

CITY OF CARROLLTON, GEORGIA

**Financial Statements and Supplementary Information
For the Fiscal Year Ended June 30, 2010**

And

Independent Auditor's Report

City of Carrollton, Georgia
June 30, 2010

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June 30, 2010

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City of Carrollton, Georgia
List of Principal City Officials
June 30, 2010

<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
Roger Patterson	City Council Member
Casey Coleman	City Manager
Jim Triplett	Finance Officer/City Clerk

FINANCIAL SECTION



Garrett
Stephens
Thomas &
Fazio, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Ann M. Fazio	CPA	Brandy C. Smith	CPA
Frederick G. Thomas	CPA	Julie M. George	CPA
Deborah W. Cooke	CPA	Heather B. Foster	CPA
Johanna H. Tallent	CPA	Amber E. Ash	CPA

Members of Georgia Society of Certified Public Accountants
Members of American Institute of Certified Public Accountants
Members of Private Companies Practice Section, Division for CPA Firms

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, 2010, 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, 2010, and the respective changes in financial position and where applicable, cash flows 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 January 31, 2011, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress, and budgetary comparison information on pages 6 through 13 and 58 through 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Carrollton's basic financial statements as a whole. 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. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

January 31, 2011

MANAGEMENT DISCUSSION AND ANALYSIS

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, 2010. 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

The statements 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 \$163,554,785 in 2009 to \$163,885,102 in 2010, an increase of \$330,317. 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 decreased from \$94,379,360 in 2009 to \$94,209,228 in 2010, a decrease of \$170,132. Unrestricted net assets for governmental activities increased from \$11,288,207 in 2009 to \$11,793,964 in 2010, an increase of \$505,757.

Total net assets for business-type activities increased from \$69,175,425 in 2009 to \$69,675,874 in 2010. The statement of Net Assets for Business-type Activities shows unrestricted net assets of \$2,984,390 for 2010, as opposed to \$2,954,336 for 2009.

City of Carrollton
Table 1 - Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2010</u>	<u>2009*</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Current assets	\$ 21,607,536	\$ 27,777,389	\$ 4,384,299	\$ 4,363,420	\$ 25,991,835	\$ 32,140,799
Restricted assets	00	00	1,157,244	607,618	1,157,244	607,618
Capital assets, net	83,809,862	79,871,170	75,830,376	76,735,527	159,640,238	156,606,697
Noncurrent assets	00	00	103,905	125,211	103,905	125,211
Total assets	<u>105,417,398</u>	<u>107,648,549</u>	<u>81,475,824</u>	<u>81,831,776</u>	<u>186,893,222</u>	<u>189,480,325</u>
Current liabilities	1,981,626	2,393,585	2,632,998	3,036,633	4,614,624	5,434,218
Noncurrent liabilities	<u>9,226,544</u>	<u>10,875,604</u>	<u>9,166,952</u>	<u>9,619,718</u>	<u>18,393,496</u>	<u>20,495,322</u>
Total liabilities	<u>11,208,170</u>	<u>13,269,189</u>	<u>11,799,950</u>	<u>12,656,351</u>	<u>23,008,120</u>	<u>25,925,540</u>
Net assets:						
Invested in capital assets, net of related debt	75,687,872	77,239,605	65,534,241	65,613,471	140,206,006	142,853,076
Restricted:						
Capital projects	5,211,750	5,175,733	26,890	30,965	6,254,747	5,206,698
Debt service	203,665	286,658	1,130,353	576,653	1,334,018	863,311
Other purposes	1,311,977	389,157	00	00	1,331,977	389,157
Unrestricted	<u>11,793,964</u>	<u>11,288,207</u>	<u>2,984,390</u>	<u>2,954,336</u>	<u>14,778,354</u>	<u>14,242,543</u>
Total net assets	<u>\$ 94,209,228</u>	<u>\$ 94,379,360</u>	<u>\$ 69,675,874</u>	<u>\$ 69,175,425</u>	<u>\$ 163,885,102</u>	<u>\$ 163,554,785</u>

* Governmental 2009 Net Assets allocated between “restricted” for capital projects and “unrestricted” was restated to correct unspent bond proceeds of \$8,164,579 and prior period adjustments.

Changes in Net Assets

The City’s combined change in net assets decreased from \$4,318,215 in 2009 to \$330,317 in 2010. 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 \$25,641,152 (excluding transfers). This total represents a decrease of \$176,663 (0.68%) from the FY2009 total of \$25,817,815.

Expenses for the City’s governmental activities totaled \$26,890,888 (excluding transfers). This total represents an increase of \$2,470,206 (10.12%) over the FY2009 total of \$24,420,682. This net increase was primarily attributable to the following:

- A decrease in expenses of the 2004 SPLOST Fund.
- An increase in expenses of the 2009 SPLOST Fund.
- Significant initial year expenses for the Neighborhood Stabilization Program Fund.

Business-Type Activities

Revenues for the City's business-type activities totaled \$13,328,181 (excluding grants, contributions, interest and miscellaneous). This represents a decrease of \$688,314 (5%) from the FY2009 total of \$14,016,495. This decrease resulted from a decrease in water/sewer tap revenue and a decrease in consumption not offset by a rate increase in utility billing. The tap revenue decrease was due to a decrease in construction activity which adversely affected water/sewer tap fee revenue. Operating expenses for the City's business activities totaled \$13,074,174 (excluding transfers and donations), an increase of \$513,132 (4%) from the fiscal year 2009 total of \$12,561,042.

The operating revenues are as follows:

	<u>2010</u>	<u>2009</u>
Charges for services:		
Water and sewer fees & charges	\$ 9,420,551	\$ 10,026,449
Garbage and landfill fees	<u>3,907,630</u>	<u>3,990,046</u>
Total	<u>\$ 13,328,181</u>	<u>\$ 14,016,495</u>

The non-operating revenues (expenses) consist of the following material changes from FY2009 to FY2010:

- Interest revenue decreased from \$53,230 to \$ 8,652, a decrease of \$44,578 (84%).
- A GEFA capital grant was recorded in the Water and Sewer Fund in the amount of \$500,000.
- Interest expense and other costs on bonded debt and notes payable increased from \$236,345 in FY2009 to \$316,513 in FY2010, an increase of \$80,168 (34%).
- Capital contributions in the amount of \$440,817 were recorded in the Water and Sewer Fund from ongoing construction projects in FY2010 as opposed to \$1,273,648 in FY2009, a decrease of \$832,831 (65%).
- The total increase in operating expenses of \$513,132 included an increase in the Water and Sewer Fund of \$372,419 and \$140,713 in the Sanitation Fund. These increases were attributable to increases in personnel services and benefit costs, as well as increases in overall operating costs for each respective fund.

City of Carrollton

Table 2 - Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Revenues:						
Program revenues:						
Charges for services	\$ 3,655,815	\$ 3,721,691	\$ 13,328,181	\$ 14,016,495	\$ 16,983,996	\$ 17,738,186
Operating grants & contributions	4,574,407	1,982,595	139,220	00	4,713,627	1,982,595
Capital grants & contributions	5,048,673	7,408,722	940,817	1,273,648	5,989,490	8,682,370
General revenues:						
Property taxes	3,695,338	3,652,296	00	00	3,695,338	3,652,296
Franchise & public service taxes	3,154,893	3,463,675	00	00	3,154,893	3,463,675
Sales and hotel/motel taxes	3,955,482	4,440,350	00	00	3,955,482	4,440,350
Other taxes	872,421	673,036	00	00	872,421	673,036
Interest and investment earnings	240,994	208,676	8,652	53,230	249,646	261,906
Contributions	56,607	107,487	00	00	56,607	107,487
Miscellaneous	385,509	159,287	237,357	138,751	622,866	298,038
Gain on sale of asset	1,013	00	00	00	1,013	00
Total revenues	<u>25,641,152</u>	<u>25,817,815</u>	<u>14,654,227</u>	<u>15,482,124</u>	<u>40,295,379</u>	<u>41,299,939</u>
Expenses:						
Program expenses:						
General government	1,560,039	1,987,788	00	00	1,560,039	1,987,788
Public safety	10,981,696	10,365,045	00	00	10,981,696	10,365,045
Highways and streets	4,600,242	2,647,404	00	00	4,600,242	2,647,404
Landfill	69,183	66,627	00	00	69,183	66,627
Recreation and culture	5,902,066	5,926,625	00	00	5,902,066	5,926,625
Economic development	3,299,903	169,094	00	00	3,299,903	169,094
Intergovernmental	00	889,249	00	00	00	889,249
Water and sewer	00	00	9,924,460	9,552,041	9,924,460	9,552,041
Sanitation	00	00	3,149,714	3,009,001	3,149,714	3,009,001
Payments to Carrollton						
Redevelopment Authority	00	2,327,600	00	00	00	2,327,600
Interest on long-term debt	<u>477,759</u>	<u>41,250</u>	<u>00</u>	<u>00</u>	<u>477,759</u>	<u>41,250</u>
Total expenses	<u>26,890,888</u>	<u>24,420,682</u>	<u>13,074,174</u>	<u>12,561,042</u>	<u>39,965,062</u>	<u>36,981,724</u>
Transfers	<u>1,079,604</u>	<u>850,116</u>	<u>(1,079,604)</u>	<u>(850,116)</u>	<u>00</u>	<u>00</u>
Change in net assets	(170,132)	2,247,249	500,449	2,070,966	330,317	4,318,215
Net assets, beginning of year	94,891,167	93,810,779	69,175,425	67,112,265	164,066,592	160,923,044
Prior period adjustments	<u>(511,807)</u>	<u>(1,166,861)</u>	<u>00</u>	<u>(7,806)</u>	<u>(511,807)</u>	<u>(1,174,667)</u>
Net assets, end of year	<u>\$ 94,209,228</u>	<u>\$ 94,891,167</u>	<u>\$ 69,675,874</u>	<u>\$ 69,175,425</u>	<u>\$ 163,885,102</u>	<u>\$ 164,066,592</u>

The City's Funds

As the City completed FY2010, its governmental funds (as presented in the balance sheet on page 16) reported a combined fund balance of \$18,629,513. This represents an decrease of \$6,647,425 from the combined fund balance of \$25,276,938 for FY2009. 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 \$2,984,390. This represents an increase of \$30,055 (1%) over the combined net assets available for appropriation for FY2009, 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 \$799,277. Actual taxes exceeded budget by \$127,273. Of this amount, tax revenue on property was \$318,648 over budget. Tax revenue on automobiles and mobile homes was \$41,615 under budget. Sales tax revenue was \$134,630 under budget and other taxes under by \$15,130. 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 \$265,395 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 \$386,383 over budget projections. Of this amount, \$4,330 was the Fire Assistance Grant used to hire personnel to staff the new Northside Fire Station, and \$34,725 was Police grants to hire additional patrol officers, \$171,057 for miscellaneous other grants, and \$40,594 for the Nutrition Program Grant. Carroll County landfill reimbursements were realized at an amount of \$8,211 over budget. Carrollton Convention and Visitors Bureau reimbursements were realized at an amount of \$14,050, while reimbursements from the Carrollton City Schools were realized at an amount of \$116,246 for the School Resource Officer and School Crossing Guard salary and benefits expense.

Recreation Department program fee revenue was realized at an amount of \$125,626 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 \$376,496 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 projections.

Interest on invested funds was realized at an amount of \$16,854 over budget.

Table 3 – General Fund Revenues

	-----2010-----			-----2009-----		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Taxes	\$ 9,295,112	\$ 9,422,385	\$ 127,273	\$ 9,879,237	\$ 9,596,518	\$ (282,719)
Licenses and permits	3,515,000	3,249,605	(265,395)	3,658,000	3,631,427	(26,573)
Intergovernmental	1,350,180	1,736,563	386,383	1,263,628	1,604,332	340,704
Charges for services	983,000	1,108,626	125,626	1,017,856	1,182,417	164,561
Fines and forfeitures	800,000	1,176,496	376,496	950,000	1,158,564	208,564
Interest on invested funds	125,000	141,854	16,854	275,000	114,718	(160,282)
Miscellaneous	238,000	213,433	(24,567)	238,000	225,770	(12,230)
Contributions	00	56,607	56,607	00	00	00
Total	<u>\$ 16,306,292</u>	<u>\$ 17,105,569</u>	<u>\$ 799,277</u>	<u>\$ 17,281,721</u>	<u>\$ 17,513,746</u>	<u>\$ 232,025</u>

Expenditures

General Fund expenditure highlights discussed below are shown in Table 4. The City completed FY2010 with a total of \$17,623,833 in General Fund operating expenditures. The operating budget for these expenditures totaled \$17,482,829 resulting in expenditures exceeding budgeted amounts by a net total of \$141,004. Expenditures for legal services exceeded budget appropriations by \$45,154 as a result of several lawsuits the City is in the process of defending. Expenditures for the Police Department exceeded budget appropriations by \$266,207 and are primarily attributable to the way the City reports Fines and Forfeiture Revenue as discussed earlier. Expenditures for Parks and Recreation exceeded budget appropriations by \$150,978 and are the result of increased utilization of Recreation programs and services by citizens. As discussed earlier, this budget variance is partially offset by Parks and recreation revenues exceeding budgeted amounts by \$125,626.

