

CITY OF DAWSONVILLE  
DAWSONVILLE, GEORGIA

FINANCIAL STATEMENTS  
(With supplemental material)

FOR THE YEAR ENDED  
JUNE 30, 2010

CITY OF DAWSONVILLE

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December 6, 2010

INDEPENDENT AUDITORS' REPORT

MEMBERS OF:  
THE AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
THE GEORGIA SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

To the Mayor and City Council  
City of Dawsonville  
Dawsonville, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dawsonville, Georgia as of and for the year ending 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 Dawsonville. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and with 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.

The financial statements of the Dawsonville Downtown Development Authority Component Unit have not been audited, and we were not engaged to audit the Dawsonville Downtown Development Authority Component Unit financial statements as part of our audit of the City's basic financial statements. The Dawsonville Downtown Development Authority Component Unit financial activities are included in the City's basic financial statements as a discretely presented component unit and represent 100% of the assets, net assets and revenues, respectively, of the City's aggregate discretely presented component unit.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the Dawsonville Downtown Development Authority's financial statements been audited, the financial statements referred to above present fairly in all material respects, the financial position of the aggregate discretely presented component unit for the City of Dawsonville, Georgia as of June 30, 2010 and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States.

In addition, in our opinion, the financial statements referred to above present fairly, in all material aspects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Dawsonville as of June 30, 2010, and the respective changes in financial position and cash flows, thereof and the respective budgetary comparison for the general fund and the capital projects fund for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Governmental Auditing Standards, we have also issued our report dated December 6, 2010 on our consideration of City of Dawsonville, Georgia internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9, and retirement plan information on page 44 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. Such information, although not a part of the basic financial statements, is required by the Government Auditing 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 inquires 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 Dawsonville, Georgia basic financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, the schedule of projects constructed with special sales tax proceeds and the USDA compliance schedule of functional allocations are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not required part of the basis financial statements of the City of Dawsonville, Georgia. The combining and individual nonmajor fund financial statements, the schedule of projects constructed with special sales tax proceeds and schedule of expenditures of federal awards are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory section and the USDA compliance schedule of functional allocations have not been subject to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Alexander, Almand & Associates, LLP*

Alexander, Almand & Associates, LLP  
Gainesville, Georgia



## MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Dawsonville provides this Management Discussion and Analysis as prescribed by the provisions of Government Accounting Standards Board Statement 34 (GASB 34). This narrative overview and analysis of the City of Dawsonville's financial activities is for the fiscal year ending June 30, 2010. The City elected to change to a June 30 fiscal year end, effective in the previous period. Consequently, a six-month reporting period was presented for the June 30, 2009 financial statements. No prior year comparative presentation is included in these financial statements, which present the full year reporting period for the fiscal year ending June 30, 2010. Please consider this information in conjunction with the accompanying Basic Financial Statements.

### FINANCIAL HIGHLIGHTS

Financial highlights of the year include the following:

- The assets of the City of Dawsonville exceeded its liabilities at the close of the year ending June 30, 2010 by \$12,009,740 (net assets).
- The City's net assets increased by \$ 1,355,949 for the year ending June 30, 2010 from the prior year. Of this amount, an increase of \$ 399,195 was associated with governmental activities and an increase of \$ 956,754 with business-type activities. The net increase included prior period adjustments of \$ 1,045,433 and change in net assets of \$ 310,516. In spite of the nation's economic condition, the City is pleased that it was able to maintain gains for the year ending June 30, 2010. This was accomplished through solid fiscal management, expenditure control and utilizing a minimal amount of reserve funds. The small amount of work finished on the Wastewater Treatment Plant Land Application System. Funds for this project were from the USDA Rural Development. In governmental activities, the City continued progress on installation of sidewalks funded through SPLOST IV contributions.
- The City's investment in capital assets, net of related debt, decreased \$ 518,517 or 5.81% for the year ending June 30, 2010.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Dawsonville's basic financial statements. The City's basic financial statements include three components: 1) Government-Wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to the Basic Financial Statements. These components are described below:

#### Government-wide financial statements

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

The statement of net assets presents information on all of the city's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The statement of net assets combines and consolidates governmental funds' current financial resources with capital assets and long-term obligations.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Dawsonville include general government, public safety, highways and streets and other charges. The major business-type activity of the City includes the water and sewer system.

The government-wide financial statements include not only the City of Dawsonville itself (known as the primary government), but also a legally separate Dawsonville Downtown Development Authority, a component unit of the City. Financial information for the component unit is reported separately from the financial information presented for the primary government itself.

### **Fund financial statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Dawsonville can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

### **Governmental funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

The City maintains three governmental funds – the general fund, a capital projects fund and a hotel-motel tax special revenue fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The general fund and the capital projects fund are considered major funds, while the hotel-motel tax funds is considered a non-major governmental fund.

