of assets is based on the roll forward of prior year's actuarial value, with contributions, disbursements, and expected return on investments plus 10% of investment gains (losses) during ten prior years.

City of Carrollton, Georgia
Notes to Basic Financial Statements
June 30, 2009

Note 4. Other Notes - continued

4.A. Retirement Plan and Post Retirement Benefits – continued

Plan Asset Matters and Accounting Policies – continued

Participant Data: The primary source of participant data for the current valuation is a census of all participants which was prepared as of March 1, 2009, supplied by the City through GMEBS.

The System assets do not include any loans, notes, or bonds or other instruments or securities of the City or related parties.

Report

This plan has a stand alone financial report which may be obtained by writing Georgia Municipal Association, Inc. at 201 Pryor Street, S.W., Atlanta, Georgia 30303.

Funding Status and Progress

The amount shown below as the "actuarial accrued liability" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of the plan on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is the actuarial present value of credited projected benefits and is independent of the funding method used to determine contributions to the Plan.

The "actuarial accrued liability" was computed as part of an actuarial valuation performed as of May 1, 2009. Significant actuarial assumptions used in the valuation include (a) rate of return on the investment of present and future assets of 8 percent a year, (b) projected salary increases of 5.5 percent a year attributable to inflation (5.0%) and merit or seniority (0.5%), and (c) no post retirement benefit increases.

City of Carrollton, Georgia
Notes to Basic Financial Statements
June 30, 2009

Note 4. Other Notes - continued

4.A. Retirement Plan and Post Retirement Benefits – continued

Funding Status and Progress – continued

Required Supplementary Information
Schedule of Pension Plan Funding Progress
As of June 30, 2009
(Unaudited)

Actuarial Valuation Date (May 1)	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL/ (Funding Excess) (b - a)	Funded Ratio (a / b)	Annual Covered Payroll (prior year) (c)	Unfunded AAL/ (Funding Excess) as Percentage of Covered Payroll ((b - a) / c)
2000	\$ 9,875,943	\$ 8,189,050	\$ (1,686,893)	121%	\$ 6,656,894	(25.3%)
2001	10,457,558	8,995,596	(1,461,962)	116%	7,186,210	(20.3%)
2002	10,977,911	10,561,384	(416,527)	104%	7,546,555	(5.5%)
2003	11,307,091	11,661,677	354,586	97%	8,417,491	4.2%
2004	11,793,503	13,410,891	1,617,389	88%	8,804,537	18.3%
2005	12,418,646	14,336,504	1,917,858	87%	9,113,333	21.0%
2006	13,197,901	14,517,915	1,320,014	91%	8,829,755	14.9%
2007	13,971,149	15,501,567	1,530,418	90%	9,357,443	16.4%
2008	14,689,299	16,789,002	2,099,703	87%	9,973,562	21.1%
2009	10,138,698	17,584,324	7,445,626	58%	10,987,492	67.8%

The funding policy for the plan is to contribute an amount equal to the recommended contribution in each year. These contributions are determined under the projected unit credit actuarial cost method. The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 1981 and current changes in the unfunded actuarial liability over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods, if applicable, are closed for this plan year.

The significant actuarial assumptions used to compute the actuarially determined contribution requirements are the same as those used to compute the pension benefit obligation as described previously.

Contributions totaling \$1,475,145 were made in accordance with actuarially determined contribution requirements determined by an actuarial valuation performed as of May 1, 2009, for the plan year. These contributions consist of (a) \$525,362 of normal cost, (b) \$894,241 of amortization of the unfunded actuarial accrued liability, and (c) \$55,542 in interest. The employer contribution represents 13.4 percent of payroll.

City of Carrollton, Georgia
Notes to Basic Financial Statements
June 30, 2009

Note 4. Other Notes - continued

4.A. Retirement Plan and Post Retirement Benefits – continued

Trend Information

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

Schedule of Employer Contribution
Ten-Year Trend Information
As of June 30, 2009
(Unaudited)

<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6-30-00	152,176	100%	0
6-30-01	206,361	100%	0
6-30-02	312,931	100%	0
6-30-03	452,321	100%	0
6-30-04	625,798	100%	0
6-30-05	695,628	100%	0
6-30-06	639,732	100%	0
6-30-07	695,693	100%	0
6-30-08	808,700	100%	0
6-30-09	1,475,145	100%	0

Post Retirement Benefits

In addition to the pension benefits described previously, the City provides through the Georgia Municipal Association, by passage of local ordinance, post-retirement health care benefits to all employees who are enrolled in the retirement plan. Currently, 24 retirees are eligible for post-retirement health care benefits. The City pays 100% of the retiree's portion of medical insurance premiums until the employee qualifies for Medicare. Expenditures for post-retirement health care benefits are currently recognized as incurred. No stand alone financial statements are provided for this entity.

Membership

The following schedule (derived from the most recent actuarial valuation report) reflects membership for the OPEB Health Care Plan as of May 1, 2008

Active members	295
Retired members	<u>24</u>
Total	<u>319</u>

City of Carrollton, Georgia
Notes to Basic Financial Statements
June 30, 2009

Note 4. Other Notes - continued

4.A. Retirement Plan and Post Retirement Benefits – continued

Contributions

The City did not contribute to the OPEB Health Care Plan in fiscal year 2009. The annual required contribution amount is determined using actuarial methods and assumptions approved by the Council. The Council establishes and may amend the funding policy for the OPEB Health Care Plan.

The City's actuarially required contribution, OPEB cost, and increase in net OPEB obligation for the year ended June 30, 2009, were computed as follows:

Actuarially required contribution	<u>\$ 172,324</u>
Annual OPEB cost	172,324
Actual contributions made	<u>00</u>
Increase in net OPEB obligation	172,324
Net OPEB obligation, June 30, 2008	<u>00</u>
Net OPEB obligation, June 30, 2009	<u>\$ 172,324</u>

Fiscal Year Ended <u>June 30,</u>	Annual OPEB Cost	Actual OPEB <u>Contribution</u>	Percentage of OPEB Cost <u>Contributed</u>	Net OPEB <u>Obligation</u>
2009	\$ 172,324	\$ 00	00.00%	\$ 172,324

As of the most recent valuation date, May 1, 2008, the funded status of the OPEB Health Care Plan was as follows:

Actuarial Value of Asset	\$ 00
Actuarial Accrued Liability (AAL)	\$ (1,448,245)
Unfunded Actuarial Accrued Liability (UAAL)	\$ (1,448,245)
Funded Ratio	0.00%
Covered Payroll	\$ 11,187,895
Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll	12.95%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future and actuarially determined amounts are subject to continued revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the plan in effect at May 1, 2008. The assumptions used in the May 1, 2008 actuarial valuation are as follows:

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Dollar, Closed, 25 Years
Remaining Amortization Period	25 Years as of July 1, 2008
Asset Valuation Method	Market Value of Assets
Investment Rate of Return (Includes inflation at 3.00%)	8.00% prefunded or 4.00% pay-as-you-go
Medical and Drug Cost Trend Rate	9.00% graded to 5.00% over 8 years

City of Carrollton, Georgia
Notes to Basic Financial Statements
June 30, 2009

Note 4. Other Notes - continued

4.B. Risk Management

The City is exposed to various risks of losses related to torts, thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries commercial insurance. The City purchased commercial insurance to cover property and professional liability claims. The City has joined together with other municipalities in the state as part of 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 risks, the City is obligated to pay all contributions and assessments as prescribed by the pool, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The City is also to allow the pool's agents and attorneys to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the funds.

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

Settled claims in the last three years have not exceeded insurance coverage.

4.C. Litigations and Contingent Liabilities

The City is involved in various cases which are active. The City intends to vigorously defend its positions on these matters. Should any of these cases be settled unfavorably, the City has set aside the funds to cover the settlements. Therefore, these cases should not have an adverse effect on the City's financial condition.

4.D. Joint Ventures

Under Georgia law, the City, in conjunction with other cities and counties, is a member of the Chattahoochee Flint Regional Development Commission (RDC) and is required to pay annual dues thereto. Membership in a RDC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the RDC in Georgia. The RDC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of a RDC. Separate financial statements may be obtained from the office located on Highway 34, Franklin, Georgia.

City of Carrollton, Georgia
Notes to Basic Financial Statements
June 30, 2009

Note 4. Other Notes - continued

4 E. Component Units

Blended Component Units

The activity and assets of the following two component units (Swimming Association and Area Convention and Visitors Bureau) which are functions of the Parks, Recreation, and Cultural Arts Department, were blended in the City's general fund financial statements. Component unit financial statements are available at the office of the Parks, Recreation and Cultural Arts Department, 118 S. White St., Carrollton, Georgia 30117.

Carrollton Swimming Association

This nonprofit group is the organization of parents who have children on the Carrollton Swim Team and support the activities financially, by dues and other fund raising activities. Annual costs are approximately \$170,700.

Carrollton Area Convention and Visitors Bureau

This entity superseded the Carroll County Area Convention and Visitors Bureau and is funded from a portion of the tax assessed on area motel and hotel receipts. Approximately \$128,000 was expended to promote tourism in the area this year.

Discretely Presented Component Units

Carrollton Redevelopment Authority

In September of 2000, the Carrollton Redevelopment Authority was reactivated for the sole purpose of issuing revenue bonds to provide advance funding for SPLOST construction projects which would be subsequently repaid with SPLOST revenue. On December 1, 2005, the City signed an intergovernmental agreement with Carroll County to provide immediate joint funding to the two governments by issuing \$15,050,000 in revenue bonds to the Carrollton Redevelopment Authority. This will enable the City and County to finance and reimburse the costs of the 2004 Special Purpose Local Option Sales Tax (SPLOST) projects. The City's portion of the revenue bonds was \$10,130,000, and the County's portion was \$4,920,000. These bonds were paid in full in fiscal year ended June 30, 2009.

City of Carrollton, Georgia
Notes to Basic Financial Statements
June 30, 2009

Note 4. Other Notes – continued

4.F. Special Local Option Sales Tax

1994 SPLOST

In 1993, the voters of Carroll County approved a one percent special local option sales tax (SPLOST) to finance street improvement and other capital projects in the County. On September 22, 1993, Carroll County entered into a contract with the various cities whereby the revenues for this tax would be shared with these cities to be used for street improvement and other capital projects. The City of Carrollton's allocable portion of total funds was 22.37%. The collection on this tax began April 1, 1994, through March 31, 1999. Remaining funds are earmarked for renovation of the train depot, for which the City received title on January 3, 2006.

2004 SPLOST

In 2003, the voters of Carroll County approved a one percent special local option sales tax (SPLOST) to finance various capital projects in the County. On August 7, 2003, Carroll County entered into a contract with the various cities whereby the revenues for this tax would be shared with these cities to be used for various capital projects. The City of Carrollton's allocable portion of total funds is 25.10%. The collection on this tax began April 1, 2004, through March 31, 2009.