Table 4 – General Fund Operating Expenditures

	-----2010-----			-----2009-----		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General government	\$ 1,569,960	\$ 1,449,452	\$ 120,508	\$ 1,835,601	\$ 1,734,159	\$ 101,442
Public safety	9,866,015	9,930,298	(64,283)	10,918,499	9,663,798	1,254,701
Highways and streets	917,456	965,537	(48,081)	1,010,661	897,986	112,675
Landfill	68,033	69,183	(1,150)	66,830	66,627	203
Cultural and recreation	5,061,365	5,209,363	(147,998)	5,503,627	5,324,226	179,401
Intergovernmental	<u>00</u>	<u>00</u>	<u>00</u>	<u>15,000</u>	<u>25,400</u>	<u>(10,400)</u>
Total operating expenditures	<u>\$ 17,482,829</u>	<u>\$ 17,623,833</u>	<u>\$ (141,004)</u>	<u>\$ 19,350,218</u>	<u>\$ 17,712,196</u>	<u>\$ 1,638,022</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

At the end of fiscal year 2010 the City had \$159,640,238 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, 2010, Net of Depreciation

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Land	\$ 8,477,772	\$ 8,212,916	\$ 8,779,730	\$ 8,779,730	\$ 17,257,502	\$ 16,992,646
Land improvements	3,654,271	3,854,166	00	00	3,654,271	3,854,166
Buildings and improvements	27,265,605	20,225,332	2,333,426	2,454,374	29,599,031	22,679,706
Equipment	4,451,514	3,968,145	1,240,002	1,395,670	5,691,516	5,363,815
Infrastructure	39,137,717	42,165,532	63,159,805	60,368,546	102,297,522	102,534,078
Construction in progress	<u>822,983</u>	<u>1,445,079</u>	<u>317,413</u>	<u>3,737,207</u>	<u>1,140,396</u>	<u>5,182,286</u>
Totals	<u>\$ 83,809,862</u>	<u>\$ 79,871,170</u>	<u>\$ 75,830,376</u>	<u>\$ 76,735,527</u>	<u>\$ 159,640,238</u>	<u>\$ 156,606,697</u>

DEBT

The total long-term debt of the City outstanding at June 30, 2010 was \$19,538,137. The City had \$2,293,865 in revenue bond debt outstanding. Amounts reported as intergovernmental debt of \$9,054,220 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. Please refer to our analysis below for a breakdown of 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		Totals	
	2010	2009	2010	2009	2010	2009
General obligation bonds	\$ 00	\$ 00	\$ 00	\$ 00	\$ 00	\$ 00
Revenue bonds	00	00	2,293,865	2,743,066	2,293,865	2,743,066
Notes payable	00	00	8,060,620	7,852,917	8,060,620	7,852,917
Lease payable	83,877	176,724	45,555	122,344	129,432	299,068
Intergovernmental debt	<u>9,054,220</u>	<u>10,619,420</u>	<u>00</u>	<u>00</u>	<u>9,054,220</u>	<u>10,619,420</u>
Totals	<u>\$ 9,138,097</u>	<u>\$ 10,796,144</u>	<u>\$ 10,400,040</u>	<u>\$ 10,718,327</u>	<u>\$ 19,538,137</u>	<u>\$ 21,514,471</u>

ECONOMIC FACTORS AND NEXT YEARS BUDGETS AND RATES

The City's elected and appointed officials considered many factors when preparing the FY2011 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 FY2011. The fiscal year 2011 General Fund budget totals \$17,352,138 a decrease of \$130,691 over the FY2010 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 FY2011. 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 FY2011 results will continue to show solid financial performance.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, tax payers, 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.

City of Carrollton, Georgia
Statement of Net Assets
June 30, 2010

	Governmental Activities	Business-Type Activities	Total	Component Unit
Assets				
Current assets:				
Cash and equivalents	\$ 12,078,373	\$ 2,574,206	\$ 14,652,579	\$ 00
Investments	4,280,024	00	4,280,024	209,491
Restricted cash and cash equivalents	00	1,157,244	1,157,244	00
Receivables, net	3,719,916	1,762,695	5,482,611	00
Internal balances	417,649	(417,649)	00	00
Inventory	886,507	269,040	1,155,547	00
Prepaid expenses	<u>225,067</u>	<u>196,007</u>	<u>421,074</u>	<u>00</u>
Total current assets	<u>21,607,536</u>	<u>5,541,543</u>	<u>27,149,079</u>	<u>209,491</u>
Non-current assets:				
Capital assets:				
Land and construction in progress	9,300,755	9,097,143	18,397,898	00
Other capital assets, net of accumulated depreciation	74,509,107	66,733,233	141,242,340	00
Deferred costs	<u>00</u>	<u>103,905</u>	<u>103,905</u>	<u>00</u>
Total non-current assets	<u>83,809,862</u>	<u>75,934,281</u>	<u>159,744,143</u>	<u>00</u>
Total assets	<u>\$ 105,417,398</u>	<u>\$ 81,475,824</u>	<u>\$ 186,893,222</u>	<u>\$ 209,491</u>
Liabilities				
Current liabilities:				
Accounts payable – unrestricted	\$ 1,329,268	\$ 526,575	\$ 1,855,843	\$ 00
Accounts payable – restricted	00	840	840	00
Customer and tap deposits	00	730,285	730,285	00
Accrued expenses	568,481	142,210	710,691	00
Current portion of long-term obligations	<u>83,877</u>	<u>1,233,088</u>	<u>1,316,965</u>	<u>00</u>
Total current liabilities	<u>1,981,626</u>	<u>2,632,998</u>	<u>4,614,624</u>	<u>00</u>
Non-current liabilities:				
Noncurrent portion of long-term obligations	9,054,220	9,166,952	18,221,172	00
Net OPEB obligation	<u>172,324</u>	<u>00</u>	<u>172,324</u>	<u>00</u>
Total non-current liabilities	<u>9,226,544</u>	<u>9,166,952</u>	<u>18,393,496</u>	<u>00</u>
Total liabilities	<u>11,208,170</u>	<u>11,799,950</u>	<u>23,008,120</u>	<u>00</u>
Net assets				
Invested in capital assets, net of related debt	75,687,872	65,534,241	141,222,113	00
Restricted:				
Capital projects	5,211,750	26,890	5,238,640	209,491
Debt service	203,665	1,130,353	1,334,018	00
Other purposes	1,311,977	00	1,311,977	00
Unrestricted	<u>11,793,964</u>	<u>2,984,390</u>	<u>14,778,354</u>	<u>00</u>
Total net assets	<u>94,209,228</u>	<u>69,675,874</u>	<u>163,885,102</u>	<u>209,491</u>
Total liabilities and net assets	<u>\$ 105,417,398</u>	<u>\$ 81,475,824</u>	<u>\$ 186,893,222</u>	<u>\$ 209,491</u>

See accompanying notes to financial statements.

City of Carrollton, Georgia
Statement of Activities
For the Year Ended June 30, 2010

		-----Program Revenues-----			Net (Expenses) Revenue and -----Changes in Net Assets-----			
Function/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-Type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 1,560,039	\$ 1,194,870	\$ 12,000	\$ 274,924	\$ (78,245)	\$ 00	\$ (78,245)	
Public safety	10,981,696	1,344,077	1,749,244	458,879	(7,429,496)	00	(7,429,496)	
Highways and public works	4,600,242	00	338,392	3,210,174	(1,051,676)	00	(1,051,676)	
Landfill	69,183	00	68,211	00	(972)	00	(972)	
Recreation and culture	5,902,066	1,116,868	258,764	761,041	(3,765,393)	00	(3,765,393)	
Economic development	3,299,903	00	2,147,796	343,655	(808,452)	00	(808,452)	
Interest on long-term debt	<u>477,759</u>	<u>00</u>	<u>00</u>	<u>00</u>	<u>(477,759)</u>	<u>00</u>	<u>(477,759)</u>	
Total governmental activities	<u>26,890,888</u>	<u>3,655,815</u>	<u>4,574,407</u>	<u>5,048,673</u>	<u>(13,611,993)</u>	<u>00</u>	<u>(13,611,993)</u>	
Business-type activities:								
Water	5,455,451	6,047,373	89,379	604,005	00	1,285,306	1,285,306	
Sewer	4,469,009	3,373,178	49,841	336,812	00	(709,179)	(709,178)	
Sanitation	<u>3,149,714</u>	<u>3,907,630</u>	<u>00</u>	<u>00</u>	<u>00</u>	<u>757,916</u>	<u>757,916</u>	
Total business-type activities	<u>13,074,174</u>	<u>13,328,181</u>	<u>139,220</u>	<u>940,817</u>	<u>00</u>	<u>1,334,044</u>	<u>1,334,044</u>	
Total primary government	<u>\$ 39,965,062</u>	<u>\$ 16,983,996</u>	<u>\$ 4,713,627</u>	<u>\$ 5,989,490</u>	<u>(13,611,993)</u>	<u>1,334,044</u>	<u>(12,277,949)</u>	
Component unit:								
Carrollton Redevelopment								
Authority	\$ 1,049,829	\$ 00	\$ 00					\$ (1,049,829)
Total component unit	<u>\$ 1,049,829</u>	<u>\$ 00</u>	<u>\$ 00</u>					<u>(1,049,829)</u>
General revenues:								
Taxes:								
Property taxes levied for general purposes					3,695,338	00	3,695,338	00
Franchise and public service taxes					3,154,893	00	3,154,893	00
Sales and hotel/motel taxes					3,955,482	00	3,955,482	00
Other taxes					872,421	00	872,421	00
Interest and investment earnings					240,994	8,652	249,646	00
Contributions					56,607	00	56,607	00
Miscellaneous					385,509	237,357	622,866	00
Gain on sale of asset					1,013	00	1,013	00
Transfers					<u>1,079,604</u>	<u>(1,079,604)</u>	<u>00</u>	<u>00</u>
Total general revenues and transfers					<u>13,441,861</u>	<u>(833,595)</u>	<u>12,608,266</u>	<u>00</u>
Change in net assets					(170,132)	500,449	330,317	(1,049,829)
Net assets – beginning					94,891,167	69,175,425	164,066,592	1,259,320
Prior period adjustments					<u>(511,807)</u>	<u>00</u>	<u>(511,807)</u>	<u>00</u>
Net assets – ending					\$ 94,209,228	\$ 69,675,824	\$ 163,885,102	\$ 209,491

See accompanying notes to financial statements.