The City of Dawsonville adopted a full year budget for the period ending June 30, 2010 for its general fund, capital projects fund and hotel-motel fund. A budgetary comparison statement has been provided for each to demonstrate compliance with the budget.

### **Proprietary funds**

The City of Dawsonville maintains one proprietary enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Information is presented separately in the proprietary statement of net assets and the proprietary statement of revenues, expense and changes in fund net assets for the water and sewer fund, which is considered a major proprietary fund.

### **Permanent Funds:**

Permanent funds account for resources that are legally restricted to allow the earning (and not the principle) to be used to support the governments programs such as cemeteries, libraries, parks and scholarships.

### **Notes to the financial statements**

Notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in government-wide and the fund financial statements. The notes can be found immediately following the fund financial statements.

**Other information**

Required supplementary information is reported in addition to the basis financial statements and accompanying notes.

Comparative analysis has not been presented this year due to the previous short year presentation. However, a comparative analysis will be provided in future years when prior year information is compatible.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

At June 30, 2010, the City's assets exceeded liabilities by \$ 12,009,614. By far the largest portion of the City's net assets reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. Capital assets are used to provide services to citizens and they are not available for future spending. Although the investment in capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**City of Dawsonville's Net Assets**

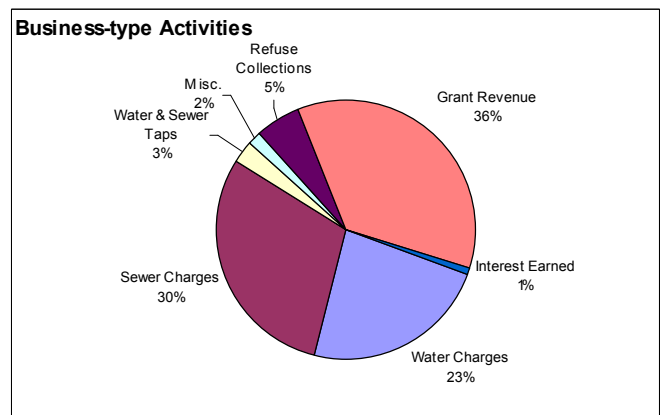
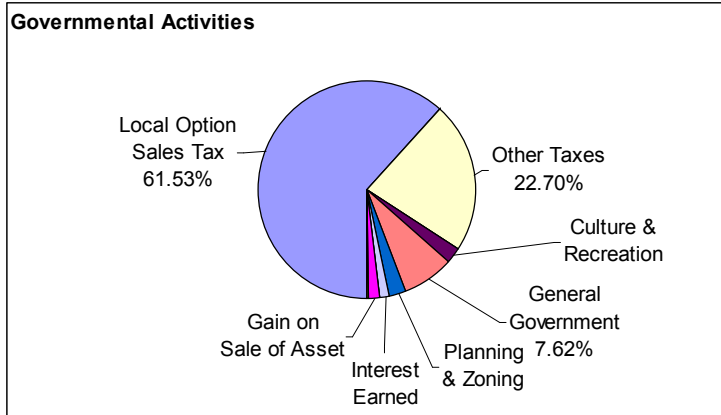
	<u>Government Activities</u>	<u>Business-Type Activities</u>	<u>June 30, 2010 Total</u>
Current and other assets	\$ 1,347,618	\$ 1,813,307	\$ 3,160,925
Capital assets	<u>4,541,658</u>	<u>11,926,587</u>	<u>16,468,245</u>
Total assets	<u>5,889,276</u>	<u>13,739,894</u>	<u>19,629,170</u>
Long-term liabilities outstanding	2,044,217	5,104,141	7,148,358
Other liabilities	<u>191,291</u>	<u>279,781</u>	<u>471,072</u>
Total liabilities	<u>2,235,508</u>	<u>5,383,922</u>	<u>7,619,430</u>
Net assets:			
Invested in Capital Assets, Net of Related Debt	2,381,617	6,547,234	8,928,851
Restricted for Cemetary	169,888	-	169,888
Restricted for Water & Sewer	-	106,332	106,332
Unrestricted	<u>1,102,263</u>	<u>1,702,406</u>	<u>2,804,669</u>
Total net assets	<u>\$ 3,653,768</u>	<u>\$ 8,355,972</u>	<u>\$ 12,009,740</u>