2009 SPLOST

In 2008, the voters of Carroll County approved a one percent special local option sales tax (SPLOST) to finance various capital projects in the County. On July 14, 2008, Carroll County entered into a contract with the various cities whereby the revenues for this tax would be shared with these cities to be used for various capital projects. The City of Carrollton's allocable portion of total funds is 20.38%. The collection on this tax began April 1, 2009, and is to be collected for a period of no more than five years.

Activity in each SPLOST issue is accounted for in a separate capital project fund to reflect current major construction activity.

4.G. Hotel/Motel Lodging Tax

The City collects and disburses a hotel/motel tax in accordance with the provisions with OCGA 48-13-51. The total rate of 5% generated \$239,596 in tax receipts and is allocated as follows: 40% of total to the Carrollton Convention Center or \$95,838, 20% of total or \$47,919 to the Carroll County Chamber of Commerce, and 40% or \$95,838 retained by the City and spent in accordance with legal provisions.

City of Carrollton, Georgia
Notes to Basic Financial Statements
June 30, 2009

Note 4. Other Notes - continued

4.H. Contingent Liabilities and Commitments

State Revolving Loan Agreement

The State revolving loan agreement requires that in the event the loan cannot be repaid from water fund revenues, the City has a general obligation to collect and apply sufficient tax to repay the principal and interest on the loan as required in the loan agreement.

The following reflects future project commitments and plans.

Bradley Street Depot Renovation

The Bradley Street train depot is scheduled to begin renovation during the summer of 2009. Renovations include building structure stabilization (foundation brick veneer, windows, and roof). The estimated cost of this project is \$500,000 and will be funded by the residual balance of the 1994 SPLOST.

Lake Carroll Dam

The design phase of the Lake Carroll Dam project has been completed and submitted to the Georgia EPD for Safe Dam Review. Due to extreme drought conditions, the project has been deferred indefinitely.

Sanitary Sewer I & I – Phase II

Phase I of this project to reduce inflow and infiltration (I & I) was completed in 2004. Phase II of this project was started in July of 2005, which included approximately \$220,000 in flow monitoring, surveying and sewer modeling; which allowed City crews to locate additional sources of I & I. The repair of known leakage points is underway. The 5-year plan for this project includes annual appropriations of \$600,000 to finish the sewer study and model, and affect repairs.

Justice Center Parking Deck

Construction on the Tanner Street justice center parking deck began during FYE2009 with \$730,979 expended at year end. The contract total is \$3,579,454, of which Carroll County contributed \$997,715. Completion of the project is expected in the summer of 2010.

4.I. Economic Dependency

A significant portion of the water and sanitation funds service revenues are dependent on the business activity levels of commercial users.

4.J Lease Agreement

On January 26, 2004, the City entered into a lease agreement with the Community Action for Improvement, Inc. (CAFI), for a twenty year period extending through January 26, 2024, subject to the conditions of a grant from Georgia Department of Community Affairs (DCA). The City is leasing the Headstart building constructed in 2003 to CAFI for one dollar (\$1.00) per year. The City has agreed to maintain property and liability insurance on this building for the period of the lease. The property shall be reconveyed to the lessee (CAFI) in fee simple, upon the expiration or earlier termination of this lease provided the lessee has continued to use the facilities in a manner that complies with the "Continued Use of Facilities" statement set forth in the grant.

City of Carrollton, Georgia
Notes to Basic Financial Statements
June 30, 2009

Note 4. Other Notes – continued

4.K. Prior Period Adjustments

Changes were made to the beginning net assets and beginning fund balances of the primary government and component unit for the reasons stated below:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Primary government:		
Net Assets – June 30, 2008, as previously stated	<u>\$ 93,810,779</u>	<u>\$ 67,112,265</u>
Cumulative adjustments:		
Property transferred to Carroll County in prior year (Note 4.L.)	(1,109,130)	00
Performing arts parking deck costs duplicated in prior year	(117,424)	00
Vehicles in inventory not on prior depreciation schedule	51,887	00
Vehicle transferred from water fund to general fund	<u>7,806</u>	<u>(7,806)</u>
Total cumulative adjustments	<u>(1,166,861)</u>	<u>(7,806)</u>
Net Assets – June 30, 2008, as restated	<u>\$ 92,643,918</u>	<u>\$ 67,104,459</u>
	<u>General Fund</u>	<u>Water Fund</u>
Fund balance – General Fund, June 30, 2008 as previously stated	\$ 10,012,595	\$ 67,305,083
Prior year interfund payable adjustment	<u>837,271</u>	<u>(7,806)</u>
Fund balance – General Fund, June 30, 2008, as restated	<u>\$ 10,849,866</u>	<u>\$ 67,104,459</u>
	<u>Debt Service Fund</u>	
Fund balance – Debt Service Fund, as previously restated	\$ 3,937,302	
Prior year interfund balance adjusted at closure of fund	<u>(837,271)</u>	
Fund balance – Debt Service Fund, as restated	<u>\$ 3,100,031</u>	
	<u>Carrollton Redevelopment</u>	
Component Unit:		
Net assets component unit – June 30, 2008, as previously stated	\$ 179,693	
Cumulative adjustment for prior year transfers to Carroll County for 2004 SPLOST bond sinking fund payments	<u>316,829</u>	
Net assets component unit – June 30, 2008, as restated	<u>\$ 496,522</u>	

City of Carrollton, Georgia
Notes to Basic Financial Statements
June 30, 2009

Note 4. Other Notes – continued

4.L. Property Exchange and Reversal between City of Carrollton and Carroll County

On October 4, 2007, the City of Carrollton, Georgia, transferred to Carroll County, Georgia, two properties on Tanner and Bradley Streets in exchange for a permanent right of first refusal for the purchase of the College Street property owned by the County. Subsequently, after changing the location of the future Justice center, both parties determined that this property exchange should be rescinded. Attorneys for both parties indicated that the reversal of this exchange would occur early in 2009. Therefore, this transaction was not reflected in the City or the County financial statements for the year ended June 30, 2008.

During the year ended June 30, 2009, both parties agreed to reverse the transfer of the Tanner Street property only. Therefore, a prior period adjustment was made to record the transfer of the Bradley Street property to Carroll County in the year in which the transfer occurred. Although the Tanner Street property transfer has not been reversed yet, both parties have agreed that the initial transfer will be reversed and should not be reflected in the City or County financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

City of Carrollton, Georgia
 Budgetary Comparison Schedule – General Fund
 For the Year Ended June 30, 2009

	Original and Final <u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Taxes	\$ 9,879,237	\$ 9,596,518	\$ (282,719)
License and permits	3,658,000	3,631,427	(26,573)
Intergovernmental	1,263,628	1,604,332	340,704
Charges for services	1,017,856	1,182,417	164,561
Fines and forfeitures	950,000	1,158,564	208,564
Interest on invested funds	275,000	114,718	(160,282)
Contributions	00	67,515	67,515
Miscellaneous	<u>238,000</u>	<u>158,255</u>	<u>(79,745)</u>
Total revenues	<u>17,281,721</u>	<u>17,513,746</u>	<u>232,025</u>
Expenditures:			
General government	1,835,601	1,734,159	101,442
Public safety	10,918,499	9,663,798	1,254,701
Highways and streets	1,010,661	897,986	112,675
Landfill	66,830	66,627	203
Recreation and culture	5,503,627	5,324,226	179,401
Intergovernmental	<u>15,000</u>	<u>25,400</u>	<u>(10,400)</u>
Total expenditures	<u>19,350,218</u>	<u>17,712,196</u>	<u>1,638,022</u>
Excess (deficiency) of revenues over expenditures	<u>(2,068,497)</u>	<u>(198,450)</u>	<u>1,870,047</u>
Other financing sources:			
Transfers in	870,112	877,874	7,762
Proceeds from GMA pooled lease	<u>1,198,385</u>	<u>00</u>	<u>(1,198,385)</u>
Total other financing sources (uses)	<u>2,068,497</u>	<u>877,874</u>	<u>(1,190,623)</u>
Excess of revenues over expenditures and other financing sources (uses)	00	679,424	679,424
Fund balance at beginning of year, as restated	<u>10,849,866</u>	<u>10,849,866</u>	<u>00</u>
Fund balance at end of year	<u>\$ 10,849,866</u>	<u>\$ 11,529,290</u>	<u>\$ 679,424</u>

City of Carrollton, Georgia
Notes to Required Supplementary Information
June 30, 2009

Budgets are prepared for all governmental funds based on requests made by various department heads. The budgets include proposed expenditures and the means of financing them. Prior to budgets being legally enacted through passage of an ordinance, public hearings are held to obtain taxpayer comments. The budgets are prepared on the modified accrual basis of accounting. The City does not use an encumbrance system which records commitments related to unperformed contracts for goods and services.

The following department's expenditures exceeded its budgeted appropriations by more than three percent.

Legal	\$ 2,958
Intergovernmental	10,400

General fund revenue exceeded budgeted revenue by \$232,025.

In the future, actual expenditures will be compared to budgeted expenditures and budget amendments will be made when appropriate.

City of Carrollton, Georgia
Schedule of Funding Progress
June 30, 2009

Retirement Plan

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued (Liability) Excess</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>Actuarial Accrued (Liability) Excess as a Percentage of Covered Payroll</u>
May 1, 2007	\$ 13,971,149	\$ 15,501,567	\$ (1,530,418)	90.13%	\$ 9,357,443	(16.36%)
May 1, 2008	14,689,299	16,789,002	(2,099,703)	87.49%	9,973,562	(21.05%)
May 1, 2009	10,138,698	17,584,324	(7,445,626)	57.66%	10,987,492	(67.76%)

Actuarial assumption used in the calculation of above amounts are disclosed in the notes to the financial statements.

OPEB Health Care Plan

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued (Liability) Excess</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>Actuarial Accrued (Liability) Excess as a Percentage of Covered Payroll</u>
May 1, 2008	\$ 00	\$ 1,448,245	\$ (1,448,245)	00.00%	\$ 11,187,895	(12.95%)

Actuarial assumption used in the calculation of above amounts are disclosed in the notes to the financial statements.

The fiscal year ended June 30, 2009 is the first year of implementation for GASB #45.