City of Carrollton, Georgia
Balance Sheet
Governmental Funds
June 30, 2010

	General Fund	Special Purpose Option Sales Tax	Local 2009	Neighborhood Stabilization Program Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and equivalents	\$ 6,627,419	\$ 250,029	\$ 4,140,132	\$ 223,103	\$ 837,690	\$ 12,078,373
Investments	4,280,024	00	00	00	00	4,280,024
Receivables, net	1,565,398	00	150,764	00	19,311	1,735,473
Due from other funds	693,215	704,784	00	00	00	1,397,999
Prepaid expenses	225,067	00	00	00	00	225,067
Receivables from other governments	<u>354,990</u>	<u>794,967</u>	<u>628,304</u>	<u>79,431</u>	<u>126,751</u>	<u>1,984,443</u>
Total assets	<u>\$ 13,746,113</u>	<u>\$ 1,749,780</u>	<u>\$ 4,919,200</u>	<u>\$ 302,534</u>	<u>\$ 983,752</u>	<u>\$ 21,701,379</u>
Liabilities						
Accounts payable	\$ 691,442	\$ 223,078	\$ 313,247	\$ 30,581	\$ 18,566	\$ 1,276,914
Accrued liabilities	491,185	00	00	00	77,296	568,481
Due to other funds	604,784	00	106,929	246,461	22,176	980,350
Due to other governments	9,914	00	00	25,492	16,948	52,354
Deferred revenue	<u>176,267</u>	<u>00</u>	<u>00</u>	<u>00</u>	<u>17,500</u>	<u>193,767</u>
Total liabilities	<u>1,973,592</u>	<u>223,078</u>	<u>420,176</u>	<u>302,534</u>	<u>152,486</u>	<u>3,071,866</u>
Fund balances						
Reserved for:						
Prepaid insurance	225,067	00	00	00	00	225,067
Debt service	00	00	203,665	00	00	203,665
Unreserved, reported in:						
General fund						
Undesignated	11,547,454	00	00	00	00	11,547,454
Designated:						
Special revenue	00	00	00	00	425,470	425,470
Capital projects	<u>00</u>	<u>1,526,702</u>	<u>4,295,359</u>	<u>00</u>	<u>405,796</u>	<u>6,227,857</u>
Total fund balances	<u>11,772,521</u>	<u>1,526,702</u>	<u>4,499,024</u>	<u>00</u>	<u>831,266</u>	<u>18,629,513</u>
Total liabilities and fund balances	<u>\$ 13,746,113</u>	<u>\$ 1,749,780</u>	<u>\$ 4,919,200</u>	<u>\$ 302,534</u>	<u>\$ 983,752</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						83,809,862
Housing inventory used in governmental activities within the Neighborhood Stabilization Program is not reported in the funds						886,507
Some receivables are not available to pay for current-period expenditures and therefore are deferred in the funds						193,767
Notes and lease payables, are not due and payable in the current period and therefore are not reported in the funds						(9,138,097)
Other post-employment benefits payable						<u>(172,324)</u>
Net assets of governmental activities						<u>\$ 94,209,228</u>

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, 2010

	General Fund	Special Purpose Option Sales Tax	Local 2009	Neighborhood Stabilization Program Fund	Other Governmental Funds	Total Governmental Funds
		2004	2009			
Revenues						
Taxes	\$ 9,422,385	\$ 00	\$ 00	\$ 00	\$ 227,709	\$ 9,650,094
Fees and fines	1,176,496	00	00	00	167,581	1,344,077
Licenses and permits	3,249,605	00	00	00	00	3,249,605
Intergovernmental	1,738,563	252,500	3,529,916	2,133,746	512,263	8,166,988
Charges for services	1,108,626	00	00	00	00	1,108,626
Interest	141,854	29	95,319	204	3,588	240,994
Contributions	54,607	00	1,445,592	00	00	1,500,199
Miscellaneous	213,433	00	00	157,657	34,069	405,159
Total revenues	17,105,569	252,529	5,070,827	2,291,607	945,210	25,665,742
Expenditures						
Current operating:						
General government	1,449,452	00	00	00	00	1,449,452
Public safety	9,815,739	00	00	00	538,573	10,354,312
Highways and streets	950,367	00	2,004,722	00	13,416	2,968,505
Landfill	69,183	00	00	00	00	69,183
Recreation and culture	5,171,722	00	00	00	00	5,171,722
Housing and economic development	00	00	1,775,106	2,271,849	139,455	4,186,410
Debt service:						
Principal	92,847	00	1,565,200	00	00	1,658,047
Interest	00	00	477,759	00	00	477,759
Capital outlay	74,523	3,427,481	3,262,082	00	293,295	7,057,381
Total expenditures	17,623,833	3,427,481	9,084,869	2,271,849	984,739	33,392,771
Excess (deficiency) of revenues over expenditures	(518,264)	(3,174,952)	(4,014,042)	19,758	(39,529)	(7,727,029)
Other financing sources (uses)						
Transfers in (out) – other funds	1,029,974	00	(106,562)	(19,758)	175,950	1,079,604
Total other financing sources (uses)	1,029,974	00	(106,562)	(19,758)	175,950	1,079,604
Net change in fund balance	511,710	(3,174,952)	(4,120,604)	00	136,421	(6,647,425)
Fund balances – beginning, as restated	11,260,811	4,701,654	8,619,628	00	694,845	25,276,938
Fund balances – ending	\$ 11,772,521	\$ 1,526,702	\$ 4,499,024	\$ 00	\$ 831,266	\$ 18,629,513

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, 2010

Net change in fund balances – total government funds	\$ (6,647,425)
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 \$7,057,381 exceeded depreciation of \$3,100,052 in the current period.	3,957,329
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	1,658,047
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(5,953)
Purchase of homes held for sale within the Neighborhood Stabilization Program are reported as expenditures within the funds, but are recorded as inventory in governmental activities.	886,507
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.	<u>(18,637)</u>
Change in Net Assets of Governmental Activities	<u>\$ (170,132)</u>

See accompanying notes to financial statements.

City of Carrollton, Georgia
Balance Sheet
Proprietary Funds
June 30, 2010

<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	\$ 233,568	\$ 2,340,638	\$ 2,574,206
Accounts receivable (net of allowances)	1,223,761	519,503	1,743,264
Inventory	269,040	00	269,040
Due from other funds	00	42,632	42,632
Due from other governments	19,431	00	19,431
Prepaid insurance	<u>137,587</u>	<u>58,420</u>	<u>196,007</u>
Total non-restricted current assets	<u>1,883,387</u>	<u>2,961,193</u>	<u>4,844,580</u>
Restricted assets:			
Cash	<u>1,157,244</u>	<u>00</u>	<u>1,157,244</u>
Total restricted current assets	<u>1,157,244</u>	<u>00</u>	<u>1,157,244</u>
Total current assets	<u>3,040,631</u>	<u>2,961,193</u>	<u>6,001,824</u>
Long-term assets:			
Capital assets:			
Property, plant, and equipment	101,513,855	1,430,918	102,944,773
Accumulated depreciation	<u>(26,269,546)</u>	<u>(844,851)</u>	<u>(27,114,397)</u>
Capital assets, net	<u>75,244,309</u>	<u>586,067</u>	<u>75,830,376</u>
Other non-current assets:			
Unamortized bond and loan costs	<u>103,905</u>	<u>00</u>	<u>103,905</u>
Total other non-current assets	<u>103,905</u>	<u>00</u>	<u>103,905</u>
 Total assets	 <u>\$ 78,388,845</u>	 <u>\$ 3,547,260</u>	 <u>\$ 81,936,105</u>

See accompanying notes to financial statements.

City of Carrollton, Georgia
Balance Sheet
Proprietary Funds
June 30, 2010

	Business-Type Activities		
	Water and Sewerage Fund	Sanitation Fund	Totals
<u>Liabilities</u>			
Current liabilities payable from non-restricted current assets:			
Accounts payable	\$ 381,607	\$ 144,968	\$ 526,575
Leases payable – current	00	45,555	45,555
Accrued expenses	105,062	37,148	142,210
Due to other funds	273,884	186,397	460,281
Customer and tap deposits	<u>730,285</u>	<u>00</u>	<u>730,285</u>
Total current liabilities payable from non-restricted current assets	<u>1,490,838</u>	<u>414,068</u>	<u>1,904,906</u>
Current liabilities payable from restricted current assets:			
Accounts payable	840	00	840
Bonds payable – current	471,906	00	471,906
Notes payable – current	<u>715,627</u>	<u>00</u>	<u>715,627</u>
Total current liabilities payable from restricted current assets	<u>1,188,373</u>	<u>00</u>	<u>1,188,373</u>
Total current liabilities	<u>2,679,211</u>	<u>414,068</u>	<u>3,093,279</u>
Long term liabilities:			
Notes payable (less current portion)	7,344,993	00	7,344,993
Bonds payable (less current portion)	1,821,959	00	1,821,959
Capital leases payable (less current portion)	<u>00</u>	<u>00</u>	<u>00</u>
Total long term liabilities	<u>9,166,952</u>	<u>00</u>	<u>9,166,952</u>
Total liabilities	<u>11,846,163</u>	<u>414,068</u>	<u>12,260,231</u>
<u>Fund Net Assets</u>			
Invested in capital assets, net of related debt	64,993,729	540,512	65,534,241
Restricted			
Capital projects	26,890	00	26,890
Debt service	1,130,353	00	1,130,353
Unrestricted	<u>391,710</u>	<u>2,592,680</u>	<u>2,984,390</u>
Total fund net assets	<u>66,542,682</u>	<u>3,133,192</u>	<u>69,675,874</u>
Total liabilities and fund net assets	<u>\$ 78,388,845</u>	<u>\$ 3,547,260</u>	<u>\$ 81,936,105</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, 2010

	Business-Type Activities		
	Water and Sewerage Fund	Sanitation Fund	Totals
Operating revenues:			
Charges for services	\$ 9,420,551	\$ 3,907,630	\$ 13,328,181
Operating grant – FEMA	<u>139,220</u>	<u>00</u>	<u>139,220</u>
Total operating revenue	<u>9,559,771</u>	<u>3,907,630</u>	<u>13,467,401</u>
Operating expenses:			
Personnel services and benefits	3,981,378	1,485,636	5,467,014
Contractual services	277,821	91,863	369,684
Supplies and chemicals	1,070,132	47,586	1,117,718
Office supplies and expense	69,179	00	69,179
Utilities and telephone	998,918	259	999,177
Advertising and publicity	2,808	00	2,808
Equipment repairs	336,327	2,777	339,104
Vehicle repair and expense	162,451	187,273	349,724
Building and grounds repairs	232,111	00	232,111
Operating leases	24,609	00	24,609
General insurance	187,508	102,158	289,666
Depreciation	1,893,012	139,907	2,032,919
Other	3,533	5,352	8,885
Amortization	31,306	00	31,306
Landfill fees	<u>331,710</u>	<u>1,092,047</u>	<u>1,423,757</u>
Total operating expenses	<u>9,602,803</u>	<u>3,154,858</u>	<u>12,757,661</u>
Operating income	<u>(43,032)</u>	<u>752,772</u>	<u>709,740</u>
Non-operating revenues (expenses):			
Rents	73,887	00	73,887
Miscellaneous income (expense)	120,612	42,858	163,470
Interest revenue	3,185	5,467	8,652
Interest and other costs on bonded debt and notes payable	(321,657)	5,144	(316,513)
Capital grant – GEFA	<u>500,000</u>	<u>00</u>	<u>500,000</u>
Total non-operating revenues (expenses)	<u>376,027</u>	<u>53,469</u>	<u>429,496</u>
Income before capital contributions and transfers	332,995	806,241	1,139,236
Capital contributions	440,817	00	440,817
Transfers in (out)	<u>(817,836)</u>	<u>(261,768)</u>	<u>(1,079,604)</u>
Change in fund net assets	(44,024)	544,473	500,449
Total fund net assets – beginning of year	<u>66,586,706</u>	<u>2,588,719</u>	<u>69,175,425</u>
Total fund net assets – end of year	<u>\$ 66,542,682</u>	<u>\$ 3,133,192</u>	<u>\$ 69,675,874</u>

See accompanying notes to financial statements.