**City of Dawsonville's Changes in Net Assets (continued)**

	Government Activities	Business-Type Activities	June 30, 2010 Total
Revenues:			
Program revenues:			
Charges for services	\$ 153,280	\$ 990,093	\$ 1,143,373
Operating grants & contributions	7,458	-	7,458
Capital grants & contributions	73,466	563,762	637,228
General revenues:			
Other tax	1,070,701	-	1,070,701
Gain (loss) on sale of assets	22,385	-	22,385
Other	5,539	12,054	17,593
<b>Total Revenues</b>	<b>\$ 1,332,829</b>	<b>\$ 1,565,909</b>	<b>\$ 2,898,738</b>
Expenses:			
General government	673,355	-	673,355
Public safety	166,550	-	166,550
Highways and streets	55,414	-	55,414
Culture/recreation	20,821	-	20,821
Planning and zoning	93,952	-	93,952
Housing and development	2,655	-	2,655
Interest on long-term debt	50,320	225,319	275,639
Water and sewer	-	1,299,836	1,299,836
<b>Total Expense</b>	<b>1,063,067</b>	<b>1,525,155</b>	<b>2,588,222</b>
Increase in net assets before transfers	269,762	40,754	310,516
Transfers	-	-	-
Change in net assets	269,762	40,754	310,516
Net assets June 30, 2009	3,254,573	7,399,218	10,653,791
Prior period adjustments	129,433	916,000	1,045,433
<b>Net assets June 30, 2010</b>	<b>3,653,768</b>	<b>8,355,972</b>	<b>12,009,740</b>

**Revenues by Source:**

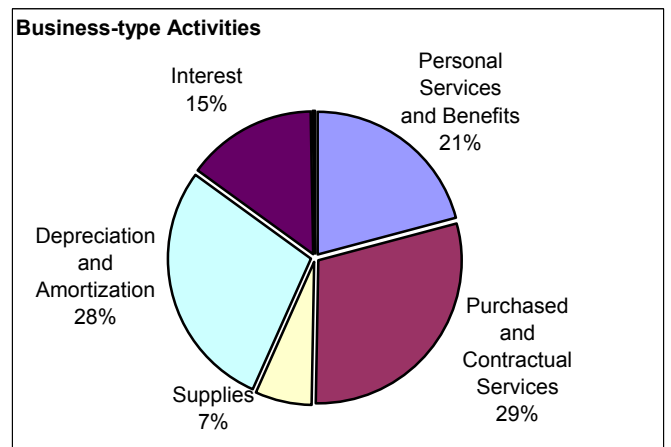
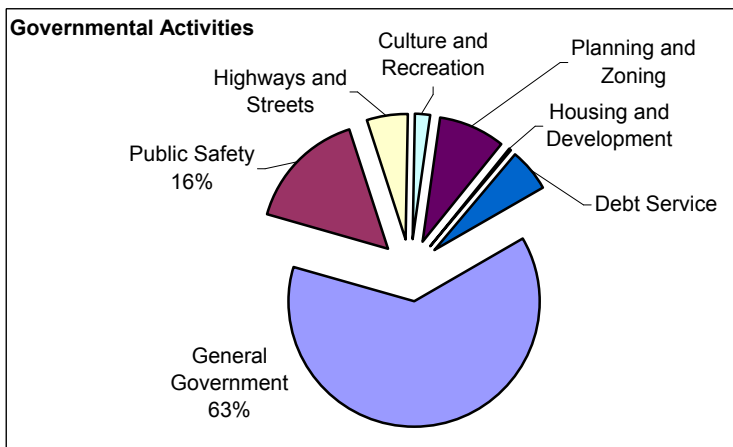


**GENERAL FUND BUDGETARY HIGHLIGHTS**

Changes from the City's General Fund original budget to the final budget are detailed in the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual along with a comparison to actual activity for the year ended June 30, 2010. Differences between the original budget and the final amended budget is a matter of moving monies around from expense accounts with unexpended balances, to those accounts that need extra funds or have overages. Fiscal management, expenditure control and using a minimal amount of reserved funds helped keep the budget in balance.

General Fund revenues of \$ 1,237,113 were more than budgeted revenues of \$ 1,092,104 for the year ended June 30, 2010. General Fund expenditures were less than budgeted. With total appropriations of \$ 1,164,104, the City actually spent \$ 1,008,138, or \$ 155,966 less than budgeted, for the year ended June 30, 2010.

**Expenditures by Function:**



**ECONOMIC FACTORS**

The issues facing the national economy correlate with the City's local economy. Permitting for new home or commercial building construction has been flat. Spec homes remain vacant and foreclosures continue to rise. The lack of consumer confidence is evident in the reduced sales tax collections and the subsequent distributions. In an effort to be good

stewards of the revenues received, the City has cut expenditures, has not filled vacant personnel positions, and utilizes a minimal amount of reserved funds. The City plans to maintain a conservative fiscal position while the economic conditions dictate.

**CAPITAL ASSETS**

As of June 30, 2010 the City had over \$ 19.4 million invested in a variety of capital assets, as in the schedule below. Adjustments for depreciation are \$ 683,612 for the year ending June 30, 2010, and \$ 3,140,979 accumulated depreciation.