OTHER SUPPLEMENTARY INFORMATION

City of Carrollton, Georgia
 Budgetary Comparison Schedule - Major Debt Service Fund
 For the Year Ended June 30, 2009

	*Original and Final <u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Taxes	\$ 00	\$ 00	\$ 00
Interest	<u> 00</u>	<u> 5,068</u>	<u> 5,068</u>
Total revenues	<u> 00</u>	<u> 5,068</u>	<u> 5,068</u>
Expenditures:			
Principal	00	2,200,000	(2,200,000)
Interest and other fees	00	41,250	(41,250)
Intergovernmental – Carrollton School Board	<u> 00</u>	<u> 863,849</u>	<u> (863,849)</u>
Total expenditures	<u> 00</u>	<u> 3,105,099</u>	<u> (3,105,099)</u>
Deficiency of revenues over expenditures	00	(3,100,031)	(3,100,031)
Fund balance at beginning of year (as restated)	<u> 3,100,031</u>	<u> 3,100,031</u>	<u> 00</u>
Fund balance at end of year	<u>\$ 3,100,031</u>	<u>\$ 00</u>	<u>\$ (3,100,031)</u>

* The final debt payment was due July 1, 2008. The funding was required two weeks prior to that date and included in the budget for fiscal year ended June 30, 2008. The total debt service was budgeted in prior years. Therefore, the City's current year budget was zero.

See accompanying notes to required supplementary information.

City of Carrollton
Capital Projects Fund
2004 Special Purpose Local Option Sales Tax
Schedule of Revenues and Expenditures
Budgetary Comparison Schedule - Major Capital Projects Fund
Project Budget and Actual, Project to Date
For the Period Ended June 30, 2009

	<u>Project Budget</u>	<u>Project to Date Total</u>	<u>Variance</u>
Revenues:			
Carroll County SPLOST tax	\$ 21,335,000	\$ 19,644,385	\$ (1,690,615)
Grant revenue	00	134,497	134,497
Interest	00	9,521	9,521
Citizen donation	<u>00</u>	<u>100,000</u>	<u>100,000</u>
Total	<u>21,335,000</u>	<u>19,888,403</u>	<u>(1,446,597)</u>
Expenditures:			
Downtown Development Improvements	6,400,000	5,951,889	448,111
New Northeast Fire Substation	1,025,000	1,946,082	(921,082)
Recreation/Cultural Arts Improvements	4,275,000	3,171,801	1,103,199
Greenspace Acquisition	535,000	360,341	174,659
Lake Carroll Improvement/Reservoir	2,150,000	51,926	2,098,074
West Carrollton Revitalization	800,000	359,623	440,377
Economic Development	3,200,000	1,657,595	1,542,405
Sidewalk & Street Improvements	2,150,000	1,015,644	1,134,356
Public Utilities Improvements	<u>800,000</u>	<u>472,490</u>	<u>327,510</u>
	<u>21,335,000</u>	<u>14,987,391</u>	<u>6,347,609</u>
Excess of revenues over expenditures	00	4,901,012	4,901,012
Other sources and uses:			
Transfers to other funds	00	(11,269,938)	(11,269,938)
Transfers from other funds	<u>00</u>	<u>11,070,580</u>	<u>11,070,580</u>
Total other sources and uses	<u>00</u>	<u>(199,358)</u>	<u>(199,358)</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ 00</u>	<u>\$ 4,701,654</u>	<u>\$ 4,701,654</u>

Prior year numbers have been restated.

Water Fund projects funded from 2004 SPLOST are excluded.

City of Carrollton
Capital Projects Fund
2009 Special Purpose Local Option Sales Tax
Schedule of Revenues and Expenditures
Budgetary Comparison Schedule - Major Capital Projects Fund
Project Budget and Actual, Project to Date
For the Period Ended June 30, 2009

	<u>Project Budget</u>	<u>Project to Date Total</u>	<u>Variance</u>
Revenues:			
Intergovernmental revenue	\$ 21,026,585	\$ 2,450,219	\$ (18,576,366)
Interest	<u>00</u>	<u>80,479</u>	<u>80,479</u>
Total	<u>21,026,585</u>	<u>2,530,698</u>	<u>(18,495,887)</u>
Expenditures:			
Sidewalk and Street Improvements	5,485,197	660,715	4,824,482
Water Impoundment Development and Improvements	4,570,997	00	4,570,997
Recreation/Cultural Arts Improvements	2,742,599	781	2,741,818
Economic Development	2,285,498	00	2,285,498
Greenspace Acquisition and Improvement	2,285,498	2,614,049	(328,551)
Public Safety Facilities and Equipment	1,828,398	995,632	832,766
Historic Train Depot Restoration	1,371,299	00	1,371,299
Telecommunications Facilities and Equipment	<u>457,099</u>	<u>00</u>	<u>457,099</u>
	<u>21,026,585</u>	<u>4,271,177</u>	<u>16,755,408</u>
Excess of revenues over expenditures	<u>00</u>	<u>(1,740,479)</u>	<u>(1,740,479)</u>
Other sources and uses:			
Proceeds from intergovernmental debt	<u>00</u>	<u>10,619,420</u>	<u>10,619,420</u>
Total other sources and uses	<u>00</u>	<u>10,619,420</u>	<u>10,619,420</u>
Excess of revenues and other sources			
Over expenditures and other uses	<u>\$ 00</u>	<u>\$ 8,878,941</u>	<u>\$ 8,878,941</u>

City of Carrollton, Georgia
Non-major Governmental Funds
Combining Balance Sheet
June 30, 2009

Assets

	Hotel/Motel <u>Tax Fund</u>	Drug Seizure <u>Fund</u>	Regional Hazardous Material Team <u>Fund</u>	West Metro Regional Drug Enforcement <u>Fund</u>	1994 Special Purpose Local Option Sales <u>Tax Fund</u>	<u>Total</u>
Cash in bank	\$ 28,868	\$ 80,687	\$ 32,941	\$ 328,046	\$ 535,566	\$ 1,006,108
Receivable	<u>20,466</u>	<u>00</u>	<u>00</u>	<u>00</u>	<u>00</u>	<u>20,466</u>
Total assets	<u>\$ 49,334</u>	<u>\$ 80,687</u>	<u>\$ 32,941</u>	<u>\$ 328,046</u>	<u>\$ 535,566</u>	<u>\$ 1,026,574</u>

Liabilities and Fund Balance

Liabilities						
Accounts and accrued						
Payables	\$ 00	\$ 00	\$ 00	\$ 16,298	\$ 2,675	\$ 18,973
Deferred revenue	00	00	00	5,000	00	5,000
Due to other governments	4,693	00	00	1,944	00	6,637
Due to other funds	10,270	00	00	00	227,203	237,473
Seized funds awaiting disposition	<u>00</u>	<u>12,680</u>	<u>00</u>	<u>50,966</u>	<u>00</u>	<u>63,646</u>
Total liabilities	14,963	12,680	00	74,208	229,878	331,729
Fund balance – designated	<u>34,371</u>	<u>68,007</u>	<u>32,941</u>	<u>253,838</u>	<u>305,688</u>	<u>694,845</u>
Total liabilities and fund balance	<u>\$ 49,334</u>	<u>\$ 80,687</u>	<u>\$ 32,941</u>	<u>\$ 328,046</u>	<u>\$ 535,566</u>	<u>\$ 1,026,574</u>

City of Carrollton, Georgia
Non-major Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2009

	<u>Special Revenue Funds</u>				<u>Capital Project Fund</u>	
	<u>Hotel/Motel Tax Fund</u>	<u>Drug Seizure Fund</u>	<u>Regional Hazardous Material Team Fund</u>	<u>West Metro Regional Drug Enforcement Fund</u>	<u>1994 Special Purpose Local Option Sales Tax Fund</u>	<u>Total</u>
Revenues:						
Forfeitures	\$ 00	\$ 20,258	\$ 00	\$ 82,123	\$ 00	\$ 102,381
Taxes	239,596	00	00	00	00	239,596
Interest	542	685	141	5,115	1,928	8,411
Intergovernmental	00	00	150	440,788	00	440,938
Other	<u>00</u>	<u>00</u>	<u>21,741</u>	<u>43,787</u>	<u>00</u>	<u>65,528</u>
Total revenues	<u>240,138</u>	<u>20,943</u>	<u>22,032</u>	<u>571,813</u>	<u>1,928</u>	<u>856,854</u>
Expenditures	<u>162,524</u>	<u>27,320</u>	<u>2,619</u>	<u>766,262</u>	<u>14,405</u>	<u>973,130</u>
Excess (deficiency) of revenues over expenditures	77,614	(6,377)	19,413	(194,449)	(12,477)	(116,276)
Other financing sources (uses):						
Operating transfer in (out) – other funds	<u>(95,838)</u>	<u>00</u>	<u>00</u>	<u>68,080</u>	<u>00</u>	<u>(27,758)</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(18,224)	(6,377)	19,413	(126,369)	(12,477)	(144,034)
Fund balance at beginning of year	<u>52,595</u>	<u>74,384</u>	<u>13,528</u>	<u>380,207</u>	<u>318,165</u>	<u>838,879</u>
Fund balance at end of year	<u>\$ 34,371</u>	<u>\$ 68,007</u>	<u>\$ 32,941</u>	<u>\$ 253,838</u>	<u>\$ 305,688</u>	<u>\$ 694,845</u>

City of Carrollton, Georgia
Schedule of Revenues, Expenditures and
Changes in Fund Balances – Budget and Actual (Budgetary Basis)
Non-major Special Revenue Funds
For the Year Ended June 30, 2009

	<u>HOTEL/MOTEL TAX</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Taxes	\$ 250,000	\$ 239,596	\$ (10,404)
Interest	<u>2,000</u>	<u>542</u>	<u>(1,458)</u>
Total revenues	<u>252,000</u>	<u>240,138</u>	<u>(11,862)</u>
Expenditures:			
Economic development	<u>151,200</u>	<u>162,524</u>	<u>(11,324)</u>
Total expenditures	<u>151,200</u>	<u>162,524</u>	<u>(11,324)</u>
Excess (deficiency) of revenues over expenditures	100,800	77,614	(23,186)
Transfers out	(100,800)	(95,838)	4,962
Fund balances at beginning of year	<u>52,595</u>	<u>52,595</u>	<u>00</u>
Fund balances at end of year	<u>\$ 52,595</u>	<u>\$ 34,371</u>	<u>\$ (18,224)</u>

	<u>DRUG SEIZURE FUND</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Seized funds - forfeitures	\$ 20,000	\$ 20,258	\$ 258
Interest	<u>500</u>	<u>685</u>	<u>185</u>
Total revenues	<u>20,500</u>	<u>20,943</u>	<u>443</u>
Expenditures:			
Public Safety	3,500	4,769	(1,269)
Capital outlay	<u>17,000</u>	<u>22,551</u>	<u>(5,551)</u>
Total expenditures	<u>20,500</u>	<u>27,320</u>	<u>(6,820)</u>
Excess (deficiency) of revenues over expenditures	00	(6,377)	(6,377)
Fund balances at beginning of year	<u>74,384</u>	<u>74,384</u>	<u>00</u>
Fund balances at end of year	<u>\$ 74,384</u>	<u>\$ 68,007</u>	<u>\$ (6,377)</u>

City of Carrollton, Georgia
Schedule of Revenues, Expenditures and
Changes in Fund Balances – Budget and Actual (Budgetary Basis)
Non-major Special Revenue Funds
For the Year Ended June 30, 2009