City of Carrollton, Georgia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2010

	Business-Type Activities		
	Water and Sewerage Fund	Sanitation Fund	Totals
Cash flows from operating activities:			
Receipts from customers	\$ 9,745,441	\$ 3,888,144	\$ 13,633,585
Receipts from operating grants	119,789	00	119,789
Payments for suppliers	(4,312,799)	(1,572,216)	(5,885,015)
Payments to employees	(3,980,447)	(1,476,477)	(5,456,924)
Net cash provided by operating activities	<u>1,571,984</u>	<u>839,451</u>	<u>2,411,435</u>
Cash flows from noncapital financing activities:			
Operating subsidies and transfers to/from other funds	(595,670)	(261,768)	(857,438)
Other receipts	<u>194,499</u>	<u>42,858</u>	<u>237,357</u>
Net cash used by noncapital financing activities	<u>(401,171)</u>	<u>(218,910)</u>	<u>(620,081)</u>
Cash flows from capital and related financing activities:			
Capital contributions	440,817	00	440,817
GEFA Note and grant proceeds	1,298,691	00	1,298,691
Purchases and construction of capital assets	(852,146)	(186,216)	(1,038,362)
Principal paid on capital debt	(1,049,175)	(67,803)	(1,116,978)
Interest paid on capital debt	<u>(620,348)</u>	<u>5,144</u>	<u>(615,204)</u>
Net cash used by capital and related financing activities	<u>(782,161)</u>	<u>(248,875)</u>	<u>(1,031,036)</u>
Cash flows from investing activities:			
Interest	<u>3,185</u>	<u>5,467</u>	<u>8,652</u>
Net cash provided by investing activities	<u>3,185</u>	<u>5,467</u>	<u>8,652</u>
Net increase (decrease) in cash and cash equivalents	391,837	377,133	768,970
Cash – beginning of year	<u>998,975</u>	<u>1,963,505</u>	<u>2,962,480</u>
Cash – end of year	<u>\$ 1,390,812</u>	<u>\$ 2,340,638</u>	<u>\$ 3,731,450</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	\$ (43,032)	\$ 752,772	\$ 709,740
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	1,893,012	139,907	2,032,919
Amortization expense	31,306	00	31,306
Change in assets and liabilities:			
Receivables, net	75,539	(19,486)	56,053
Prepaid expenses	(19,186)	(22,689)	(41,875)
Inventories	(37,879)	00	(37,879)
Accounts and other payables	(558,627)	(20,212)	(578,839)
Customer deposits	229,920	00	229,920
Accrued expenses	<u>931</u>	<u>9,159</u>	<u>10,090</u>
Net cash provided by operating activities	<u>\$ 1,571,984</u>	<u>\$ 839,451</u>	<u>\$ 2,411,435</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, 2010

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, 2010

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, 2010

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.

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.

City of Carrollton, Georgia
Notes to Basic Financial Statements
June 30, 2010

Note 1. Summary of Significant Accounting Policies – continued

1.B. Basis of Presentation – continued

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 Non-major Funds

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

Major Funds:	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.
Special Revenue Fund:	
Neighborhood Stabilization Program Fund	Accounts for grants, program income and expenditures related to grant purposes.
Business-Type Funds:	
Water and Sewer Fund	
Sanitation Fund	Accounts for activities in providing water, wastewater and sanitation services to the public.
Non-major Funds:	
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.

City of Carrollton, Georgia
Notes to Basic Financial Statements
June 30, 2010

Note 1. Summary of Significant Accounting Policies – continued

1.B. Basis of Presentation – continued

Major and Non-major Funds – continued

Non-major Funds:	Brief Description
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.

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.

City of Carrollton, Georgia
Notes to Basic Financial Statements
June 30, 2010

Note 1. Summary of Significant Accounting Policies – continued

Measurement Focus - continued

- 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.

Non-exchange transactions in which the City receives value without directly giving equal value in return, include sales tax, property taxes, franchise 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.

City of Carrollton, Georgia
Notes to Basic Financial Statements
June 30, 2010

Note 1. Summary of Significant Accounting Policies – continued

Basis of Accounting – continued

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.

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.

City of Carrollton, Georgia
Notes to Basic Financial Statements
June 30, 2010

Note 1. Summary of Significant Accounting Policies – continued

1.D. Assets, Liabilities and Equity – continued

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.

Inventory in governmental activities in the statement of net assets consists of homes purchased through the Neighborhood Stabilization Program and held as available for sale at June 30, 2010, recorded at cost.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2010, 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.

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 capital 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

City of Carrollton, Georgia
Notes to Basic Financial Statements
June 30, 2010

Note 1. Summary of Significant Accounting Policies – continued

1.D. Assets, Liabilities and Equity - continued

Capital Assets – continued

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.

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.

City of Carrollton, Georgia
Notes to Basic Financial Statements
June 30, 2010

Note 1. Summary of Significant Accounting Policies - continued

1.D.Assets, Liabilities and Equity - continued

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, 2009, and were due and payable on or before December 1, 2009. All unpaid taxes became delinquent December 2, 2009. The Carroll County tax commissioner bills and collects the City’s property taxes. The 2009 property taxes levied for the City operations only were \$3,432,413. The millage rate is 4.69 mills for 2009 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.

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.

City of Carrollton, Georgia
Notes to Basic Financial Statements
June 30, 2010

Note 1. Summary of Significant Accounting Policies – continued

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)
	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.

2.A. Fund Accounting Requirements

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

City of Carrollton, Georgia
Notes to Basic Financial Statements
June 30, 2010

Note 2. Stewardship, Compliance and Accountability - continued

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, 2010, 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	\$ 45,154
Finance and Purchasing	4,127
Police Department	266,207
Engineering Department	44,245
Shop	4,860
Parks and Recreation	150,978

Budget violations also occurred in the West Metro Regional Drug Enforcement Fund (\$19,159), Regional Hazardous Material Fund (\$9,916), and Drug Seizure Fund (\$32,582).

General fund revenue exceeded budgeted revenue by \$799,277, and Regional Hazardous Material Fund revenue exceeded budgeted revenue by \$7,209, and Drug Seizure Fund revenue exceeded budgeted revenue by \$55,908.

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, 2010

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, 2010 the carrying amount of the City's deposits was \$15,809,823 and the bank balances were \$16,168,013. 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	\$ 1,055,640
Collateral held by pledging bank's trust department in the City's name	<u>15,112,373</u>
Total	<u>\$ 16,168,013</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, 2010. 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, 2010

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	\$ 4,280,024	\$ 00	\$ 00	\$ 4,280,024	\$ 4,280,024
Component Unit					
Repurchase agreements	<u>209,491</u>	<u>00</u>	<u>00</u>	<u>209,491</u>	<u>209,491</u>
Grand total investments	<u>\$ 4,489,515</u>	<u>\$ 00</u>	<u>\$ 00</u>	<u>\$ 4,489,515</u>	<u>\$ 4,489,515</u>

3.B. Accounts and Other Receivables

	<u>Receivable</u>	<u>Allowance</u>	<u>Net</u>
Governmental Activities:			
Advalorem tax	\$ 206,848	\$ (19,278)	\$ 187,570
Sales tax	313,440	00	313,440
Beer and wine tax	64,776	00	64,776
Franchise tax	673,708	00	673,708
Police fines	838,567	(565,197)	273,370
Occupation tax	8,092	00	8,092
Other	214,517	00	214,517
Other governments	<u>1,984,443</u>	<u>00</u>	<u>1,984,443</u>
	<u>\$ 4,304,391</u>	<u>\$ (584,475)</u>	<u>\$ 3,719,916</u>
Business-Type Activities:			
Receivable from customers	\$ 2,288,154	\$ (571,264)	\$ 1,716,890
Miscellaneous	38,481	(12,107)	26,374
Other governments	<u>19,431</u>	<u>00</u>	<u>19,431</u>
	<u>\$ 2,346,066</u>	<u>\$ (583,371)</u>	<u>\$ 1,762,695</u>

City of Carrollton, Georgia
Notes to Basic Financial Statements
June 30, 2010

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

3.C. Capital Assets

Capital assets activity for the year ended June 30, 2010 was as follows:

	Balance at July 1, 2009	Additions	Disposals, Transfers and Adjustments	Balance at June 30, 2010
Governmental activities:				
Non-depreciable:				
Land	\$ 8,212,916	\$ 264,856	\$ 00	\$ 8,477,772
Construction in progress	<u>1,445,079</u>	<u>3,524,099</u>	<u>(4,146,195)</u>	<u>822,983</u>
Total non-depreciable	<u>\$ 9,657,995</u>	<u>\$ 3,788,955</u>	<u>\$ (4,146,195)</u>	<u>\$ 9,300,755</u>
Depreciable:				
Land improvements	\$ 4,726,778	\$ 00	\$ 00	\$ 4,726,778
Buildings and improvements	24,630,135	7,792,796	(6,320)	32,416,611
Furnishings, vehicles, machinery and equipment	10,633,415	1,330,642	(103,333)	11,860,724
Infrastructure	<u>62,599,244</u>	<u>1,939,336</u>	<u>(3,648,153)</u>	<u>60,890,427</u>
Totals at historical cost	<u>102,589,572</u>	<u>11,062,774</u>	<u>(3,757,806)</u>	<u>109,894,540</u>
Less accumulated depreciation:				
Land improvements	872,612	199,895	00	1,072,507
Buildings and improvements	4,404,803	566,010	180,193	5,151,006
Furnishings, vehicles, machinery and equipment	6,665,270	832,335	(88,395)	7,409,210
Infrastructure	<u>20,433,712</u>	<u>1,501,812</u>	<u>(182,814)</u>	<u>21,752,710</u>
Total accumulated depreciation	<u>32,376,397</u>	<u>3,100,052</u>	<u>(91,016)</u>	<u>35,385,433</u>
Governmental activities capital assets (depreciable), net	<u>\$ 70,213,175</u>	<u>\$ 7,962,722</u>	<u>\$ (3,666,790)</u>	<u>\$ 74,509,107</u>
Business-type activities:				
Non-depreciable:				
Land	\$ 8,779,730	\$ 00	\$ 00	\$ 8,779,730
Construction in progress	<u>3,737,207</u>	<u>533,318</u>	<u>(3,953,112)</u>	<u>317,413</u>
Total non-depreciable	<u>\$ 12,516,937</u>	<u>\$ 533,318</u>	<u>\$ (3,953,112)</u>	<u>\$ 9,097,143</u>
Depreciable:				
Buildings and improvements	\$ 5,766,209	\$ 00	\$ 00	\$ 5,766,209
Water and sewer distribution system	79,220,407	4,357,346	00	83,577,753
Vehicles, machinery and equipment	<u>4,406,956</u>	<u>190,216</u>	<u>(93,504)</u>	<u>4,503,668</u>
Totals at historical cost	<u>89,393,572</u>	<u>4,547,562</u>	<u>(93,504)</u>	<u>93,847,630</u>
Less accumulated depreciation:				
Buildings and improvements	3,311,835	120,948	00	3,432,783
Water and sewer distribution system	18,851,861	1,566,087	00	20,417,948
Vehicles, machinery and equipment	<u>3,011,286</u>	<u>345,884</u>	<u>(93,504)</u>	<u>3,263,666</u>
Total accumulated depreciation	<u>25,174,982</u>	<u>2,032,919</u>	<u>(93,504)</u>	<u>27,114,397</u>
Business-type capital assets (depreciable), net	<u>\$ 64,218,590</u>	<u>\$ 2,514,643</u>	<u>\$ 00</u>	<u>\$ 66,733,233</u>

City of Carrollton, Georgia
Notes to Basic Financial Statements
June 30, 2010

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

3.C. Capital Assets – continued

Depreciation was charged to governmental activities as follows:

General government	\$ 110,587
Public safety	627,384
Highways and streets	1,631,737
Recreation and culture	<u>730,344</u>
	<u>\$ 3,100,052</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, 2010:

Activity Type		Balance July 1, 2009	Additions	Reductions	Balance June 30, 2010	Amounts Due Within One Year
Governmental	Lease payable – GMA Lease Pool	\$ 176,724	\$ 00	\$ 92,864	\$ 83,877	\$ 83,877
Governmental	Intergovernmental Debt - Carroll County	10,619,420	00	1,565,200	9,054,220	00
Business-Type	Series 1993 Water and Sewer Bonds	1,335,000	00	310,000	1,025,000	325,000
Business-Type	Series 1997 Water and Sewer Bonds	1,408,066	00	139,201	1,268,865	146,906
Business-Type	Georgia Environmental Facilities Authority Note payable SRF 13090801	1,747,507	00	374,905	1,372,602	382,472
Business-Type	Georgia Environmental Facilities Authority Note payable SRF 93-015WS	903,266	00	112,860	790,406	118,399
Business-Type	Lease payable – GMA Lease Pool	122,344	00	76,772	45,555	45,555
Business-Type	Georgia Environmental Facilities Authority Note payable Project 2008-L03 WJ	5,202,144	288,691	89,890	5,400,945	184,756
Business-Type	Georgia Environmental Facilities Closing Cost Loan	00	10,000	5,000	5,000	5,000
Business-Type	Georgia Environmental Facilities Authority Note payable DWSRF 08-001	<u>00</u>	<u>500,000</u>	<u>8,333</u>	<u>491,667</u>	<u>25,000</u>
	Total primary government and component unit	<u>\$ 21,514,471</u>	<u>\$ 798,691</u>	<u>\$ 2,775,025</u>	<u>\$ 19,538,137</u>	<u>\$ 1,316,965</u>

City of Carrollton, Georgia
Notes to Basic Financial Statements
June 30, 2010

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

3.D. Long-Term Debt - continued

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>
2011	\$ 00	\$ 203,665	\$ 203,665
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>\$ 9,054,220</u>	<u>\$ 1,250,731</u>	<u>\$ 10,304,951</u>

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.