**Capital Assets at Year-end**

	Governmental Activities	Business - Type Activities
Land	\$ 320,802	\$ 2,933,187
Artifacts	49,751	-
Construction in progress	-	75,157
Buildings	3,394,904	146,801
Improvements other than buildings	34,365	-
Vehicles	94,456	-
Machinery and equipment	251,099	241,048
Infrastructure	1,473,218	-
Water and Sewer System	-	9,474,480
Sewer Treatment Plant	-	923,923
	<u>5,618,595</u>	<u>13,794,596</u>
<b>Total</b>	<b>\$ 5,618,595</b>	<b>\$ 13,794,596</b>

The following reconciliation summarizes the change in Capital Assets:

	Governmental Activities	Business - Type Activities
Beginning Balance:	\$ 5,394,548	\$ 13,034,651
Additions:		
Land	-	133,578
Artifacts	-	-
Construction in Progress	(280)	(3,380,881)
Buildings	-	-
Improvements other than buildings	2,355	-
Vehicles	-	-
Machinery and equipment	19,592	4,654
Infrastructure	206,630	-
Water and Sewer System	-	4,003,989
Sewer Treatment Plant	-	-
Dispositions:		
Artifacts	(4,250)	-
Machinery and equipment	-	(1,395)
	<u>5,618,595</u>	<u>13,794,596</u>
<b>Total Capital Assets at Year-end</b>	<b>\$ 5,618,595</b>	<b>\$ 13,794,596</b>

## **REQUEST FOR FINANCIAL INFORMATION**

This financial report is designed to provide a general overview of the City of Dawsonville's finances for all of Dawsonville's residents, taxpayers, customers, investors, and creditors. This financial report seeks to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City Clerk, c/o City of Dawsonville, P. O. Box 6, Dawsonville, Georgia 30534

## BASIC FINANCIAL STATEMENTS

CITY OF DAWSONVILLE, GEORGIA  
STATEMENT OF NET ASSETS  
June 30, 2010

	Primary Government			6/30/2010
	Government Activities	Business-Type Activities	Total	Component Unit
<b>ASSETS</b>				
Current Assets				
Cash and cash equivalents	\$ 1,163,763	\$ 1,722,622	\$ 2,886,385	\$ 5,163
Accounts receivable	139,866	81,352	221,218	-
Internal balances	26,492	(26,492)	-	-
Prepaid items	17,497	35,825	53,322	-
Total current assets	<u>1,347,618</u>	<u>1,813,307</u>	<u>3,160,925</u>	<u>5,163</u>
Noncurrent Assets				
Cash/cash equivalents restricted	-	178,486	178,486	-
Due from primary government - long term	-	-	-	2,160,041
Deferred charges	-	17,546	-	-
Capital assets (net of accumulated depreciation)				
Land	320,802	2,933,187	3,253,989	90,000
Artifacts	49,751	-	49,751	-
Construction in progress	-	75,157	75,157	-
Depreciable, capital assets net	<u>4,171,105</u>	<u>8,722,211</u>	<u>12,893,316</u>	<u>-</u>
Total noncurrent assets	<u>4,541,658</u>	<u>11,926,587</u>	<u>16,450,699</u>	<u>2,250,041</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 5,889,276</u></u>	<u><u>\$ 13,739,894</u></u>	<u><u>\$ 19,611,624</u></u>	<u><u>\$ 2,255,204</u></u>

See accompanying notes to the basic financial statements

CITY OF DAWSONVILLE, GEORGIA  
STATEMENT OF NET ASSETS  
June 30, 2010

	Primary Government			6/30/2010
	Government Activities	Business-Type Activities	Total	Component Unit
<b>LIABILITIES AND NET ASSETS</b>				
<b>Current liabilities</b>				
Accounts payable and accrued liabilities	\$ 72,159	\$ 93,094	\$ 165,253	\$ -
Current portion, capital lease debt	117,382	-	117,382	-
Current portion, bond debt	-	51,433	51,433	117,382
Current portion, municipal loans	-	57,857	57,857	-
Current, compensated absences	-	1,944	1,944	-
Customer deposits	1,750	75,453	77,203	-
<b>Total current liabilities</b>	<b>191,291</b>	<b>279,781</b>	<b>471,072</b>	<b>117,382</b>
<b>Noncurrent liabilities</b>				
Deferred revenue	-	16,500	16,500	-
Long-term debt, capital lease	2,042,659	-	2,042,659	-
Long-term debt, bond debt	-	3,866,515	3,866,515	2,042,659
Long-term debt, municipal loans	-	1,207,516	1,207,516	-
Compensated absences	1,558	13,610	15,168	-
<b>Total noncurrent liabilities</b>	<b>2,044,217</b>	<b>5,104,141</b>	<b>7,148,358</b>	<b>2,042,659</b>
<b>Total liabilities</b>	<b>2,235,508</b>	<b>5,383,922</b>	<b>7,619,430</b>	<b>2,160,041</b>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	2,381,617	6,547,234	8,928,851	-
Restricted for cemetery	169,888	-	169,888	-
Restricted assets	-	106,332	106,332	-
Unrestricted	1,102,263	1,702,406	2,804,669	95,163
<b>Total net assets</b>	<b>3,653,768</b>	<b>8,355,972</b>	<b>12,009,740</b>	<b>95,163</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 5,889,276</b>	<b>\$ 13,739,894</b>	<b>\$ 19,629,170</b>	<b>\$ 2,255,204</b>