REGIONAL HAZARDOUS MATERIAL TEAM FUND

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Grant revenue	\$ 00	\$ 150	\$ 150
Service revenue	3,000	21,741	18,741
Interest	<u>500</u>	<u>141</u>	<u>(359)</u>
Total revenues	<u>3,500</u>	<u>22,032</u>	<u>18,532</u>
Expenditures:			
Maintenance and training	<u>3,500</u>	<u>2,619</u>	<u>881</u>
Total expenditures	<u>3,500</u>	<u>2,619</u>	<u>881</u>
Excess (deficiency) of revenues over expenditures	00	19,413	19,413
Fund balances at beginning of year	<u>11,636</u>	<u>13,528</u>	<u>1,892</u>
Fund balances at end of year	<u>\$ 11,636</u>	<u>\$ 32,941</u>	<u>\$ 21,305</u>

WEST METRO REGIONAL DRUG ENFORCEMENT FUND

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Grant	\$ 178,826	\$ 178,826	\$ 00
Agency contributions and match	59,609	261,962	202,353
Forfeitures	00	82,123	82,123
Interest	00	5,115	5,115
Contributions	00	39,972	39,972
Miscellaneous	<u>00</u>	<u>3,815</u>	<u>3,815</u>
Total revenues	<u>238,435</u>	<u>571,813</u>	<u>333,378</u>
Expenditures:			
Wages and benefits	200,000	288,692	(88,692)
Other operating expenditures	38,435	195,290	(156,855)
District attorney's fees	00	1,328	(1,328)
Capital expenditures	<u>00</u>	<u>280,952</u>	<u>(280,952)</u>
Total expenditures	<u>238,435</u>	<u>766,262</u>	<u>(527,827)</u>
Excess (deficiency) of revenues over expenditures	00	(194,449)	(194,449)
Transfers from general fund	<u>00</u>	<u>68,080</u>	<u>68,080</u>
Excess (deficiency) of revenues and other sources over expenditures	00	(126,369)	(126,369)
Fund balances at beginning of year	<u>380,207</u>	<u>380,207</u>	<u>00</u>
Fund balances at end of year	<u>\$ 380,207</u>	<u>\$ 253,838</u>	<u>\$ (126,369)</u>

City of Carrollton
Capital Projects Fund
1994 Special Purpose Local Option Sales Tax
Schedule of Revenues and Expenditures
Non-major Capital Projects Funds
Project Budget and Actual, Project to Date
For the Period Ended June 30, 2009

	<u>Project Budget</u>	<u>Project to Date Total</u>	<u>Variance</u>
Revenues:			
Carroll County SPLOST tax	\$ 7,125,000	\$ 10,247,993	\$ 3,122,993
Intergovernmental			
Georgia Department of Transportation	00	781,717	781,717
Other governmental	00	383,023	383,023
Interest	00	180,606	180,606
Other	<u>00</u>	<u>48,221</u>	<u>48,221</u>
Total revenues	<u>7,125,000</u>	<u>11,641,560</u>	<u>4,516,560</u>
Expenditures:			
Paving, road improvements and Depot	6,400,000	10,484,133	(4,084,133)
Recreation and culture	<u>725,000</u>	<u>872,932</u>	<u>(147,932)</u>
Total expenditures	<u>7,125,000</u>	<u>11,357,065</u>	<u>(4,232,065)</u>
Excess of revenues over expenditures	<u>00</u>	<u>284,495</u>	<u>284,495</u>
Other sources (uses):			
Transfers to other funds	00	(32,267)	(32,267)
Transfers from other funds	<u>00</u>	<u>53,460</u>	<u>53,460</u>
Total other sources (uses)	<u>00</u>	<u>21,193</u>	<u>21,193</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ 00</u>	<u>\$ 305,688</u>	<u>\$ 305,688</u>

City of Carrollton, Georgia
General Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (GAAP Basis)
Includes Capital Outlays within Departments
For the Year Ended June 30, 2009

	Original and Final <u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Taxes:			
Real, intangible and personal property	\$ 3,487,237	\$ 3,411,203	\$ (76,034)
Auto and mobile homes	225,000	200,948	(24,052)
Sales - local option	4,400,000	4,200,754	(199,246)
Insurance premium tax	1,117,000	1,110,577	(6,423)
Beer and wine tax	650,000	673,036	23,036
Licenses and permits:			
Occupation tax	950,000	1,014,742	64,742
Building, electric and plumbing permits	100,000	83,147	(16,853)
Franchise fees	2,388,000	2,353,098	(34,902)
Alcoholic beverage license	220,000	180,440	(39,560)
Intergovernmental:			
State and federal -			
Fire Assistance Grants	340,000	517,159	177,159
Police Grants	25,000	35,175	10,175
Transit Grant	35,000	54,000	19,000
Nutrition Program Grant	96,448	119,927	23,479
Carroll County -			
Recreation program	125,000	117,352	(7,648)
Fire department	582,180	582,180	00
Landfill personnel reimbursement	60,000	63,214	3,214
Tourism	00	15,214	15,214
Carrollton School Board	00	100,111	100,111
Charges for services:			
Recreation Department program fees	1,017,856	1,182,417	164,561
Fines and forfeitures	950,000	1,158,564	208,564
Interest on invested funds	275,000	114,718	(160,282)
Contributions	00	67,515	67,515
Miscellaneous:			
Insurance reimbursements	00	2,614	2,614
Rents	73,000	62,804	(10,196)
Other	<u>165,000</u>	<u>92,837</u>	<u>(72,163)</u>
Total revenues	<u>17,281,721</u>	<u>17,513,746</u>	<u>232,025</u>

City of Carrollton, Georgia
General Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (GAAP Basis) - continued
Includes Capital Outlays within Departments
For the Year Ended June 30, 2009

	Original and Final Budget	Actual	Variance
Expenditures:			
General government	\$ 1,835,601	\$ 1,734,159	\$ 101,442
Public safety	10,918,499	9,663,798	1,254,701
Highways and streets	1,010,661	897,986	112,675
Landfill	66,830	66,627	203
Cultural and recreation	5,503,627	5,324,226	179,401
Intergovernmental	<u>15,000</u>	<u>25,400</u>	<u>(10,400)</u>
Total expenditures	<u>19,350,218</u>	<u>17,712,196</u>	<u>1,638,022</u>
Excess (deficiency) of revenues over expenditures	<u>(2,068,497)</u>	<u>(198,450)</u>	<u>1,870,047</u>
Other financing sources (uses):			
Operating transfers in	870,112	945,954	75,842
Operating transfers out	00	(68,080)	(68,080)
Proceeds from GMA pooled lease	<u>1,198,385</u>	<u>00</u>	<u>(1,198,385)</u>
Total other financing sources (uses)	<u>2,068,497</u>	<u>877,874</u>	<u>(1,190,623)</u>
Excess of revenues and other sources over expenditures and other uses	00	679,424	679,424
Fund balance at beginning of year, as restated	<u>10,849,866</u>	<u>10,849,866</u>	<u>00</u>
Fund balance at end of year	<u>\$ 10,849,866</u>	<u>\$ 11,529,290</u>	<u>\$ 679,424</u>

City of Carrollton, Georgia
General Fund
Schedule of Expenditures, Compared to Budget (GAAP Basis) – by Departments
For the Year Ended June 30, 2009

	Original and Final <u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Government:			
Mayor and council	\$ 121,760	\$ 87,806	\$ 33,954
City manager's office	245,181	248,090	(2,909)
General administration	460,169	451,860	8,309
Building inspections	249,508	226,695	22,813
Planning administration	158,192	160,795	(2,603)
Main Street	78,090	65,176	12,914
Human resources administration	203,201	177,974	25,227
Legal	71,000	73,958	(2,958)
Finance and purchasing	<u>248,500</u>	<u>241,805</u>	<u>6,695</u>
Total general government	<u>1,835,601</u>	<u>1,734,159</u>	<u>101,442</u>
Public Safety:			
Police department	5,481,559	5,491,213	(9,654)
Fire department	<u>5,436,940</u>	<u>4,172,585</u>	<u>1,264,355</u>
Total public safety	<u>10,918,499</u>	<u>9,663,798</u>	<u>1,254,701</u>
Highway and Streets:			
Street department	238,644	213,336	25,308
Engineering department	496,523	497,401	(878)
General maintenance	158,662	95,573	63,089
Garage	116,832	99,780	17,052
Shop	<u>00</u>	<u>(8,104)</u>	<u>8,104</u>
Total highways and streets	<u>1,010,661</u>	<u>897,986</u>	<u>112,675</u>
Landfill	<u>66,830</u>	<u>66,627</u>	<u>203</u>
Cultural and recreation:			
Parks and recreation	5,140,755	4,964,193	176,562
Visitors Bureau	131,973	129,129	2,844
West Georgia Regional Library	<u>230,899</u>	<u>230,904</u>	<u>(5)</u>
Total cultural and recreation	<u>5,503,627</u>	<u>5,324,226</u>	<u>179,401</u>
Intergovernmental	<u>15,000</u>	<u>25,400</u>	<u>(10,400)</u>
Total expenditures	<u>\$ 19,350,218</u>	<u>\$ 17,712,196</u>	<u>\$ 1,638,022</u>

City of Carrollton, Georgia
Water and Sewerage System Enterprise Fund
Schedule of Revenues and Expenses
Budget and Actual (Non-GAAP Basis)
For the Year Ended June 30, 2009

	Original and Final <u>Budget</u>	<u>Actual</u>	Variance With <u>Final Budget</u>
Revenues:			
Operating revenues:			
Water sales	\$ 5,626,618	\$ 5,855,513	\$ 228,895
Sewer fees and surcharges	4,393,618	3,689,846	(703,772)
Water and sewer tap fees	<u>600,000</u>	<u>481,090</u>	<u>(118,910)</u>
Total operating revenues	<u>10,620,236</u>	<u>10,026,449</u>	<u>(593,787)</u>
Expenses:			
General operations	757,955	743,779	14,176
Filter plant	1,935,374	1,841,782	93,592
Systems upkeep	1,681,093	1,623,994	57,099
Sewerage treatment plant	2,628,055	2,536,284	91,771
Water support services	468,565	458,369	10,196
Facilities maintenance	<u>433,038</u>	<u>427,559</u>	<u>5,479</u>
Total operating expenses	<u>7,904,080</u>	<u>7,631,767</u>	<u>272,313</u>
Excess of operating revenues over operating expenses	<u>2,716,156</u>	<u>2,394,682</u>	<u>(321,474)</u>
Non-operating revenues, (expenses) and other financing sources and (uses):			
Bond proceeds	00	1,987,365	1,987,365
Interest income	300,000	35,262	(264,738)
Miscellaneous	50,000	68,383	18,383
GMA lease pool proceeds	115,000	00	(115,000)
Capital contributions	00	1,273,648	1,273,648
Water projects - construction and engineering	(1,000,000)	(7,499,926)	(6,499,926)
Payments - GMA loan - principal and interest	(9,396)	(7,971)	1,425
Payments - State Revolving - principal and interest	(406,485)	(406,485)	00
Payments - GEFA loan - principal and interest	(153,762)	(153,762)	00
Payments - GEFA membrane loan - principal and interest	(556,027)	00	556,027
Payment - 1993 Revenue Bond - interest	(30,945)	(79,640)	(48,695)
Payment - 1993 Revenue Bond - principal	(295,000)	(295,000)	00
Payment - 1997 Revenue Bond - interest	(32,000)	(80,852)	(48,852)
Payment - 1997 Revenue Bond - principal	(131,899)	(131,899)	00
Rents	67,000	70,368	3,368
Transfer to General Fund	<u>(632,642)</u>	<u>(632,640)</u>	<u>2</u>
	<u>(2,716,156)</u>	<u>(5,853,149)</u>	<u>(3,136,993)</u>
Excess of expenses and other financing uses over revenues and other sources	<u>\$ 00</u>	<u>\$ (3,458,467)</u>	<u>\$ (3,458,467)</u>