City of Carrollton, Georgia
Notes to Basic Financial Statements
June 30, 2010

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

3.D. Long-Term Debt - continued

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 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>\$ 1,025,000</u>	<u>\$ 103,600</u>	<u>\$ 1,128,600</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 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>\$ 1,268,865</u>	<u>\$ 274,458</u>	<u>\$ 1,543,323</u>

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 \$4,604 on June 30, 2010.

City of Carrollton, Georgia
Notes to Basic Financial Statements
June 30, 2010

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

3.D. Long-Term Debt – continued

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, 2010 was \$1,372,602.

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 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>\$ 1,372,602</u>	<u>\$ 49,772</u>	<u>\$ 1,422,374</u>

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.

City of Carrollton, Georgia
Notes to Basic Financial Statements
June 30, 2010

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 - continued

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	142,728	11,493	154,221
FYE 2016	<u>138,698</u>	<u>4,518</u>	<u>143,216</u>
	<u>\$ 790,406</u>	<u>\$ 122,079</u>	<u>\$ 912,485</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 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, 2010, was \$5,202,144. The interest rate is 4.1% compounded monthly with principal and interest payable in 239 monthly installments. Interest of \$288,691 was capitalized to the construction projects and added to the loan for a final loan balance of \$5,490,835 at June 30, 2010.

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 2011	\$ 184,756	\$ 218,005	\$ 402,761
FYE 2012	192,135	210,626	402,761
FYE 2013	200,838	201,923	402,761
FYE 2014	208,893	193,868	402,761
FYE 2015	217,620	185,141	402,761
FYE 2016 to 2020	1,232,081	781,724	2,013,805
FYE 2021 to 2025	1,512,348	501,457	2,013,805
FYE 2026 to 2030	<u>1,652,274</u>	<u>159,983</u>	<u>1,812,257</u>
	<u>\$ 5,400,945</u>	<u>\$ 2,452,727</u>	<u>\$ 7,853,672</u>

Georgia Environmental Facilities Authority notes payable – Water Fund – DWSRF 08-001 and DW 08-001

On November 4, 2009, the City signed an agreement with the Georgia Environmental Facilities Authority to obtain a promissory note for \$500,000, to procure four membrane filtration units. The note will be repaid in 240 monthly installments of \$2,083 with an interest rate of 0.0%, beginning March 2010. Closing cost of \$10,000 was financed through a second note with 0.0% interest to be paid in twelve installment payments of \$833 beginning January 1, 2010.

City of Carrollton, Georgia
Notes to Basic Financial Statements
June 30, 2010

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

3.D. Long-Term Debt – continued

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

	<u>Principal</u> <u>DWSRF 08-001</u>	<u>Principal</u> <u>DW 08-001</u>
FYE 2011	\$ 25,000	\$ 5,000
FYE 2012	25,000	00
FYE 2013	25,000	00
FYE 2014	25,000	00
FYE 2015	25,000	00
FYE 2016 to 2020	125,000	00
FYE 2021 to 2025	125,000	00
FYE 2026 to 2029	<u>116,667</u>	<u>00</u>
	<u>\$ 491,667</u>	<u>\$ 5,000</u>

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, 2010, was \$129,432 with \$83,877 in the General Fund, \$00 in the Water Fund, and \$45,555 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.

GMA Lease Payable – Governmental and Business Types - continued

The following is a schedule of future minimum lease payments under this capital lease as of June 30, 2010. For purposes of this schedule, an assumed interest rate of 4.75% was used.

<u>General Fund:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
FYE 2011	<u>\$ 83,877</u>	<u>\$ 1,690</u>	<u>\$ 85,567</u>
 Business-Type Funds:	 <u>Principal</u>	 <u>Interest</u>	 <u>Total</u>
FYE 2011	<u>\$ 45,555</u>	<u>\$ 909</u>	<u>\$ 46,464</u>

City of Carrollton, Georgia
Notes to Basic Financial Statements
June 30, 2010

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

3.D. Long-Term Debt – continued

Vehicles and equipment held under capital leases at June 30, 2010 were \$587,138 in governmental-type funds and \$339,013 in business-type funds.

The City has no operating leases at this time.

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	\$ 91,084	\$ 44,868
Water and sewer	702,232	00
Sanitation	261,768	00
Neighborhood Stabilization	19,758	00
	<u>\$ 1,074,842</u>	<u>\$ 44,868</u>
2009 SPLOST:		
Water and sewer	<u>\$ 00</u>	<u>\$ 106,562</u>
Neighborhood Stabilization		
General fund	<u>\$ 00</u>	<u>\$ 19,758</u>
Nonmajor Funds:		
General fund	\$ 44,868	\$ 91,084
Water fund	222,166	00
	<u>\$ 267,034</u>	<u>\$ 91,084</u>
Business-type:		
Water and sewer fund		
General fund	\$ 00	\$ 702,232
1994 SPLOST	00	222,166
2009 SPLOST	106,562	00
	<u>106,562</u>	<u>924,398</u>
Sanitation fund		
General fund	00	261,768
	<u>\$ 106,562</u>	<u>\$ 1,186,166</u>

City of Carrollton, Georgia
Notes to Basic Financial Statements
June 30, 2010

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

3.E. Interfund Transactions and Balances

Interfund balances at June 30, 2010, 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:

	Interfund <u>Receivables</u>	Interfund <u>Payables</u>
Major Governmental Funds:		
General Fund:		
2004 SPLOST Fund	\$ 00	\$ 604,784
West Metro Regional Drug Enforcement Fund	12,368	00
Hotel/Motel Fund	9,808	00
Neighborhood Stabilization Fund	246,461	00
Water Fund	231,252	00
Sanitation Fund	186,397	00
2009 SPLOST Fund	<u>6,929</u>	<u>00</u>
	<u>693,215</u>	<u>604,784</u>
2004 SPLOST Fund:		
General Fund	604,784*	00
2009 SPLOST Fund	<u>100,000</u>	<u>00</u>
	<u>704,784</u>	<u>00</u>
2009 SPLOST Fund:		
2004 SPLOST Fund	00	100,000
General Fund	<u>00</u>	<u>6,929</u>
	<u>00</u>	<u>106,929</u>
Neighborhood Stabilization Fund		
General Fund	<u>00</u>	<u>246,461</u>
Total Major Funds	<u>1,397,999</u>	<u>958,174</u>
Non-Major Governmental Funds:		
Hotel/Motel Fund:		
General Fund	<u>00</u>	<u>9,808</u>
West Metro Drug Enforcement Fund		
General Fund	<u>00</u>	<u>12,368</u>
Total Non-Major Governmental Funds	<u>00</u>	<u>22,176</u>
Grand Total – Governmental Funds	<u>\$ 1,397,999</u>	<u>\$ 980,350</u>
Net of receivables over payables		<u>\$ 417,649</u>

City of Carrollton, Georgia
Notes to Basic Financial Statements
June 30, 2010

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
Sanitation Fund	00	42,632
	<u>00</u>	<u>273,884</u>
Sanitation Fund:		
General Fund	00	186,397
Water Fund	42,632	00
	<u>42,632</u>	<u>186,397</u>
Total Business – Type Funds	<u>\$ 42,632</u>	<u>\$ 460,281</u>
Net of payables over receivables		<u>\$ (417,649)</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 \$41,000. 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 \$38,140 and \$19,765 respectively. Loan closing cost of \$10,000 on the Georgia Environmental Facility Authority note DWSRF08-001 is being amortized over the repayment period of the closing cost loan and has a net unamortized balance of \$5,000.

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, 2010

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 January 1, 2010 (previously May 1, 2009), was \$11,048,517, and total wages were \$12,900,717.

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 January 1, 2010, the current plan membership includes the following categories of Participants:

Retirees and beneficiaries currently receiving benefits	90
Terminated employees entitled to benefits but not yet receiving them	68
Current active employees:	
Vested	130
Nonvested	<u>157</u>
Total membership in the plan	<u>445</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.

The GMEBS Board of Trustees adopted changes in the actuarial assumptions and funding policy for the GMEBS Retirement Fund effective January 1, 2010.

The change in assumptions was a result of an actuarial study to review recent experience and trends of the fund compared against current actuarial assumptions. The goal of the study was to identify those assumptions which needed to be updated based on the experience of the fund.

City of Carrollton, Georgia
Notes to Basic Financial Statements
June 30, 2010

Note 4. Other Notes - continued

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

Plan Asset Matters and Accounting Policies – continued

The GMEBS Board also temporarily changed the funding policy to stabilize future employer contribution rates in light of the recent economic downturn, but at the same time, ensured that all plan liabilities are appropriately funded. The temporary change made in the funding policy does not forgive the adverse impact of the declines in the investment markets on future contribution rates, but spreads the impact over a longer period of time, allowing members to make budget adjustments and for the investment markets to stabilize. This change should result in more normal contribution patterns for 2010 for most members of the fund assuming that the actual experience of the member is consistent with the assumptions and the member has not made significant plan changes.

Participant Data: The primary source of participant data for the current valuation is a census of all participants which was prepared as of January 1, 2010, 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 January 1, 2010. Significant actuarial assumptions used in the valuation include (a) rate of return on the investment of present and future assets of 7.75 percent a year and (b) projected salary increases of 11% for the first year of service, 7% for the second year of service, 6.5% for the third year of service, 6.25 for the fourth year of service, and 6% for the fifth year of service.

City of Carrollton, Georgia
Notes to Basic Financial Statements
June 30, 2010

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, 2010
(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)
5/1/2001	\$ 10,457,558	\$ 8,995,596	\$ (1,461,962)	116%	\$ 7,186,210	(20.3%)
5/1/2002	10,977,911	10,561,384	(416,527)	104%	7,546,555	(5.5%)
5/1/2003	11,307,091	11,661,677	354,586	97%	8,417,491	4.2%
5/1/2004	11,793,503	13,410,891	1,617,389	88%	8,804,537	18.3%
5/1/2005	12,418,646	14,336,504	1,917,858	87%	9,113,333	21.0%
5/1/2006	13,197,901	14,517,915	1,320,014	91%	8,829,755	14.9%
5/1/2007	13,971,149	15,501,567	1,530,418	90%	9,357,443	16.4%
5/1/2008	14,689,299	16,789,002	2,099,703	87%	9,973,562	21.1%
5/1/2009	10,138,698	17,584,324	7,445,626	58%	10,987,492	67.8%
1/1/2010	13,129,159	18,588,848	5,459,689	71%	11,048,517	49.0%

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 \$1,358,794 were made in accordance with actuarially determined contribution requirements determined by an actuarial valuation performed as of June 1, 2010, for the plan year. These contributions consist of (a) \$533,985 of normal cost, (b) \$775,031 of amortization of the unfunded actuarial accrued liability, and (c) \$49,778 in interest. The employer contribution represents 12.1 percent of payroll.

City of Carrollton, Georgia
Notes to Basic Financial Statements
June 30, 2010

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, 2010
(Unaudited)

<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
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
6-30-10	1,358,794	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, 2010

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 2010. 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, 2010, were computed as follows:

Actuarially required contribution	\$ 00
Annual OPEB cost	00
Actual contributions made	<u>00</u>
Increase in net OPEB obligation	00
Net OPEB obligation, June 30, 2009	<u>172,324</u>
Net OPEB obligation, June 30, 2010	<u>\$ 172,324</u>

Fiscal Year Ended June 30,	Annual OPEB Cost	Actual OPEB Contribution	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 00	\$ 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, 2010

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, 2010

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 \$176,000.

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 \$132,000 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 enabled 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. The remaining cash in the fund is the City's unexpended bond funds.

City of Carrollton, Georgia
Notes to Basic Financial Statements
June 30, 2010

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 \$227,709 in tax receipts and is allocated as follows: 40% of total to the Carrollton Convention Center or \$91,084, 20% of total or \$45,541 to the Carroll County Chamber of Commerce, and 40% or \$91,084 retained by the City and spent in accordance with legal provisions.