CITY OF DAWSONVILLE, GEORGIA  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2010

	Program Revenues		
	Expenses	Charges For Services and Sales	Operating Grants, Contributions and Interest
PRIMARY GOVERNMENT			
Government Activities			
General government	\$ 673,355	\$ 96,988	\$ -
Public safety	166,550	2,600	-
Highways and streets	55,414	-	-
Culture/recreation	20,821	20,512	7,458
Planning and zoning	93,952	33,180	-
Housing and development	2,655	-	-
Interest on long term debt	50,320	-	-
Total Government Activities	<u>1,063,067</u>	<u>153,280</u>	<u>7,458</u>
Business-Type Activities			
Water and sewer	<u>1,525,155</u>	<u>990,093</u>	<u>-</u>
Total Business-Type Activities	<u>1,525,155</u>	<u>990,093</u>	<u>-</u>
Total-Primary Government	<u>\$ 2,588,222</u>	<u>1,143,373</u>	<u>7,458</u>
Component Unit			
Dawsonville Downtown Development Authority	<u>-</u>	<u>-</u>	<u>-</u>
Total Component Unit	<u>\$ -</u>	<u>-</u>	<u>-</u>

GENERAL REVENUES:

Taxes: Sales  
    Alcoholic Beverage  
    Franchise  
    Other  
Interest earned  
Gain (loss) on sale of assets

Total General Revenues

Change In Net Assets

NET ASSETS - beginning of year

Prior period adjustments

NET ASSETS - end of year

See accompanying notes to the basic financial statements



CITY OF DAWSONVILLE, GEORGIA  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2010

Capital Grants and Contributions	Net (Expense) Revenue and Changes In Net Assets			6/30/2010 Component Unit
	Primary Government			
	Governmental Activities	Business-Type Activities	Total	
\$ -	\$ (576,367)	\$ -	\$ (576,367)	\$ -
-	(163,950)	-	(163,950)	-
73,466	18,052	-	18,052	-
-	7,149	-	7,149	-
-	(60,772)	-	(60,772)	-
-	(2,655)	-	(2,655)	-
-	(50,320)	-	(50,320)	-
<u>73,466</u>	<u>(828,863)</u>	<u>-</u>	<u>(828,863)</u>	<u>-</u>
<u>563,762</u>	<u>-</u>	<u>28,700</u>	<u>28,700</u>	<u>-</u>
<u>563,762</u>	<u>-</u>	<u>28,700</u>	<u>28,700</u>	<u>-</u>
<u>637,228</u>	<u>(828,863)</u>	<u>28,700</u>	<u>(800,163)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,000)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,000)</u>
	782,352	-	782,352	-
	76,170	-	76,170	-
	111,417	-	111,417	-
	100,762	-	100,762	-
	5,539	12,054	17,593	9
	22,385	-	22,385	-
	<u>1,098,625</u>	<u>12,054</u>	<u>1,110,679</u>	<u>9</u>
	269,762	40,754	310,516	(991)
	3,254,573	7,399,218	10,653,791	96,154
	<u>129,433</u>	<u>916,000</u>	<u>1,045,433</u>	<u>-</u>
	<u>\$ 3,653,768</u>	<u>\$ 8,355,972</u>	<u>\$ 12,009,740</u>	<u>\$ 95,163</u>

CITY OF DAWSONVILLE, GEORGIA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2010