City of Carrollton, Georgia
Sanitation Enterprise Fund
Schedule of Revenues and Expenses
Budget and Actual (Non-GAAP Basis)
For the Year Ended June 30, 2009

	Original and Final <u>Budget</u>	<u>Actual</u>	Variance With <u>Final Budget</u>
Operating revenues:			
Garbage and landfill fees	\$ 3,682,790	\$ 3,990,046	\$ 307,256
Total operating revenues	<u>3,682,790</u>	<u>3,990,046</u>	<u>307,256</u>
Operating expenses	<u>3,414,297</u>	<u>2,877,277</u>	<u>537,020</u>
Excess of operating revenues over operating expenses	<u>268,493</u>	<u>1,112,769</u>	<u>844,276</u>
Non-operating revenues, (expenses) and other financing sources and (uses):			
Payments – GMA loan – principal and interest	(71,023)	(59,618)	11,405
Interest income	20,000	17,968	(2,032)
Miscellaneous income	00	00	00
Interfund transfers	<u>(217,470)</u>	<u>(217,476)</u>	<u>(6)</u>
	<u>(268,493)</u>	<u>(259,126)</u>	<u>9,367</u>
Excess of operating revenues and other sources over operating expenses and other uses	<u>\$ 00</u>	<u>\$ 853,643</u>	<u>\$ 853,643</u>

City of Carrollton, Georgia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2009

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Federal Grantors' Number</u>	<u>Agency or Pass-Through Federal Expenditures</u>
<u>Department of Homeland Security:</u>			
Direct Award:			
SAFER Grant	97.044	045-13492-00 (FEMA-3218-EM-GA)	\$ 446,897
Passed through State Agency:			
Georgia Emergency Management Agency: State Domestic Preparedness (Equipment Grant)	97.004	045-13492-03 (2004-GE-T4-0012)	<u>36,273</u>
Total Department of Homeland Security			<u>483,170</u>
<u>Department of Health & Human Services:</u>			
Passed through State Agency:			
Chattahoochee Flint ADP – Nutrition services – Special Projects for Aging Title III, Part C:	93.045	427-93-90111	<u>119,927</u>
Total Department of Health & Human Services			<u>119,927</u>
<u>Department of Justice:</u>			
State Criminal Justice Coordinating Council:			
West Metro Regional Drug Enforcement Office	16.579	B97-8-010	178,826
Direct Award:			
Bullet Proof Vest Grant	16.607	None	<u>5,034</u>
Total Department of Justice			<u>183,860</u>
Total expenditures of federal awards			<u>\$ 786,957</u>

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

City of Carrollton, Georgia
Notes To Schedule of Expenditures of Federal Awards

Note 1. Significant Accounting Policies

Basis of Presentation

The Schedule of Expenditures of Federal Awards is prepared using the modified accrual basis of accounting.

Measurement Focus

The determination of when an award is expended is based on when the activity related to the award occurred.

Program Type Determination

Type A programs are defined as federal programs with federal expenditures exceeding the larger of \$300,000 or three percent of the total federal expenditures. The threshold of \$300,000 was used in distinguishing between Type A and Type B programs.

Method of Major Program Selection

The risk based approach was used in the selection of federal programs to be tested as major programs. The City did not qualify as a low-risk auditee for the fiscal year ended June 30, 2009.

Amount Provided to Subrecipients

The City had no major programs that provide amounts to subrecipients.

City of Carrollton, Georgia
Schedule of Projects Constructed with 1994 Special Purpose
Local Option Sales Tax Proceeds
For the Year Ended June 30, 2009

	<u>Expenditures and Adjustments</u>			
	Original Estimated <u>Cost</u>	Prior <u>Years</u>	Current <u>Year</u>	<u>Total</u>
Transportation improvements and depot	\$ 6,400,000	\$ 9,714,013	\$ 14,405	\$ 9,728,418
Recreation improvements	<u>725,000</u>	<u>733,705</u>	<u>00</u>	<u>733,705</u>
	<u>\$ 7,125,000</u>	<u>\$ 10,447,718</u>	<u>\$ 14,405</u>	<u>\$ 10,462,123</u>

City of Carrollton, Georgia
Schedule of Projects Constructed with 2004 Special Purpose
Local Option Sales Tax Proceeds
For the Year Ended June 30, 2009

	Original Estimated <u>Cost</u>	<u>Expenditures</u>		
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Downtown Development Improvements	\$ 6,400,000	\$ 5,166,077	\$ 785,575	\$ 5,951,652
New Northeast Fire Substation	1,025,000	1,828,165	117,570	1,945,735
Recreation/Cultural Arts Improvements	4,275,000	2,704,806	471,199	3,176,005
Greenspace Acquisition	535,000	266,072	93,922	359,994
Lake Carroll Improvement/Reservoir	2,150,000	1,466,735	00	1,466,735
West Carrollton Revitalization	800,000	359,276	00	359,276
Economic Development	3,200,000	1,652,506	3,855	1,656,361
Sidewalk & Street Improvements	2,150,000	856,928	158,369	1,015,297
Public Utilities Improvements	800,000	472,143	00	472,143
*Debt Service – Redevelopment Authority	<u>00</u>	<u>00</u>	<u>2,327,600</u>	<u>2,327,600</u>
	<u>\$ 21,335,000</u>	<u>\$ 14,772,708</u>	<u>\$ 3,958,090</u>	<u>\$ 18,730,798</u>

Prior year numbers have been restated.

- * Debt was borrowed in 2005 to fund SPLOST projects in advance, before sufficient SPLOST tax revenue was available. The debt was borrowed through the Carrollton Redevelopment Authority, a component unit of the City, and transferred to the SPLOST fund. Likewise, payments on the debt were made by the SPLOST fund annually with the final payment made this year. All SPLOST project expenditures have been reflected.

City of Carrollton, Georgia
Schedule of Projects Constructed with 2009 Special Purpose
Local Option Sales Tax Proceeds
For the Year Ended June 30, 2009

	Original	<u>Expenditures</u>		
	Estimated	Prior	Current	
	<u>Cost</u>	<u>Years</u>	<u>Year</u>	<u>Total</u>
Sidewalk and Street Improvements	\$ 5,485,197	\$ 00	\$ 660,715	\$ 660,715
Water Impoundment Development and Improvements	4,570,997	00	00	00
Recreation/Cultural Arts Improvements	2,742,599	00	781	781
Economic Development	2,285,498	00	00	00
Greenspace Acquisition and Improvements	2,285,498	00	2,614,049	2,614,049
Public Safety - Equipment	1,828,398	00	995,632	995,632
Historic Train Depot Restoration	1,371,299	00	00	00
Telecommunications Facilities and Equipment	<u>457,099</u>	<u>00</u>	<u>00</u>	<u>00</u>
	<u>\$ 21,026,585</u>	<u>\$ 00</u>	<u>\$ 4,271,177</u>	<u>\$ 4,271,177</u>

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*

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 City Council
City of Carrollton, 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 Carrollton, Georgia, as of and for the year ended June 30, 2009, which collectively comprise the City of Carrollton, Georgia's basic financial statements, and have issued our report thereon dated December 29, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Carrollton, 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 Carrollton, Georgia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Carrollton, 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described is a material weakness.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City of Carrollton, Georgia, in a separate letter dated December 29, 2009.

The City of Carrollton's response to the finding in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit the City of Carrollton, Georgia's response and, accordingly, we express no opinion on it.

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

December 29, 2009

Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control
Over Compliance in Accordance with OMB Circular A-133

Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control
Over Compliance in Accordance with OMB Circular A-133

Honorable Mayor and City Council
City of Carrollton, Georgia

Compliance

We have audited the compliance of the City of Carrollton, Georgia, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2009. The City of Carrollton, Georgia's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City of Carrollton's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City of Carrollton, Georgia, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2009.

Internal Control Over Compliance

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

Honorable Mayor and City Council
City of Carrollton, Georgia

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

This report is intended 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.

December 29, 2009

City of Carrollton, Georgia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2009

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the financial statements of the City of Carrollton, Georgia.
2. One significant deficiency relating to the audit of the financial statements is reported in the 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*. One is considered to be a material weakness.
3. No instances of noncompliance material to the financial statements of the City of Carrollton, Georgia were disclosed during the audit.
4. No control deficiencies relating to the audit of the major federal award program are reported in the Report on Compliance with Requirements Applicable to each Major Program and Internal Control Over Compliance Performed in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for the City of Carrollton, Georgia expresses an unqualified opinion.
6. No audit findings relative to the major federal award programs for the City of Carrollton, Georgia are reported in Part C of this schedule.
7. The program tested as the major program was the Homeland Security, Public Assistance Grant - CFDA# 97.044.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. City of Carrollton, Georgia was determined not to be a low-risk auditee.

B. Findings - Financial Statements Audit

SIGNIFICANT DEFICIENCY:

2009 - Segregation of Duties – Repeat Finding

- a. Criteria – Segregation of duties is a key internal control whereby the authorization, custody, record keeping, and reconciling duties are separated among several persons.
- b. Condition – There is not appropriate segregation of duties between recording, distribution, and reconciliation of cash accounts and other operational functions in certain departments and component units.
- c. Effect – The possibility that errors or irregularities will occur and not be detected on a timely basis in the normal course of business.
- d. Cause – The limited number of personnel to perform all of the required duties
- e. Recommendation – We suggest that segregation of duties be implemented to the extent practical and accounting records be reviewed by responsible officials on a regular basis.
- f. Management's response – We concur with the recommendation. City management will work to continually improve and implement as many procedures as possible to improve internal controls in this area.