City of Carrollton, Georgia
Notes to Basic Financial Statements
June 30, 2010

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 began 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.

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.

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, 2010

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>
Primary government:	
Net Assets – June 30, 2009, as previously stated	\$ 94,891,167
General Fund - Sales Tax receivable at June 30, 2009 was overstated	(323,130)
General Fund - Recreation and Culture accounts receivable at June 30, 2009 was not recorded	70,636
2009 SPLOST Fund – Sales Tax receivable at June 30, 2009 was overstated	<u>(259,313)</u>
Net Assets – June 30, 2009, as restated	<u>\$ 94,379,360</u>

	<u>General Fund</u>	<u>2009 SPLOST Fund</u>
Fund balance		
June 30, 2009 as previously stated	\$ 11,529,290	\$ 8,878,941
Sales Tax receivable at June 30, 2009 was overstated	(323,130)	(259,313)
Recreation and Culture accounts receivable at June 30, 2009 was not recorded	70,636	00
Recreation and Culture deferred revenue at June 30, 2009 was not recorded	<u>(15,985)</u>	<u>00</u>
Fund balance		
June 30, 2009, as restated	<u>\$ 11,260,811</u>	<u>\$ 8,619,628</u>

4.L. Donation of Building

On May 13, 2010, the City of Carrollton purchased the bank building at 401 Adamson Square for \$1,263,275 for economic development out of the 2009 SPLOST Fund. On June 21, 2010, the City donated the property to the Carrollton Payroll Development Authority which is currently leasing it to West Georgia Technical College.

4.M. Related Party Transactions

The City enters into transactions with related parties in the normal course of operations. Significant related party transactions were consummated on terms equivalent to those that prevail in arm's length transactions.

REQUIRED SUPPLEMENTARY INFORMATION

City of Carrollton, Georgia
 Budgetary Comparison Schedule – General Fund
 For the Year Ended June 30, 2010

	Original and Final <u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Taxes	\$ 9,295,112	\$ 9,422,385	\$ 127,273
License and permits	3,515,000	3,249,605	(265,395)
Intergovernmental	1,350,180	1,736,563	386,383
Charges for services	983,000	1,108,626	125,626
Fines and forfeitures	800,000	1,176,496	376,496
Interest on invested funds	125,000	141,854	16,854
Contributions	00	56,607	56,607
Miscellaneous	<u>238,000</u>	<u>213,433</u>	<u>(24,567)</u>
Total revenues	<u>16,306,292</u>	<u>17,105,569</u>	<u>799,277</u>
Expenditures:			
General government	1,569,960	1,449,452	120,508
Public safety	9,866,015	9,930,298	(64,283)
Highways and streets	917,456	965,537	(48,081)
Landfill	68,033	69,183	(1,150)
Recreation and culture	<u>5,061,365</u>	<u>5,209,363</u>	<u>(147,998)</u>
Total expenditures	<u>17,482,829</u>	<u>17,623,833</u>	<u>(141,004)</u>
Excess (deficiency) of revenues over expenditures	<u>(1,176,537)</u>	<u>(518,264)</u>	<u>658,273</u>
Other financing sources:			
Transfers in	1,176,537	1,074,842	(101,695)
Transfers out	<u>00</u>	<u>(44,868)</u>	<u>(44,868)</u>
Total other financing sources (uses)	<u>1,176,537</u>	<u>1,029,974</u>	<u>(146,563)</u>
Excess of revenues over expenditures and other financing sources (uses)	00	511,710	511,710
Fund balance at beginning of year, as restated	<u>11,260,811</u>	<u>11,260,811</u>	<u>00</u>
Fund balance at end of year	<u>\$ 11,260,811</u>	<u>\$ 11,772,521</u>	<u>\$ 511,710</u>

City of Carrollton, Georgia
Notes to Required Supplementary Information
June 30, 2010

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	\$ 45,154
Finance and Purchasing	4,127
Police Department	266,207
Engineering Department	44,245
Shop	4,860
Parks and Recreation	150,978

General fund revenue exceeded budgeted revenue by \$799,277.

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, 2010

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%)
January 1, 2010	13,129,159	18,588,848	(5,459,689)	70.63%	11,048,517	(49.42%)

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 Neighborhood Stabilization Program Fund
Project Budget and Actual, Project to Date
 For the Year Ended June 30, 2010

	<u>Activity Number</u>	<u>Project Budget</u>	<u>Project to Date Total</u>	<u>Variance</u>
<u>Revenue</u>				
Grant income	N/A	\$ 2,865,125	\$ 1,281,970	\$ (1,583,155)
Program income	N/A	00	1,009,433	1,009,433
Interest income	N/A	00	204	204
		<u>2,865,125</u>	<u>2,291,607</u>	<u>(573,518)</u>
<u>Expenses</u>				
Acquisition	5050-001-B-H	612,352	216,511	395,841
Acquisition	5050-001-B-I	1,433,156	1,414,965	18,191
House Rehabilitation	5050-14A-B-H	83,432	62,444	20,988
House Rehabilitation	5050-14A-B-I	199,011	291,545	(92,534)
Downpayment and PDC Assistance	5050-013-B-H	30,637	19,320	11,317
Downpayment and PDC Assistance	5050-013-B-I	71,485	63,680	7,805
Clearance	5050-004-D-I	263,145	00	263,145
Administration	5050-21A-X	171,907	45,727	126,180
Selling costs paid by seller		00	157,657	(157,657)
Total expenses		<u>\$ 2,865,125</u>	<u>\$ 2,271,849</u>	<u>\$ 593,276</u>
Excess of revenue over expenditure			\$ 19,758	\$ 19,758
Transfers			<u>(19,758)</u>	<u>(19,758)</u>
Net income			<u>\$ 00</u>	<u>\$ 00</u>

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, 2010

	<u>Project Budget</u>	<u>Project to Date Total</u>	<u>Variance</u>
Revenues:			
Carroll County SPLOST tax	\$ 21,335,000	\$ 19,896,885	\$ (1,438,115)
Grant revenue	00	134,497	134,497
Interest	00	9,550	9,550
Citizen donation	<u>00</u>	<u>100,000</u>	<u>100,000</u>
Total	<u>21,335,000</u>	<u>20,140,932</u>	<u>(1,194,068)</u>
Expenditures:			
Downtown Development Improvements	6,400,000	9,206,147	(2,806,147)
New Northeast Fire Substation	1,025,000	1,946,082	(921,082)
Recreation/Cultural Arts Improvements	4,275,000	3,345,023	929,977
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	1,015,645	1,134,355
Public Utilities Improvements	<u>800,000</u>	<u>472,490</u>	<u>327,510</u>
	<u>21,335,000</u>	<u>18,414,872</u>	<u>2,920,128</u>
Excess of revenues over expenditures	00	1,726,060	1,726,060
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>\$ 1,526,702</u>	<u>\$ 1,526,702</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, 2010

	<u>Project Budget</u>	<u>Project to Date Total</u>	<u>Variance</u>
Revenues:			
Intergovernmental revenue	\$ 21,026,585	\$ 5,129,295	\$ (15,897,290)
Other revenue	00	2,117,598	2,117,598
Interest	00	95,319	95,319
Total	<u>21,026,585</u>	<u>7,342,212</u>	<u>(13,684,373)</u>
Expenditures:			
Sidewalk and Street Improvements	5,485,197	4,624,513	860,684
Water Impoundment Development and Improvements	4,570,997	00	4,570,997
Recreation/Cultural Arts Improvements	2,742,599	28,838	2,713,761
Economic Development	2,285,498	1,775,106	510,392
Greenspace Acquisition and Improvement	2,285,498	2,905,650	(620,152)
Public Safety Facilities and Equipment	1,828,398	1,929,618	(101,220)
Historic Train Depot Restoration	1,371,299	00	1,371,299
Telecommunications Facilities and Equipment	457,099	49,362	407,737
	<u>21,026,585</u>	<u>11,313,087</u>	<u>9,713,498</u>
Excess of expenditures over revenues	00	(3,970,875)	(3,970,875)
Other sources and uses:			
Proceeds from intergovernmental debt	00	10,619,420	10,619,420
Transfers to other funds	00	(106,562)	(106,562)
Debt service principal payments	00	(1,565,200)	(1,565,200)
Debt service interest payments	00	(477,759)	(477,759)
Total other sources and uses	00	8,469,899	8,469,899
Excess of revenues and other sources			
Over expenditures and other uses	\$ 00	\$ 4,499,024	\$ 4,499,024

City of Carrollton, Georgia
Non-major Governmental Funds
Combining Balance Sheet
June 30, 2010

Assets

	Hotel/Motel Tax Fund	Drug Seizure Fund	Regional Hazardous Material Team Fund	West Metro Regional Drug Enforcement Fund	1994 Special Purpose Local Option Sales Tax Fund	Total
Cash in bank	\$ 26,570	\$ 102,445	\$ 30,234	\$ 258,261	\$ 420,180	\$ 837,690
Receivable	<u>19,311</u>	<u>00</u>	<u>00</u>	<u>126,751</u>	<u>00</u>	<u>146,062</u>
Total assets	<u>\$ 45,881</u>	<u>\$ 102,445</u>	<u>\$ 30,234</u>	<u>\$ 385,012</u>	<u>\$ 420,180</u>	<u>\$ 983,752</u>

Liabilities and Fund Balance

Liabilities						
Accounts and accrued						
Payables	\$ 00	\$ 00	\$ 00	\$ 4,182	\$ 14,384	\$ 18,566
Deferred revenue	00	00	00	17,500	00	17,500
Due to other governments	4,462	00	00	12,486	00	16,948
Due to other funds	9,808	00	00	12,368	00	22,176
Seized funds awaiting disposition	<u>00</u>	<u>11,112</u>	<u>00</u>	<u>66,184</u>	<u>00</u>	<u>77,296</u>
Total liabilities	14,270	11,112	00	112,720	14,384	152,486
Fund balance – designated	<u>31,611</u>	<u>91,333</u>	<u>30,234</u>	<u>272,292</u>	<u>405,796</u>	<u>831,266</u>
Total liabilities and fund balance	<u>\$ 45,881</u>	<u>\$ 102,445</u>	<u>\$ 30,234</u>	<u>\$ 385,012</u>	<u>\$ 420,180</u>	<u>\$ 983,752</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, 2010

	<u>Special Revenue Funds</u>				<u>Capital Project Fund</u>	
			Regional Hazardous Material Team Fund	West Metro Regional Drug Enforcement Fund	1994 Special Purpose Local Option Sales Tax Fund	<u>Total</u>
	<u>Hotel/Motel Tax Fund</u>	<u>Drug Seizure Fund</u>				
Revenues:						
Forfeitures	\$ 00	\$ 76,202	\$ 00	\$ 91,379	\$ 00	\$ 167,581
Taxes	227,709	00	00	00	00	227,709
Interest	70	206	82	1,925	1,305	3,588
Intergovernmental	00	00	3,423	503,490	5,350	512,263
Other	<u>00</u>	<u>00</u>	<u>7,204</u>	<u>26,865</u>	<u>00</u>	<u>34,069</u>
Total revenues	<u>227,779</u>	<u>76,408</u>	<u>10,709</u>	<u>623,659</u>	<u>6,655</u>	<u>945,210</u>
Expenditures	<u>139,455</u>	<u>53,082</u>	<u>13,416</u>	<u>645,036</u>	<u>133,750</u>	<u>984,739</u>
Excess (deficiency) of revenues over expenditures	88,324	23,326	(2,707)	(21,377)	(127,095)	(39,529)
Other financing sources (uses):						
Operating transfer in (out) – other funds	<u>(91,084)</u>	<u>00</u>	<u>00</u>	<u>39,831</u>	<u>227,203</u>	<u>175,950</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(2,760)	23,326	(2,707)	18,454	100,108	136,421
Fund balance at beginning 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>
Fund balance at end of year	<u>\$ 31,611</u>	<u>\$ 91,333</u>	<u>\$ 30,234</u>	<u>\$ 272,292</u>	<u>\$ 405,796</u>	<u>\$ 831,266</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, 2010