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 804,162	\$ 189,683	\$ 169,918	\$ 1,163,763
Receivables (net, where applicable, of allowances for uncollectible):				
Taxes receivable	139,688	-	178	139,866
Prepaid expense	17,497	-	-	17,497
Due from other funds	18,430	-	8,062	26,492
<b>TOTAL ASSETS</b>	<b>\$ 979,777</b>	<b>\$ 189,683</b>	<b>\$ 178,158</b>	<b>\$ 1,347,618</b>
<b>LIABILITIES</b>				
Accounts payable	32,183	36,463	30	\$ 68,676
Salaries payable	1,308	-	-	1,308
Interest payable	2,176	-	-	2,176
Deposits payable	1,750	-	-	1,750
<b>Total Liabilities</b>	<b>37,417</b>	<b>36,463</b>	<b>30</b>	<b>73,910</b>
<b>FUND BALANCE</b>				
Reserved for cemetery	-	-	169,888	169,888
Reserved for tourism	-	-	8,240	8,240
Reserved for capital projects	-	153,220	-	153,220
Unreserved:				
Undesignated, reported in:				
General Fund	942,360	-	-	942,360
<b>Total Fund Balances</b>	<b>942,360</b>	<b>153,220</b>	<b>178,128</b>	<b>1,273,708</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 979,777</b>	<b>\$ 189,683</b>	<b>\$ 178,158</b>	<b>\$ 1,347,618</b>

See accompanying notes to the basic financial statements

CITY OF DAWSONVILLE, GEORGIA  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
June 30, 2010

TOTAL GOVERNMENTAL FUND BALANCES		\$ 1,273,708
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		
Cost	\$ 5,618,595	
Less accumulated depreciation	<u>(1,076,937)</u>	
Total capital assets, net depreciation		4,541,658
Certain liabilities are not due and payable in the current period and therefore are not reported in the governmental funds		
Long-term debt	(2,160,040)	
Long-term compensated absences payable	<u>(1,558)</u>	
Total long-term liabilities		<u>(2,161,598)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 3,653,768</u></u>

See accompanying notes to the basic financial statements

CITY OF DAWSONVILLE, GEORGIA  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2010

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 1,062,696	-	\$ 8,006	\$ 1,070,702
Charges for services	18,992	-	15,080	34,072
Intergovernmental	-	73,466	-	73,466
Fines and forfeitures	50	-	-	50
Licenses and permits	64,880	-	-	64,880
Contributions and donations	7,458	-	-	7,458
Interest earned	2,124	896	2,519	5,539
Miscellaneous	80,913	-	-	80,913
Total Revenues	<u>1,237,113</u>	<u>74,362</u>	<u>25,605</u>	<u>1,337,080</u>
EXPENDITURES				
Current operating:				
General government	431,229	-	6,584	437,813
Public safety	166,550	-	-	166,550
Highways and streets	46,966	-	-	46,966
Culture/recreation	17,429	-	-	17,429
Planning and zoning	91,462	-	-	91,462
Housing and development	2,655	-	1,361	4,016
Capital outlay:	83,812	144,485	-	228,297
Debt service:	168,035	-	-	168,035
Total Expenditures	<u>1,008,138</u>	<u>144,485</u>	<u>7,945</u>	<u>1,160,568</u>
EXCESS REVENUES (EXPENDITURES)	<u>228,975</u>	<u>(70,123)</u>	<u>17,660</u>	<u>176,512</u>
NET CHANGES IN FUND BALANCES	228,975	(70,123)	17,660	176,512
FUND BALANCES - beginning of year	583,952	223,343	160,468	967,763
Prior period adjustment	129,433	-	-	129,433
FUND BALANCES - end of year	<u>\$ 942,360</u>	<u>\$ 153,220</u>	<u>\$ 178,128</u>	<u>\$ 1,273,708</u>

See accompanying notes to the basic financial statements

CITY OF DAWSONVILLE, 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 CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		\$ 176,512
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation expense in the current period.</p>		
Depreciation expense	\$ (252,820)	
Capital outlay	<u>228,298</u>	(24,522)
<p>The difference between the proceeds from the sale or disposition of capital assets and the associated gain/loss are not reflected in the governmental fund statements.</p>		
Proceeds from sale of assets		(4,250)
<p>Governmental funds include the cost of principal debt reduction as an expenditure which is not included in the statement of activities.</p>		
		117,715
<p>Governmental funds do not include the expense of long-term compensated absences liabilities, which are reflected in the Statement of Net Assets.</p>		
Current year liability - long term compensated absences	(1,558)	
Less prior year liability - long term compensated absences	<u>5,865</u>	<u>4,307</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 269,762</u></u>