City of Carrollton, Georgia
Schedule of Findings and Questioned Costs - continued
For the Year Ended June 30, 2009

C. Findings and Questioned Costs - Major Federal Awards Program Audit

None reported.

City of Carrollton, Georgia
Summary Schedule of Prior Audit Findings – Federal Awards
For the Year Ended June 30, 2009

No matters are reportable.

Honorable Mayor and City Council
City of Carrollton, Georgia

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Carrollton, Georgia for the year ended June 30, 2009. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 2, 2009. Professional standards require that we provide you with the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Carrollton, Georgia are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2009, with one exception. The City implemented the required Governmental Accounting Standards Board State 45 to record the net other post employment benefit obligation based on an actuarial valuation and review. We noted no transactions entered into by the City of Carrollton, Georgia during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were the utility accounts receivable allowance, depreciation expense, and the estimated cost of infrastructure assets required to be recorded under GASB No. 34 (developer contributions).

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Significant adjustments related to the following:

2009 SPLOST Fund

Two significant audit adjustments were made in the 2009 SPLOST Fund. An adjustment for \$513,162 was made to record May and June 2009 SPLOST revenue retained by Carroll County for debt service on intergovernmental debt. The second adjustment for \$241,534 recorded account payable owed at June 30, 2009.

2004 SPLOST Fund

Two significant audit adjustments were made in the 2004 SPLOST Fund. The deposit from Carroll County of \$997,715 for their portion of the Courthouse Deck posted to General Fund money market cash and due to 2004 SPLOST was recorded by audit adjustment on the 2004 SPLOST Fund. Also recorded by audit adjustment was \$2,327,600 to record SPLOST revenue used to pay debt service to the component unit, Carrollton Redevelopment Authority. A correction was made on the 2004 SPLOST Fund project to date financial statements to move the \$1,122,058 2006 purchase of Bradley Street Property from the Downtown Development category to the Economic Development category.

General Obligation Debt Service Fund

A prior period audit adjustment for \$837,271 was needed to remove an amount due from general fund to debt service fund. This interfund debt was recorded several years ago when an additional property tax levy serviced the debt. In recent years the debt has been serviced by educational SPLOST funds transferred from the Carrollton School Board. The debt was paid in full this fiscal year and the debt service fund closed.

Carrollton Redevelopment Authority – a component unit

A prior period audit adjustment of \$316,829 was made to reduce transfers to Carroll County's 2004 SPLOST bond sinking fund. This adjustment was needed to reflect the City's portion of interest earned during the debt service period. Series 2004 Redevelopment Bonds were paid in full this year.

General, Water, and Sanitation Funds

All entries to record property and equipment additions and changes to general fixed asset accounts are recorded by audit adjustment. A significant prior period audit adjustment was also made in the general fund for \$1,109,130 to reflect the October 2007 transfer of the Bradley Street property to Carroll County, which originally was expected to be reversed in the current year. Entries to record capitalization of construction in progress and depreciation in water and sanitation funds are also made by audit adjustment.

Other

Other audit adjustments have been submitted to City management and are available for your review.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 29, 2009.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City of Carrollton, Georgia’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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

Very truly yours,

December 29, 2009

Honorable Mayor and City Council
City of Carrollton, Georgia

In planning and performing our audit of the basic financial statements of the City of Carrollton, Georgia for the year ended June 30, 2009, we considered the City's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. A separate report dated December 29, 2009, contains our report on a significant deficiency in the City's internal control. This letter does not affect our report dated December 29, 2009, on the financial statements of the City.

We have already discussed many of these comments and suggestions with various City personnel and will be pleased to discuss them in further detail at the Board's request. We wish to thank the Finance Officer, his staff, and all City personnel for their support and assistance during our audit.

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

December 29, 2009

Credit Card Payments of Police Fines and Water and Sewerage Bills

Payments of police fines and water and sewerage bills by credit card cannot be specifically traced to bank deposits. Immediate attention should be given to this problem to ensure that payments can be reconciled to the deposits to comply with control procedures for cash receipts.

Purchasing Policy and Documentation

The audit test of cash disbursements indicated documentation of phone quotes and bids was often not retained. We recommend that proof of compliance with the City's purchasing policy be kept in vendor files for all applicable disbursements.

Expense Documentation

As noted previously, the monthly payment of one general fund professional was made by the City without either an invoice or contract. We recommend that all disbursements be substantiated by an invoice or other document provided by the vendor.

Related Party Disclosures

Governmental Accounting Standards Board (GASB) number 56, issued March 2009, requires financial statement disclosure of certain related party transactions. We request that you identify all related party transactions for evaluation and inclusion in future reports.

Trial Balances and Journal Entries

Government Auditing Standards (the Yellow Book) includes rules for when a nonaudit service performed for an entity impairs the audit firm's independence. To assist us in complying with these rules, the City's Finance Officer prepares the trial balances and adjustments for the majority of the City's funds. We recommend that he prepare all trial balances and all known adjustments to prevent any future independence issues.

Fixed Assets

The physical inventory count of City vehicles for June 30, 2009, reflected a number of differences from vehicles on the depreciation schedule. A prior period adjustment of \$51,887 was made to reconcile the two. We recommend that you update inventory detail to reflect this reconciliation as soon as possible. We further advise that you consider a periodic physical inventory of all capitalized fixed assets.

We request that copies of capital purchases in capital projects and special revenue funds be prepared. Copies maintained in operating funds have been very helpful.

Finally, as soon as possible, we strongly recommend that you add the fixed asset software module to the City's accounting system. We will be glad to assist in its implementation.

Property Transfers

On October 4, 2007, the City of Carrollton, Georgia, transferred to Carroll County, Georgia, two properties on Tanner and Bradley Streets. After changing the location of the future Justice center, both parties determined that this property exchange should be rescinded. Attorneys for both parties indicated that the reversal of this exchange would occur early in 2009. Therefore, this transaction was not reflected in the City nor County financial statements for the year ended June 30, 2008.

During the year ended June 30, 2009, both parties agreed to reverse the transfer of the Tanner Street property, but to leave the Bradley Street property in the County's name. Although the Tanner Street property transfer has not yet been reversed, both parties have agreed that the initial transfer will be reversed. So the City's financial statements reflect the Bradley Street property transferred to the County and the Tanner Street property left in the City. We recommend that the paperwork on this and future property transfers be recorded in a timely manner.

Carrollton Parks, Recreation, and Cultural Arts Department (CPRCAD)

The transfer of activity of the Carrollton Parks, Recreation, and Cultural Arts Department into the general fund accounting system was accomplished in FY 2008. Cash receipts continue to be processed through CPRCAD accounting software, and a monthly report sent with the remittance of cash to the general fund accounting system. This report is on the accrual basis and includes both receivable and deferred revenue. During the year, credit card service fees and returned checks were not deducted from revenue remitted. Subsequent to FY 2009, CPRCAD personnel have reviewed its system and devised a spreadsheet to improve this process. We suggest this be monitored and the remittance be reconciled to the separate bank account maintained by CPRCAD personnel. We recommend that cash activity be recorded monthly in the general fund by the City finance officer.

Swim Team Accounting

Several errors were noted in transfers between the Swim Team and General Fund for salary reimbursements and swim team revenues. As a result, improper amounts were transferred from the general fund to the swim team. We recommend that these amounts be returned as soon as possible and the accounting procedures for Swim Team transfers be evaluated.

Interfund Receivables and Payables

We recommend that City personnel review interfund receivable and payables and clear the balances periodically either by payment or adjustments approved by the City Council.

Material Budget Violations

The Budgetary Comparison Schedule in the financial statements indicates that general fund expenditures exceeded budgeted appropriations in several categories. The following departments had expenditures that exceeded their budgeted appropriations by more than three percent:

Legal	\$ 2,958
Intergovernmental	10,400

Budget violations also occurred in the West Metro Regional Drug Enforcement Office fund (WMRDEO), formerly West Georgia Drug Task Force, of \$527,828; the Hotel/Motel Fund of \$11,324, and the Drug Seizure Fund of \$6,820. No budget was set up for the final year of the Debt Service Fund, because total debt service was budgeted in the prior year.

The significant expense budget overage in the WMRDEO is partially offset by its revenue budget excess of \$333,378. Also, the capital expenditures on for building renovations of \$151,349 further explain the overage.

This fund's grant budget is used for the City's financial statement budget reporting. We recommend WMRDEO adopt a budget for the entire fund, adding agency contributions and forfeiture income to grant income and non-grant to grant expenditures. We also recommend that budget comparisons be made for all funds during the year and budgets formally amended when appropriate.

Project Budget overages were also noted in two of the City's SPLOST categories. The Northeast Fire Station project in the 2004 SPLOST fund and Greenspace project in the 2009 SPLOST fund were significantly over the original project budget. It appears that Carroll County's contribution to the City's Greenspace project related to the overage. We suggest that the council formally amend project budget categories when contributions from other sources allow them to expand projects. We also recommend that the City Attorney be consulted regarding significant budget overages that exist when other projects are not completed at the end of a SPLOST program.

Receivable Miscellaneous Accounts

Audit procedures for miscellaneous accounts receivable required adjustment and indicated that a detail listing that agreed to the general ledger balance was not available. We recommend that a detail listing of miscellaneous accounts receivable be kept and reconciled to the general ledger periodically.

Monitoring Grant Income and Compliance

Documentation was initially incomplete for the SAFER grant, for which \$447,000 was received from the Department of Homeland Security to fund additional fire personnel. The person monitoring this grant in the Fire Department left the City, and his replacement assisted in obtaining needed documentation. He also assisted in relating his procedures performed for the third quarter of 2009. Two suggestions were noted in reviewing these procedures. The spreadsheet used to compile quarterly fire call statistics submitted to the grant provider was not retained and not available for audit testing. This information should be retained in the future. Also, there is currently no communication with City accounting staff informing them of the expected quarterly grant revenue. We recommend that all personnel monitoring grant programs communicate expected grant receipts to the City finance officer.

Old Outstanding Checks

There are a number of outstanding checks on the general and water operating accounts which have not cleared after several years. We recommend that you investigate the significant items and adjust, if appropriate, or submit as unclaimed property as required by law.

2004 SPLOST Funds

As previously reported, in fiscal year ended June 30, 2006 three errors were noted on 2004 SPLOST reimbursement requests to Carroll County this year totaling approximately \$4,300. This correction should be made before closing this fund.

City Payroll Bank Reconciliation

During the year, corrections to payroll checks occur. These require the voiding and reissuing of manual checks and additional cash deposited to cover these checks. These corrections are made to the ADP payroll records, but are not recorded and reconciled to the payroll bank account during the year. We recommend that the payroll bank account be reconciled and adjustments recorded monthly.

West Metro Regional Drug Enforcement Fund

A separate letter was sent to the West Metro Regional Drug Enforcement Fund regarding current year findings and opportunities to strengthen internal control and operating efficiency in addition to the budget recommendations noted above. See copy attached.