	HOTEL/MOTEL TAX		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Taxes	\$ 241,500	\$ 227,709	\$ (13,791)
Interest	<u>500</u>	<u>70</u>	<u>(430)</u>
Total revenues	<u>242,000</u>	<u>227,779</u>	<u>(14,221)</u>
Expenditures:			
Appropriations to other agencies/Facade Grants	<u>145,200</u>	<u>139,455</u>	<u>5,745</u>
Total expenditures	<u>145,200</u>	<u>139,455</u>	<u>5,745</u>
Excess (deficiency) of revenues over expenditures	96,800	88,324	(8,476)
Transfers out	(96,800)	(91,084)	5,716
Fund balances at beginning of year	<u>34,371</u>	<u>34,371</u>	<u>00</u>
Fund balances at end of year	<u>\$ 34,371</u>	<u>\$ 31,611</u>	<u>\$ (2,760)</u>

	DRUG SEIZURE FUND		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Seized funds - forfeitures	\$ 20,000	\$ 76,202	\$ 56,202
Interest	<u>500</u>	<u>206</u>	<u>(294)</u>
Total revenues	<u>20,500</u>	<u>76,408</u>	<u>55,908</u>
Expenditures:			
Public Safety	3,500	14,310	(10,810)
Capital outlay	<u>17,000</u>	<u>38,772</u>	<u>(21,772)</u>
Total expenditures	<u>20,500</u>	<u>53,082</u>	<u>(32,582)</u>
Excess (deficiency) of revenues over expenditures	00	23,326	23,326
Fund balances at beginning of year	<u>68,007</u>	<u>68,007</u>	<u>00</u>
Fund balances at end of year	<u>\$ 68,007</u>	<u>\$ 91,333</u>	<u>\$ 23,326</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, 2010

REGIONAL HAZARDOUS MATERIAL TEAM FUND

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Grant revenue	\$ 00	\$ 3,423	\$ 3,423
Service revenue and dues	3,000	7,204	4,204
Interest	500	82	(418)
Total revenues	<u>3,500</u>	<u>10,709</u>	<u>7,209</u>
Expenditures:			
Maintenance and training	<u>3,500</u>	<u>13,416</u>	<u>(9,916)</u>
Total expenditures	<u>3,500</u>	<u>13,416</u>	<u>(9,916)</u>
Excess (deficiency) of revenues over expenditures	00	(2,707)	(2,707)
Fund balances at beginning of year	<u>32,941</u>	<u>32,941</u>	<u>00</u>
Fund balances at end of year	<u>\$ 32,941</u>	<u>\$ 30,234</u>	<u>\$ (2,707)</u>

WEST METRO REGIONAL DRUG ENFORCEMENT FUND

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Grant	\$ 469,295	\$ 392,872	\$ (76,423)
Agency contributions and match	156,582	110,618	(45,964)
Forfeitures	00	91,379	91,379
Interest	00	1,925	1,925
Miscellaneous	00	26,865	26,865
Total revenues	<u>625,877</u>	<u>623,659</u>	<u>(2,218)</u>
Expenditures:			
Wages and benefits	343,368	308,118	35,250
Other operating expenditures	167,633	216,045	(48,412)
District attorney's fees	00	100	(100)
Capital expenditures	<u>114,876</u>	<u>120,773</u>	<u>(5,897)</u>
Total expenditures	<u>625,877</u>	<u>645,036</u>	<u>(19,159)</u>
Excess (deficiency) of revenues over expenditures	00	(21,377)	(21,377)
Transfers from general fund	<u>00</u>	<u>39,831</u>	<u>39,831</u>
Excess (deficiency) of revenues and other sources over expenditures	00	18,454	18,454
Fund balances at beginning of year	<u>253,838</u>	<u>253,838</u>	<u>00</u>
Fund balances at end of year	<u>\$ 253,838</u>	<u>\$ 272,292</u>	<u>\$ 18,454</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, 2010

	<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
Georgia Department of Community Affairs	00	5,350	5,350
Other governmental	00	383,023	383,023
Interest	00	181,911	181,911
Other	<u>00</u>	<u>48,221</u>	<u>48,221</u>
Total revenues	<u>7,125,000</u>	<u>11,648,215</u>	<u>4,523,215</u>
Expenditures:			
Paving, road improvements and Depot	6,400,000	10,617,883	(4,217,883)
Recreation and culture	<u>725,000</u>	<u>872,932</u>	<u>(147,932)</u>
Total expenditures	<u>7,125,000</u>	<u>11,490,815</u>	<u>(4,365,815)</u>
Excess of revenues over expenditures	<u>00</u>	<u>157,400</u>	<u>157,400</u>
Other sources (uses):			
Transfers to other funds	00	(32,267)	(32,267)
Transfers from other funds	<u>00</u>	<u>280,663</u>	<u>280,663</u>
Total other sources (uses)	<u>00</u>	<u>248,396</u>	<u>248,396</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ 00</u>	<u>\$ 405,796</u>	<u>\$ 405,796</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, 2010

	Original and Final <u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Taxes:			
Real, intangible and personal property	\$ 3,220,000	\$ 3,538,648	\$ 318,648
Auto and mobile homes	225,000	183,385	(41,615)
Sales - local option	4,090,112	3,955,482	(134,630)
Insurance premium tax	1,110,000	1,100,158	(9,842)
Beer and wine tax	650,000	644,712	(5,288)
Licenses and permits:			
Occupation tax	950,000	908,604	(41,396)
Building, electric and plumbing permits	75,000	81,769	6,769
Franchise fees	2,340,000	2,054,735	(285,265)
Alcoholic beverage license	150,000	204,497	54,497
Intergovernmental:			
State and federal -			
Fire Assistance Grants	400,000	404,330	4,330
Police Grants	87,000	121,725	34,725
Other Grants	00	171,057	171,057
Nutrition Program Grant	96,000	136,594	40,594
Carroll County -			
Recreation program	125,000	122,170	(2,830)
Fire department	582,180	582,180	00
Landfill personnel reimbursement	60,000	68,211	8,211
Tourism	00	14,050	14,050
Carrollton School Board	00	116,246	116,246
Charges for services:			
Recreation Department program fees	983,000	1,108,626	125,626
Fines and forfeitures	800,000	1,176,496	376,496
Interest on invested funds	125,000	141,854	16,854
Contributions	00	56,607	56,607
Miscellaneous:			
Insurance reimbursements	00	70,492	70,492
Rents	100,000	86,237	(13,763)
Other	138,000	56,704	(81,296)
Total revenues	<u>16,306,292</u>	<u>17,105,569</u>	<u>799,277</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, 2010

	Original and Final <u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Expenditures:			
General government	\$ 1,569,960	\$ 1,449,452	\$ 120,508
Public safety	9,866,015	9,930,298	(64,283)
Highways and streets	917,456	965,537	(48,081)
Landfill	68,033	69,183	(1,150)
Cultural and recreation	<u>5,061,365</u>	<u>5,209,363</u>	<u>(147,998)</u>
Total expenditures	<u>17,482,829</u>	<u>17,623,833</u>	<u>(141,004)</u>
Excess (deficiency) of revenues over expenditures	<u>(1,176,537)</u>	<u>(518,264)</u>	<u>658,273</u>
Other financing sources (uses):			
Operating transfers in	1,176,537	1,074,842	(101,695)
Operating transfers out	<u>00</u>	<u>(44,868)</u>	<u>(44,868)</u>
Total other financing sources (uses)	<u>1,176,537</u>	<u>1,029,974</u>	<u>(146,563)</u>
Excess of revenues and other sources over expenditures and other uses	00	511,710	511,710
Fund balance at beginning of year, as restated	<u>11,260,811</u>	<u>11,260,811</u>	<u>00</u>
Fund balance at end of year	<u>\$ 11,260,811</u>	<u>\$ 11,772,521</u>	<u>\$ 511,710</u>

City of Carrollton, Georgia
General Fund
Schedule of Expenditures, Compared to Budget (GAAP Basis) – by Departments
For the Year Ended June 30, 2010

	Original and Final Budget	Actual	Variance
General Government:			
Mayor and council	\$ 103,760	\$ 75,770	\$ 27,990
City manager's office	130,034	130,787	(753)
General administration	568,854	552,316	16,538
Building inspections	243,394	155,403	87,991
Planning administration	173,422	149,228	24,194
Main Street	72,507	74,658	(2,151)
Human resources administration	122,651	106,671	15,980
Legal	61,000	106,154	(45,154)
Finance and purchasing	94,338	98,465	(4,127)
Total general government	<u>1,569,960</u>	<u>1,449,452</u>	<u>120,508</u>
Public Safety:			
Police department	5,419,428	5,685,635	(266,207)
Fire department	4,446,587	4,244,663	201,924
Total public safety	<u>9,866,015</u>	<u>9,930,298</u>	<u>(64,283)</u>
Highway and Streets:			
Street department	232,926	235,420	(2,494)
Engineering department	493,047	537,292	(44,245)
General maintenance	85,918	83,065	2,853
Garage	105,565	104,900	665
Shop	00	4,860	(4,860)
Total highways and streets	<u>917,456</u>	<u>965,537</u>	<u>(48,081)</u>
Landfill	<u>68,033</u>	<u>69,183</u>	<u>(1,150)</u>
Cultural and recreation:			
Parks and recreation	4,694,621	4,845,599	(150,978)
Visitors Bureau	135,845	132,860	2,985
West Georgia Regional Library	230,899	230,904	(5)
Total cultural and recreation	<u>5,061,365</u>	<u>5,209,363</u>	<u>(147,998)</u>
Total expenditures	<u>\$ 17,482,829</u>	<u>\$ 17,623,833</u>	<u>\$ (141,004)</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, 2010

	Original and Final <u>Budget</u>	<u>Actual</u>	Variance With <u>Final Budget</u>
Revenues:			
Operating revenues:			
Water sales and penalties	\$ 6,090,545	\$ 5,898,490	\$ (192,055)
Sewer fees and surcharges	3,764,546	3,290,156	(474,390)
Water and sewer tap fees	600,000	231,905	(368,095)
Grant income – FEMA	<u>00</u>	<u>139,220</u>	<u>139,220</u>
Total operating revenues	<u>10,455,091</u>	<u>9,559,771</u>	<u>(895,320)</u>
Expenses:			
General operations	786,273	756,806	29,467
Filter plant	1,968,266	1,929,542	38,724
Systems upkeep	1,633,007	1,599,773	33,234
Sewerage treatment plant	2,596,884	2,520,305	76,579
Water support services	480,160	478,193	1,967
Facilities maintenance	<u>440,369</u>	<u>393,867</u>	<u>46,502</u>
Total operating expenses	<u>7,904,959</u>	<u>7,678,486</u>	<u>226,473</u>
Excess of operating revenues over operating expenses	<u>2,550,132</u>	<u>1,881,285</u>	<u>(668,847)</u>
Non-operating revenues, (expenses) and other financing sources and (uses):			
Interest income	45,000	3,185	(41,815)
Miscellaneous	50,000	120,612	70,612
GEFA membrane loan proceeds	00	510,000	510,000
Capital contributions	00	440,817	440,817
Water projects - construction and engineering	(300,000)	(852,146)	(552,146)
Payments - GMA loan - principal and interest	(9,396)	(7,641)	1,755
Payments - State Revolving - principal and interest	(406,437)	(406,437)	00
Payments - GEFA loan - principal and interest	(153,761)	(153,761)	00
Payments – GEFA membrane loans – principal and interest	(556,073)	(214,712)	341,361
Payment - 1993 Revenue Bond - interest	(65,480)	(65,480)	00
Payment - 1993 Revenue Bond - principal	(310,000)	(310,000)	00
Payment - 1997 Revenue Bond - interest	(73,550)	(73,598)	(48)
Payment - 1997 Revenue Bond - principal	(139,201)	(139,201)	00
Rents	67,000	73,887	6,887
Transfer to General Fund	(698,234)	(817,836)	(119,602)
Grant income – GEFA	<u>00</u>	<u>500,000</u>	<u>500,000</u>
	<u>(2,550,132)</u>	<u>(1,392,311)</u>	<u>1,157,821</u>
Excess of revenues and other sources over expenses and other financing uses	<u>\$ 00</u>	<u>\$ 488,974</u>	<u>\$ 488,974</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, 2010