See accompanying notes to the basic financial statements

CITY OF DAWSONVILLE, GEORGIA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)  
GENERAL FUND  
For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 1,037,654	\$ 1,037,654	\$ 1,062,696	\$ 25,042
Charges for services	1,800	1,800	18,992	17,192
Fines and forfeitures	-	-	50	50
Licenses and permits	26,400	26,400	64,880	38,480
Contributions and donations	100	100	7,458	7,358
Interest earned	2,000	2,000	2,124	124
Miscellaneous	24,150	24,150	80,913	56,763
<b>Total revenues</b>	<b>1,092,104</b>	<b>1,092,104</b>	<b>1,237,113</b>	<b>145,009</b>
<b>EXPENDITURES</b>				
Current operating:				
General government	408,448	521,699	431,229	90,470
Public safety	175,500	166,600	166,550	50
Highways and streets	151,750	66,347	46,966	19,381
Culture/recreation	23,500	32,400	17,429	14,971
Planning and zoning	94,100	104,600	91,462	13,138
Housing and development	10,550	11,450	2,655	8,795
Capital outlay:	25,000	83,953	83,812	141
Debt service:	195,232	177,055	168,035	9,020
<b>Total expenditures</b>	<b>1,084,080</b>	<b>1,164,104</b>	<b>1,008,138</b>	<b>155,966</b>
<b>TOTAL REVENUES OVER EXPENDITURES</b>	<b>8,024</b>	<b>(72,000)</b>	<b>228,975</b>	<b>300,975</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Contingencies, surplus reserves	(80,024)	-	-	-
Transfers in (out), gross	72,000	72,000	-	(72,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(8,024)</b>	<b>72,000</b>	<b>-</b>	<b>(72,000)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>\$ -</b>	<b>228,975</b>	<b>\$ 228,975</b>
FUND BALANCES - beginning of year			583,952	
Prior period adjustment			129,433	
<b>FUND BALANCES - end of year</b>			<b>\$ 942,360</b>	

See accompanying notes to the basic financial statements

CITY OF DAWSONVILLE, GEORGIA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)  
CAPITAL PROJECTS FUND  
For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Intergovernmental revenues	\$ -	\$ -	\$ 73,466	\$ 73,466
Interest earned	200	200	896	696
Total revenues	<u>200</u>	<u>200</u>	<u>74,362</u>	<u>74,162</u>
<b>EXPENDITURES</b>				
Capital outlay:				
Highways and streets - sidewalks	150,000	150,000	144,485	5,515
Total expenditures	<u>150,000</u>	<u>150,000</u>	<u>144,485</u>	<u>5,515</u>
<b>TOTAL REVENUES OVER EXPENDITURES</b>	<u>(149,800)</u>	<u>(149,800)</u>	<u>(70,123)</u>	<u>79,677</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Contingencies, surplus reserves	149,800	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>149,800</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u><u>\$ -</u></u>	<u><u>\$ (149,800)</u></u>	<u>(70,123)</u>	<u><u>\$ 79,677</u></u>
FUND BALANCES - beginning of year			<u>223,343</u>	
FUND BALANCES - end of year			<u><u>\$ 153,220</u></u>	

See accompanying notes to the basic financial statements

CITY OF DAWSONVILLE, GEORGIA  
STATEMENT OF NET ASSETS  
WATER-SEWER  
PROPRIETARY FUND  
June 30, 2010

ASSETS

Current Assets:

Cash and cash equivalents	\$ 1,722,622
Receivables (net of allowance for uncollectible):	
Accounts	81,352
Internal balances	(26,492)
Prepaid expense	35,825
	1,813,307
Total Current Assets	1,813,307

Noncurrent Assets:

Restricted assets	
Cash and cash equivalents	178,486
	178,486
Total Restricted Assets	178,486

Deferred charges	17,546
	17,546

Capital assets:

Nondepreciable capital assets	3,008,344
Depreciable capital assets, net	8,722,211
	11,730,555
Total Capital Assets	11,730,555

Total Noncurrent Assets	11,926,587
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TOTAL ASSETS	\$ 13,739,894
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See accompanying notes to the basic financial statements



CITY OF DAWSONVILLE, GEORGIA  
STATEMENT OF NET ASSETS  
WATER-SEWER  
PROPRIETARY FUND  
June 30, 2010

LIABILITIES

Current Liabilities:

Accounts payable	\$ 72,532
Accrued expenses	2,683
Accrued interest payable	17,879
Compensated absences payable	1,944
Current portion of long-term debt	<u>109,290</u>

Total Current Liabilities	<u>204,328</u>
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Current Liabilities Payable from Restricted Assets:

Customer deposits	<u>75,453</u>
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Total Current Liabilities Payable from Restricted Assets	<u>75,453</u>
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Long-Term Liabilities:

Deferred revenue	16,500
Compensated absences payable (net of current portion)	13,610
Long-term debt (net of current portion)	<u>5,074,031</u>

Total Long-Term Liabilities	<u>5,104,141</u>
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TOTAL LIABILITIES	<u>5,383,922</u>
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NET ASSETS

Invested in capital assets, net of related debt	6,547,234
Restricted assets	106,332
Unrestricted	<u>1,702,406</u>

TOTAL NET ASSETS	<u>8,355,972</u>
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TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 13,739,894</u></u>
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CITY OF DAWSONVILLE, GEORGIA  
STATEMENT OF REVENUES,  
EXPENSES AND CHANGES IN FUND NET ASSETS  
WATER-SEWER  
PROPRIETARY FUND  
For the Year Ended June 30, 2010