Independent Accountant's Report

Honorable Mayor and City Council
City of Carrollton, Georgia

We have examined management's assertion included in the accompanying State of Georgia Grant Certification Forms about City of Carrollton's compliance during the fiscal year ended June 30, 2010 with the requirement to use grant proceeds solely for the purpose or purposes for which the grant was made for each of the following grant awards:

Grant 08-C-L-056 Carrollton Lions Club Park Improvements for Wheelchair Access of \$20,000

Grant 08-C-L-057 Infrastructure Improvement Grant of \$18,000

Grant 08-C-L-058 Assist with the renovation for the 415 Hope Center Men's Shelter of \$8,000

Management is responsible for the City of Carrollton's compliance with this requirement. Our responsibility is to express an opinion on management's assertion about the City of Carrollton's compliance based on our examination.

Our examination was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about City of Carrollton's compliance with this requirement and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City of Carrollton's compliance with the specified requirement.

In our opinion, management's assertion that the City of Carrollton's complied with the aforementioned requirement during the fiscal year ended June 30, 2010 is fairly stated, in all material respects.

This report is intended solely for the information and use of the Georgia Department of Audits and Accounts and the State grantor agency identified on the Grant Certification Form and is not intended to be and should not be used by anyone other than the specified parties.

June 15, 2010

June 18, 2010

Mayor and City Council
City of Carrollton, Georgia

We are pleased to confirm our understanding of the services we are to provide City of Carrollton, Georgia for the year ended June 30, 2010. We will audit the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, which collectively comprise the basic financial statements, of City of Carrollton, Georgia as of and for the year ended June 30, 2010. Accounting standards generally accepted in the United States provide for certain required supplementary information (RSI), such as managements discussion and analysis (MD&A), to accompany City of Carrollton, Georgia's basic 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. As part of our engagement, we will apply certain limited procedures to City of Carrollton, Georgia's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist principally of inquiries of management regarding the methods of 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 will 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. The management's discussion and analysis is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited.

Supplementary information other than RSI also accompanies City of Carrollton, Georgia's basic financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the basic 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 and will provide an opinion on it in relation to the basic financial statements:

1. Schedule of expenditures of federal awards.
2. Budgetary comparison schedules.
3. Combining and individual nonmajor fund financial statements.
4. Schedule of projects constructed with special local option sales tax proceeds.
5. Supporting schedules

Audit Objectives

The objective of our audit is the expression of opinions as to whether your basic financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the additional information referred to in the first paragraph when considered in relation to the basic financial statements taken as a whole. The objective also includes reporting on -

- Internal control related to the financial statements and compliance with laws, regulations, and the provisions of contracts or grant agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Internal control related to major programs and an opinion (or disclaimer of opinion) on compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

The reports on internal control and compliance will each include a statement that the report is intended solely for the information and use of management, the body or individuals charged with governance, others within the entity specific legislative or regulatory bodies, federal awarding agencies, and if applicable, pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of OMB Circular A-133, and will include tests of accounting records, a determination of major program(s) in accordance with OMB Circular A-133, and other procedures we consider necessary to enable us to express such opinions and to render the required reports. If our opinions on the financial statements or the Single Audit compliance opinions are other than unqualified, we will fully discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to, issue a report as a result of this engagement.

Management Responsibilities

Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein. Management is also responsible for identifying government award programs and understanding and complying with the compliance requirements, and for preparation of the schedule of expenditures of federal awards in accordance with the requirements of OMB Circular A-133. As part of the audit, we will assist with preparation of your financial statements, schedule of expenditures of federal awards, and related notes. You are responsible for making all management decisions and performing all management functions relating to the financial statements, schedule of expenditures of federal awards, and related notes and for accepting full responsibility for such decisions. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements and the schedule of expenditures of federal awards and that you have reviewed and approved the financial statements, schedule of expenditures of federal awards, and related notes prior to their issuance and have accepted responsibility for them. Further, you are required to designate an individual with suitable skill, knowledge, or experience to oversee any nonaudit, services we provide and for evaluating the adequacy and results of those services and accepting responsibility for them.

We will prepare the trial balance and depreciation schedules for use during the audit. Our preparation of the trial balance will be limited to formatting information into a working trial balance based on management's chart of accounts. Management has determined the method and rate of depreciation for depreciation schedules. We will also prepare the draft financial statements based on management's chart of accounts and trial balance and draft notes to the financial statements based on information determined and approved by management.

Management is responsible for establishing and maintaining effective internal controls, including internal controls over compliance, and for monitoring ongoing activities, to help ensure that appropriate goals and objectives are met and that there is reasonable assurance that government programs are administered in compliance with compliance requirements. You are also responsible for the selection and application of accounting principles; for the fair presentation in the financial statements of the respective financial position of the governmental activities, the business-type activities, the aggregate, discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Carrollton, Georgia and the respective changes in financial position and, where applicable, cash flows in conformity with U.S. generally accepted accounting principles; and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to us and for ensuring that management and financial information is reliable and properly recorded. Your responsibilities also include, identifying significant vendor relationships in which the vendor has responsibility for program compliance and for the accuracy and completeness of that information. Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud or illegal acts affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud or illegal acts could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws, regulations, contracts, agreements, and grants. Additionally, as required by OMB Circular A-133, it is management's responsibility to follow up and take corrective action on reported audit findings and to prepare a summary schedule of prior audit findings and a corrective action plan. The summary schedule of prior audit findings should be available for our review on July 1, 2010. You are responsible for the preparation of the supplementary information in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to present the supplementary information with the audited financial statements.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

Audit Procedures - General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because an audit is designed to provide reasonable, but not absolute assurance and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or major programs. However, we will inform you of any material errors and any fraudulent financial reporting or misappropriation of assets that come to our attention. We will also inform you of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. We will include such matters in the reports required for a Single Audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

Audit Procedures - Internal Controls

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

As required by OMB Circular A-133, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion, on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to OMB Circular A-133.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, *Government Auditing Standards*, and OMB Circular A-133.

Audit Procedures - Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of City of Carrollton, Georgia's compliance with applicable laws and regulations and the provisions of contracts and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to Government Auditing Standards.

OMB Circular A-133 requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the OMB Circular A-133 *Compliance Supplement* for and related addenda the types of compliance requirements that could have a direct and material effect on each of City of Carrollton, Georgia's major programs. The purpose of these procedures will be to express an opinion on City of Carrollton's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to OMB Circular A-133.

Engagement Administration, Fees, and Other

We understand that your employees will prepare all cash, accounts receivable, or other confirmations we request and will locate any documents selected by us for testing.

At the conclusion of the engagement, we will complete the appropriate sections of the Data Collection Form that summarizes our audit findings. It is management's responsibility to submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditors' reports, and corrective action plan) along with the Data Collection Form to the federal audit clearinghouse. We will coordinate with you the electronic submission and certification. If applicable, we will provide copies of our report for you to include with the reporting package you will submit to pass-through entities. The Data Collection Form and the reporting package must be submitted within the earlier of 30 days after receipt of the auditors' reports or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audits.

The audit documentation for this engagement is the property of Garrett, Stephens, Thomas & Fazio, P.C. and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to an oversight Agency or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Garrett, Stephens, Thomas & Fazio, P.C. personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release or for any additional period requested by other governmental agencies. If we are aware that a federal awarding agency, pass-through entity auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

We expect to begin our audit on approximately July 1, 2010 and to issue our reports no later than December 31, 2010. Deborah Cooke is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them. Our fee for these services will be at our standard hourly rates plus out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc.). Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 60 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report(s). You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our 2008 peer review report and letter of comment accompanies this letter.

We appreciate the opportunity to be of service to City of Carrollton, Georgia and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

Garrett, Stephens, Thomas & Fazio, P.C.

RESPONSE:

This letter correctly sets forth the understanding of the City of Carrollton, Georgia.

By: _____

By: _____

Title: _____

Title: _____

Date: _____

Date: _____

June 18, 2010

To the Mayor and City Council
City of Carrollton, Georgia

We are engaged to audit the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Carrollton, Georgia for the year ended June 30, 2010. Professional standards require that we provide you with the following information related to our audit. We would also appreciate the opportunity to meet with you to discuss this information further since a two-way dialogue can provide valuable information for the audit process.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated June 18, 2010, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested.

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. We will communicate our significant findings at the conclusion of the audit

We expect to begin our audit on approximately July 1, 2010 and issue our report on approximately December 31, 2010.

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

Very truly yours,

December 29, 2009

Garrett, Stephens, Thomas & Fazio, P.C.
P.O. Box 488
Carrollton, Georgia 30112

We are providing this letter in connection with your audit of the financial statements of the City of Carrollton, Georgia as of June 30, 2009 and for the year then ended for the purpose of expressing an opinion as to whether the financial statements 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 Carrollton, Georgia and the respective changes in financial position and cash flows, where applicable, in conformity with U.S. generally accepted accounting principles. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with U.S. generally accepted accounting principles. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, and preventing and detecting fraud.

We confirm, to the best of our knowledge and belief, as of December 29, 2009, the following representations made to you during your audit.

1. The financial statements referred to above are fairly presented in conformity with U.S. generally accepted accounting principles and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
2. We have made available to you all –
 - a. Financial records and related data (and all audit or relevant monitoring reports, if any, received from funding sources).
 - b. Minutes of the meetings of the Mayor and City Council or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
4. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements (or the schedule of expenditures of federal awards).
5. We are in agreement with the adjusting journal entries you have recommended and they have been posted.

6. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
7. We have no knowledge of any fraud or suspected fraud affecting the entity involving:
 - a. Management,
 - b. Employees who have significant roles in internal control, or
 - c. Others where the fraud could have a material effect on the financial statements.
8. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others.
9. We have a process to track the status of audit findings and recommendations.
10. We have identified to you any previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of the audit being undertaken and the corrective actions taken to address significant findings and recommendations.
11. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
12. The City of Carrollton, Georgia has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or fund equity.
13. The following, if any, have been properly recorded or disclosed in the financial statements:
 - a. Related party transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and the amounts receivable from or payable to related parties.
 - b. Guarantees, whether written or oral, under which the City of Carrollton is contingently liable.
 - c. All accounting estimates (including fair value measurements), that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates and measurements. We believe the estimates and measurements are reasonable in the circumstances, consistently applied and adequately disclosed.
14. We are responsible for compliance with the laws, regulations and provisions of contracts and grant agreements applicable to us including tax or debt limits and debt contracts; and we have identified, and disclosed to you, all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.