	Original and Final <u>Budget</u>	<u>Actual</u>	Variance With Final Budget
Operating revenues:			
Garbage and landfill fees	\$ 3,886,547	\$ 3,907,630	\$ 21,083
Total operating revenues	<u>3,886,547</u>	<u>3,907,630</u>	<u>21,083</u>
Operating expenses	<u>3,357,221</u>	<u>3,201,167</u>	<u>156,054</u>
Excess of operating revenues over operating expenses	<u>529,326</u>	<u>706,463</u>	<u>177,137</u>
Non-operating revenues, (expenses) and other financing sources and (uses):			
Payments – GMA loan – principal and interest	(71,023)	(62,659)	8,364
Interest income	20,000	5,467	(14,533)
Miscellaneous income	00	42,858	42,858
Interfund transfers	<u>(478,303)</u>	<u>(261,768)</u>	<u>216,535</u>
	<u>(529,326)</u>	<u>(276,102)</u>	<u>253,224</u>
Excess of operating revenues and other sources over operating expenses and other uses	<u>\$ 00</u>	<u>\$ 430,361</u>	<u>\$ 430,361</u>

City of Carrollton, Georgia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Federal Grantors' Number	Federal Expenditures
<u>Department of Homeland Security:</u>			
Direct Award:			
SAFER Grant	97.083	045-13492-00 (FEMA-3218-EM-GA)	\$ 404,330
Passed through State Agency:			
Georgia Emergency Management Agency:		045-13492-03	
State Domestic Preparedness (Equipment Grant)	97.044	(2006-GE-T6-0066)	20,410
Disaster Grant-Public Assistance-Presidentially declared (Flood Grant)	97.036	FEMA-1858-DR-GA	<u>406,000</u>
Total Department of Homeland Security			<u>830,740</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>136,595</u>
Total Department of Health & Human Services			<u>136,595</u>
<u>Department of Justice:</u>			
Direct Award:			
ARRA-Cops Hiring Recovery Program	16.710	2009 RKWX0265	121,725
Edward Byrne Memorial Justice Assistance Grant	16.738	2009-DJ-BX-0013	183,955
Passed through State Agency:			
State Criminal Justice Coordinating Council:			
West Metro Regional Drug Enforcement Office	16.579	2008-DJ-BX-0011	66,188
WMRDO-Edward Byrne Justice Assistance Grant	16.738	2009-DJ-BX-0077	<u>326,684</u>
Total Department of Justice			<u>698,552</u>
<u>Department of Housing & Urban Development:</u>			
Passed through State Agency:			
Georgia Department of Community Affairs			
HERA-Neighborhood Stabilization Program	14.228	08-ns-5050	<u>2,133,746</u>
Total Department of Housing & Urban Development			<u>2,133,746</u>
<u>Environmental Protection Agency:</u>			
Passed through State Agency			
Georgia Environmental Facilities Authority:			
Capitalization Grant for Drinking Water			
State Revolving Funds			
Grant \$500,000 – State portion \$100,000	66.468	DWSRF 08-001	400,000
Loan \$500,000 – State portion \$100,000	66.468	DWSRF 08-001	<u>400,000</u>
(Balance owed at June 30, 2010 \$491,667)			
Total Environmental Protection Agency			<u>800,000</u>
Total expenditures of federal awards			<u>\$ 4,599,633</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, 2010.

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, 2010

	Original Estimated <u>Cost</u>	<u>Expenditures and Adjustments</u>		
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Transportation improvements and depot	\$ 6,400,000	\$ 9,728,418	\$ 133,750	\$ 9,862,168
Recreation improvements	<u>725,000</u>	<u>733,705</u>	<u>00</u>	<u>733,705</u>
	<u>\$ 7,125,000</u>	<u>\$ 10,462,123</u>	<u>\$ 133,750</u>	<u>\$ 10,595,873</u>

City of Carrollton, Georgia
Schedule of Projects Constructed with 2004 Special Purpose
Local Option Sales Tax Proceeds
For the Year Ended June 30, 2010

	Original Estimated <u>Cost</u>	<u>SPLOST Expenditures</u>		<u>Expenditures From Other Sources</u>		<u>Total</u>
		<u>Prior Years</u>	<u>Current Cost</u>	<u>Prior Years</u>	<u>Current Year</u>	
Downtown Development Improvements	\$ 6,400,000	\$ 4,953,938	\$ 3,001,758	\$ 997,715	\$ 252,500	\$ 9,205,911
New Northeast Fire Substation	1,025,000	1,945,735	00	00	00	1,945,735
Recreation/Cultural Arts Improvements	4,275,000	3,176,005	173,223	00	00	3,349,228
Greenspace Acquisition Lake Carroll	535,000	359,994	00	00	00	359,994
Improvement/Reservoir West Carrollton	2,150,000	1,466,735	00	00	00	1,466,735
Revitalization	800,000	359,276	00	00	00	359,276
Economic Development Sidewalk & Street Improvements	3,200,000	1,656,361	00	00	00	1,656,361
Public Utilities Improvements	2,150,000	1,015,297	00	00	00	1,015,297
*Debt Service – Redevelopment Authority	800,000	472,143	00	00	00	472,143
	<u>00</u>	<u>2,327,600</u>	<u>00</u>	<u>00</u>	<u>00</u>	<u>2,327,600</u>
	<u>\$ 21,335,000</u>	<u>\$ 17,733,084</u>	<u>\$ 3,174,981</u>	<u>\$ 997,715</u>	<u>\$ 252,500</u>	<u>\$ 22,158,280</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 in 2009. 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, 2010

	Original Estimated Cost	SPLOST Expenditures		Expenditures From Other Sources		Total
		Prior Years	Current Cost	Prior Years	Current Year	
Sidewalk and Street Improvements	\$ 5,485,197	\$ 69,188	\$ 2,333,871	\$ 591,527	\$ 1,629,927	\$ 4,624,513
Water Impoundment Development and Improvements	4,570,997	00	106,562	00	00	106,562
Recreation/Cultural Arts Improvements	2,742,599	781	28,057	00	00	28,838
Economic Development	2,285,498	00	1,775,106	00	00	1,775,106
Greenspace Acquisition and Improvements	2,285,498	1,514,049	291,601	1,100,000	00	2,905,650
Public Safety - Equipment	1,828,398	995,632	750,031	00	183,955	1,929,618
Historic Train Depot Restoration	1,371,299	00	00	00	00	00
Telecommunications Facilities and Equipment	457,099	00	49,362	00	00	49,362
*Debt Service – Carroll County Georgia	00	00	2,042,959	00	00	2,042,959
	<u>\$ 21,026,585</u>	<u>\$ 2,579,650</u>	<u>\$ 7,377,549</u>	<u>\$ 1,691,527</u>	<u>\$ 1,813,882</u>	<u>\$ 13,462,608</u>

Prior year numbers have been restated to reflect expenditures from other sources.

* Debt was borrowed in 2008 to fund SPLOST projects in advance, before sufficient SPLOST tax revenue was available. The debt was borrowed from Carroll County and transferred to the City SPLOST fund. Likewise, payments on the debt are made by the SPLOST fund annually.

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*



Garrett
Stephens
Thomas &
Fazio, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Ann M. Fazio	CPA	Brandy C. Smith	CPA
Frederick G. Thomas	CPA	Julie M. George	CPA
Deborah W. Cooke	CPA	Heather B. Foster	CPA
Johanna H. Tallent	CPA	Amber E. Ash	CPA

Members of Georgia Society of Certified Public Accountants
Members of American Institute of Certified Public Accountants
Members of Private Companies Practice Section, Division for CPA Firms

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, 2010, which collectively comprise the City of Carrollton, Georgia's basic financial statements, and have issued our report thereon dated January 31, 2011. 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.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as item 2010-1, that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs as item 2010-2.

We noted certain matters that we reported to management of the City of Carrollton, Georgia, in a separate letter dated January 31, 2011.

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.

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

January 31, 2011

Independent Auditor's Report on Compliance with Requirements That
Could Have a Direct and Material Effect on Each Major Program and on
Internal Control Over Compliance in Accordance with OMB Circular A-133



Garrett
Stephens
Thomas &
Fazio, P.C.

Ann M. Fazio	CPA	Brandy C. Smith	CPA
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Independent Auditor's Report on Compliance with Requirements That
Could Have a Direct and Material Effect on Each Major Program and on
Internal Control Over Compliance in Accordance with OMB Circular A-133

Honorable Mayor and City Council
City of Carrollton, Georgia

Compliance

We have audited City of Carrollton, Georgia's, compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal program for the year ended June 30, 2010. The City of Carrollton, Georgia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal 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 of 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

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

Honorable Mayor and City Council
City of Carrollton, Georgia

A deficiency in 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 and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, 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. However, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 2010-3. A *significant deficiency in internal control over compliance*, is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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.

Darrett, Stephens, Thomas & Yazio, P.C.

January 31, 2011

City of Carrollton, Georgia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the City of Carrollton, Georgia.
2. One significant deficiency disclosed during the 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*. This deficiency is considered to be a material weakness.
3. One instance of noncompliance material to the financial statements of the City of Carrollton, Georgia which was required to be reported in accordance with *Governmental Auditing Standards* was disclosed during the audit.
4. One significant deficiency in internal control over major federal award program disclosed during the audit is 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. The deficiency is not reported as a material weakness.
5. The auditor's report on compliance for the major federal award programs for the City of Carrollton, Georgia expresses an unqualified opinion on all major Federal Programs
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.
7. The programs tested as major programs were the Homeland Security, Public Assistance Grant – (CFDA# 97.036); Department of Justice, Cops Hiring Recovery Program (CFDA# 16.710) and WMRDO Assistance Grant (CFDA# 16.738); HUD Neighborhood Stabilization Program (CFDA# 14.228); and EPA GEFA Capitalization Grant & Loan for Drinking Water (CFDA#66.468).
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.

FINDINGS – FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCY:

2010 – 1 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, 2010

COMPLIANCE FINDING:

2010 – 2 SPLOST Proceeds – Separation of Funds

- a. Condition - Funds contributed by Carroll County for a 2004 SPLOST project was deposited in a the City's General Fund money market cash account and not transferred into the SPLOST fund cash account where the total project was being accounted for.
- b. Criteria - According to state law, separation of SPLOST proceeds shall be used exclusively for the purpose specified in the resolution calling for the imposition of the tax. Such proceeds shall be kept in a separate account from other funds and shall not be commingled with other finds of the municipality.
- c. Cause - The City uses its General Fund money market account for disbursements of other funds and subsequently reimburses those funds.
- d. Effect - The holding of these monies within the General Fund could potentially place the City of Carrollton out of compliance with State law for use of SPLOST funds.
- e. Recommendation – The funds from Carroll County should be transferred from the General fund as soon as possible, and future transactions should be handled and properly recorded in the separately designated fund.
- f. Management's response - The City concurs with this finding. Funds from Carroll County will be transferred from the General Fund to the 2004 SPLOST Fund in the next fiscal year.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAM AUDIT

2010 – 3 U.S. Department of Homeland Security - CFDA# 97.036 - Special Tests and Provisions

- a. Condition - The City of Carrollton has not submitted a final accounting to FEMA of eligible costs in connection with their large FEMA projects over \$63,200 in accordance with the Special Tests and Provisions of the grant agreement.
- b. Criteria - In submitting the accounting for large projects, the City is required to certify that reported costs were incurred in its performance of eligible work, that the approved work was completed, that the project is in compliance with the provisions of the FEMA Agreement, and that payments for that project were made in accordance with the 44 CFR section 13.21 payment provision. If actual costs are less than the approved amount, then the FEMA share will be based upon actual costs. The City may be eligible for additional funding for costs incurred, but not received, in association with submitting the final accounting for these projects.
- c. Cause - The City failed to maintain a master project schedule to adequately monitor the progress of their large FEMA projects and include accounting information from the finance department on the status of monies received for each project.
- d. Effect - Failure to properly submit the final accounting of approved large projects could result in the failure to pursue receipt or reimbursement of monies for actual project costs and results in noncompliance with the provisions of the grant agreement.
- e. Recommendation - We recommend that the City should maintain a master project schedule for all of their FEMA projects to adequately monitor the status of projects and the subsequent receipt of funding. An effort should be made to submit the appropriate final accounting to FEMA on the City's large projects and to obtain final reimbursement or repayment on these projects.
- f. Management's response The City concurs with this finding. The City will maintain a master project schedule for each project and submit a final accounting to FEMA upon completion.

City of Carrollton, Georgia
Summary Schedule of Prior Audit Findings – Federal Awards
For the Year Ended June 30, 2010

No matters are reportable.