15. There are no -
 - a. Violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, or for reporting on noncompliance.
 - b. Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with Financial Accounting Standards Board (FASB) Statement No. 5, *Accounting for Contingencies*.
 - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB Statement No. 5.
 - d. Reservations or designation of fund equity that were not properly authorized and approved.
16. As part of your audit, you prepared the draft financial statements and related notes and schedule of expenditures of federal awards. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those financial statements and related notes and schedule of expenditures of federal awards.
17. The City of Carrollton, Georgia has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
18. The City of Carrollton, Georgia has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
19. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
20. The financial statements include all component units and properly disclose all other joint ventures and other related organizations.
21. The financial statements properly classify all funds and activities.
22. All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
23. Net asset components (invested in capital assets, net of related debt; restricted; and unrestricted) and fund balance reserves and designations are properly classified and, if applicable, approved.
24. Provisions for uncollectible receivables have been properly identified and recorded.
25. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.

26. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
27. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
28. Special and extraordinary items are appropriately classified and reported.
29. Deposits and investment securities are properly classified as to risk, and investments are properly valued.
30. Capital assets, including infrastructure assets, are properly capitalized, reported, and, if applicable, depreciated.
31. Required supplementary information (RSI) is measured and presented within prescribed guidelines.
32. With respect to federal award programs:
 - a. We are responsible for complying and have complied with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.
 - b. We have, in accordance with OMB Circular A-133, identified in the schedule of expenditures of federal awards, expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance.
 - c. We are responsible for complying with, and have complied with in all material respects, the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major federal program.
 - d. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance requirements applicable to federal programs that provides reasonable assurance that we are managing our federal awards in compliance with laws, regulations and the provisions of contracts and grant agreements that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended. Also, no changes have been made in internal control over compliance or other factors to the date of this letter that might significantly affect internal control, including any corrective action taken with regard to reportable conditions (including material weaknesses) reported in the schedule of findings and questioned costs.
 - e. We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relating to major federal programs.
 - f. We have received no requests from a federal agency to audit one or more specific programs as a major program.

- g. We have complied, in all material respects, with the compliance requirements, including when applicable, those set forth in the *OMB Circular A-133 Compliance Supplement*, relating to federal awards and have identified and disclosed to you all amounts questioned and any known noncompliance with the requirements of federal awards, including those resulting from other audits or program reviews.
- h. Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB Circular A-87, *Cost Principles for State, Local, and Tribal Governments*, and OMB's *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*.
- i. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- j. We have made available to you all documentation related to the compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- k. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
- l. We have charged costs to federal awards in accordance with applicable cost principles.
- m. The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- n. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by OMB Circular A-133 and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- o. We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by OMB Circular A-133, and we are responsible for preparing and implementing a corrective action plan for each audit finding.

No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements (or in the schedule of findings and questioned costs).

Signed: _____

Title: City Manager

Signed: _____

Title: Financial Officer

December 13, 2009

Charles S. Conerly
Smith, Diment & Conerly, LLP
Attorneys at Law
412 Adamson Square
Carrollton, Georgia 30117

Dear Mr. Conerly:

Our auditors, Garrett, Stephens, Thomas & Fazio, P.C., are conducting an audit of our financial statements as of June 30, 2009, and for the year then ended. Please furnish to them the information requested below involving matters as to which you have been engaged and to which you have devoted substantive attention on behalf of the City of Carrollton in the form of legal consultation or representation.

Pending or Threatened Litigation
(Excluding Unasserted Claims and Assessments)

Please furnish our auditors a description of all material pending or threatened litigation, claims, and assessments (excluding unasserted claims and assessments). Materiality for purposes of this letter includes items involving amounts exceeding \$5,000. The description of each cash should include:

- a. the nature of the litigation;
- b. the progress of the case to date;
- c. how management of the City of Carrollton is responding or intends to respond to the litigation, e.g., to contest the case vigorously or to seek an out-of-court settlement; and
- d. an evaluation of the likelihood of an unfavorable outcome and an estimate, if one can be made, or the amount or range of potential loss.

Also, please identify any pending or threatened litigation, claims and assessments with respect to which you have been engaged but as to which you have not devoted substantive attention.

Unasserted Claims and Assessments

We understand that whenever, in the course of performing legal services for us with respect to a matter recognized to involve an unasserted possible claim or assessment that may call for financial statement disclosure, you have formed a professional conclusion that we should disclose or consider disclosure concerning such possible claim or assessment, as a matter of professional responsibility to us, you will so advise us and will consult with us concerning the question of such disclosure and the applicable requirements of Statement of Financial Accounting Standards No. 5 (excerpts of which can be found in the ABA's Auditor's Letter Handbook). Please specifically confirm to our auditors that our understanding is correct.

Response

Your response should include matters that existed at June 30, 2009, and during the period from that date to the effective date of your response.

Please specifically identify the nature of, and reasons for, any limitations on your response.

Our auditors expect to have the audit completed about December 31, 2009, and would appreciate receiving your reply by that date with a specified effective date no earlier than December 24, 2009.

Please mail your reply in the enclosed, stamped addressed envelope directly to our auditors.

Very truly yours,

Casey Coleman
City Manager
City of Carrollton

September 15, 2009

Georgia Environmental Facilities Authority
233 Peachtree Street, N.W.
Harris Tower - Suite 900
Atlanta, Georgia 30303

Re: Project Number: **DWSRF 08-004**

Dear Sirs:

We have examined the financial statements of the funds and account groups of City of Carrollton, Georgia, as of June 30, 2008 and the related statements of revenues and expenditures and changes in fund balances or retained earnings for the City of Carrollton, Georgia.

In connection with the abovementioned financial statements:

1. We are independent certified public accountants with respect to City of Carrollton, Georgia, within the meaning of the Code of Professional Ethics of the American Institute of Certified Public Accountants.
2. We have not examined any financial statements for City of Carrollton, Georgia for any period subsequent to June 30, 2008. We are in the process of performing the audit for the year ended June 30, 2009.
3. For purposes of this letter, we have read the minutes of the meetings of the City of Carrollton, Georgia since July 1, 2008; officials of the city have informed us that the minutes of all meetings through the date of this letter were set forth therein and have performed other procedures as follows:
 - (a) Read the unaudited interim operating statements prepared by the City of Carrollton, Georgia: and
 - (b) Made inquiries of City of Carrollton, Georgia officials who have responsibility for financial and accounting matters.

The foregoing procedures do not constitute an examination made in accordance with generally accepted auditing standards. Also, they would not necessarily reveal matters of significance with respect to the comments in the following paragraph. Accordingly, we make no representation regarding the sufficiency of the foregoing procedures for your purposes.

4. Nothing came to our attention as a result of the foregoing procedures that caused us to believe that:
 - (a) As of the date of this letter there were any significant changes in the fund balances/retained earnings of the water fund as compared with the fund balances/retained earnings as of June 30, 2008; or

- (b) For the period from July 1, 2008 to the date of this letter there was any significant decrease in the total revenues of the City of Carrollton, Georgia compared with the corresponding period in the preceding year, except for changes in recurring or non-recurring federal or state grants or other programs over which the City of Carrollton, Georgia has no control.
- 5. This letter is solely for the information of, and assistance to, the Georgia Environmental Facilities Authority (GEFA) in conducting and documenting their investigation of the affairs of City of Carrollton, Georgia in connection with the Georgia Drinking Water State Revolving Loan Fund and is not to be used, circulated, quoted or otherwise referred to within or without the Georgia Environmental Facilities Authority for any other purpose except that reference may be made to it in the Georgia Drinking Water State Revolving Loan Fund contract or in any list of closing documents pertaining to the offering of an environmental facility loan to City of Carrollton, Georgia.

June 28, 2005

Mr. Edward Blaha
Georgia Department of Audits and Accounts
254 Washington Street, S.W.
Atlanta, Georgia 30334-8400

Dear Mr. Blaha:

We have been engaged to perform the audit of the financial statements for the year ended December 31, 2004 for the City of Temple, Georgia. We respectfully request an extension of time to file our report with your office. The report for the year ended December 31, 2002 was timely filed with your office.

Respectfully Submitted,

Garrett, Stephens, Thomas & Company, P.C.

January 18, 2011

Bank of North Georgia
609 Bankhead Highway
Carrollton, Georgia 30117

Our auditors, Garrett, Stephens, Thomas & Fazio, P.C., are conducting an audit of our financial statements as of June 30, 2010. Please send directly to them a statement of the securities held by you in the name of the City of Carrollton, Georgia, as collateral to secure the deposits of the City of Carrollton, Georgia, as of June 30, 2010, including the following information:

- | | |
|------------------------------|-------|
| 1. Description of Securities | _____ |
| 2. Par Value | _____ |
| 3. Maturity Date | _____ |
| 4. Fair Value | _____ |

In addition, please confirm that the security agreement for the pledge of collateral for the City of Carrollton, Georgia's deposits meet the following requirements:

1. The pledge of collateral is evidenced by a written security agreement.
2. The security agreement has been approved by Bank of North Georgia board of directors or loan committee and that approval has been reflected in the minutes of the board or committee.
3. The security agreement is an official record of the bank since it was executed.

In addition, please furnish a list of all federal depository insurance coverage and the accounts to which it applies.

Please mail your reply directly to Garrett, Stephens, Thomas & Fazio, P.C.

Very truly yours,

James O. Triplett
Finance Officer

October 31, 2007

Wachovia Bank N.A.
Balance Confirmation Services
P. O. Box 50015
Roanoke, VA 24040-7350

Our auditors, Garrett, Stephens, Thomas & Fazio, P.C., are conducting an audit of our financial statements as of June 30, 2007. Please send directly to them a statement of the securities held by you in the name of the City of Carrollton, Georgia, as collateral to secure the deposits of the City of Carrollton, Georgia, as of June 30, 2007, including the following information:

1. Description of Securities
2. Par Value
3. Maturity Date
4. Fair Value

In addition, please confirm that the security agreement for the pledge of collateral for the City of Carrollton, Georgia's deposits meet the following requirements:

1. The pledge of collateral is evidenced by a written security agreement.
2. The security agreement has been approved by the bank's board of directors or loan committee and that approval has been reflected in the minutes of the board or committee.
3. The security agreement is an official record of the bank since it was executed.

In addition, please furnish a list of all federal depository insurance coverage and the accounts to which it applies.

Please mail your reply directly to Garrett, Stephens, Thomas & Fazio, P.C., P.O. Box 488, Carrollton, Georgia 30112.

Very truly yours,

Deloris Covell
Assistant Director, CPRCAD

December 18, 2006

Mr. Ed Blaha
Georgia Department of Audits and Accounts
270 Washington Street, S.W., Room 1-156
Atlanta, Georgia 30334-8400

Dear Mr. Blaha:

We have been engaged to perform the audit of the financial statements for the year ended June 30, 2006 for the City of Carrollton, Georgia. We respectfully request an extension of time to file our report with your office. The report for the year ended June 30, 2005 was timely filed with your office.

Respectfully Submitted,

Garrett, Stephens, Thomas & Fazio, P.C.