OPERATING REVENUES	
Charges for services	\$ 964,391
Miscellaneous	<u>25,702</u>
Total Operating Revenues	<u>990,093</u>
OPERATING EXPENSES	
Personal services and benefits	315,853
Purchased and contractual services	449,155
Bad debts	2,306
Supplies	100,728
Depreciation and amortization	<u>431,794</u>
Total Operating Expenses	<u>1,299,836</u>
OPERATING INCOME (LOSS)	<u>(309,743)</u>
NON-OPERATING INCOME (LOSS)	
Intergovernmental revenues	563,762
Interest and fiscal charges	(225,319)
Interest earned	<u>12,054</u>
TOTAL NON-OPERATING INCOME (LOSS)	<u>350,497</u>
NET INCOME BEFORE TRANSFERS	40,754
Transfers in (out)	<u>-</u>
Change in net assets	40,754
NET ASSETS - beginning of year	7,399,218
Prior period adjustment	<u>916,000</u>
NET ASSETS - end of year	<u><u>\$ 8,355,972</u></u>

See accompanying notes to the basic financial statements

CITY OF DAWSONVILLE, GEORGIA  
STATEMENT OF CASH FLOWS  
WATER-SEWER  
PROPRIETARY FUND  
For the Year Ended June 30, 2010

Cash Flows from Operating Activities	
Cash receipts from customers	\$ 954,023
Cash receipts from other operating sources	25,702
Cash payments for goods and services	(564,022)
Cash payments to employees for services and benefits	<u>(324,555)</u>
Net Cash Provided by (Used in) Operating Activities	<u>91,148</u>
Cash Flows from Capital and Related Financing Activities	
Acquisition and construction of capital assets	(761,340)
Nonoperating grant receipts	623,764
Principal paid on debt	(99,025)
Interest paid on debt	<u>(226,311)</u>
Net Cash Provided by Capital and Related Financing Activities	<u>(462,912)</u>
Cash Flows from Investing Activities	
Interest on investments	<u>12,054</u>
Net Cash Provided by Investing Activities	<u>12,054</u>
Net Increase (Decrease) In Cash And Cash Equivalents	(359,710)
Cash and Cash Equivalents - beginning of year	<u>2,260,818</u>
Cash and Cash Equivalents - end of year	<u><u>\$ 1,901,108</u></u>

See accompanying notes to the basic financial statements

CITY OF DAWSONVILLE, GEORGIA  
STATEMENT OF CASH FLOWS (CONT'D)  
WATER-SEWER  
PROPRIETARY FUND  
For the Year Ended June 30, 2010

Reconciliation of Operating Gain (Loss) to Net Cash Provided  
by (Used In) Operating Activities

Operating income	\$ (309,743)
Adjustments	
Depreciation and amortization	431,794
(Increase) decrease in assets	
Accounts receivable	(10,925)
Due from other funds	26,087
Prepaid expense	8,179
Increase (decrease) in liabilities	
Accounts payable	(48,405)
Customer deposits	2,863
Accrued expenses	(6,063)
Due to other funds	-
Compensated absences payable	(2,639)
Compensated absences payable	<u>(2,639)</u>
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b><u>\$ 91,148</u></b>
Reconciliation of cash and cash equivalents:	
Cash and cash equivalents	\$ 1,722,622
Restricted cash and cash equivalents	<u>178,486</u>
<b>Total cash and cash equivalents</b>	<b><u>\$ 1,901,108</u></b>

See accompanying notes to the basic financial statements

CITY OF DAWSONVILLE, GEORGIA  
STATEMENT OF NET ASSETS  
COMPONENT UNIT  
June 30, 2010, December 31, 2009 and 2008

	<u>6/30/2010</u>	<u>12/31/2009</u>	<u>12/31/2008</u>
	Dawsonville Downtown Development Authority	Total Prior Year Component Unit	Total Prior Year Component Unit
ASSETS			
Cash and cash equivalents	\$ 5,163	\$ 6,154	\$ 9,122
Due from primary government	2,160,041	2,217,675	2,331,598
Capital assets - Land	<u>90,000</u>	<u>90,000</u>	<u>90,000</u>
Total noncurrent assets	<u>2,250,041</u>	<u>2,307,675</u>	<u>2,421,598</u>
TOTAL ASSETS	<u>\$ 2,255,204</u>	<u>\$ 2,313,829</u>	<u>\$ 2,430,720</u>
LIABILITIES			
Current portion, bond debt	\$ 117,382	\$ 82,860	\$ 79,000
Long-term liability	<u>2,042,659</u>	<u>2,134,815</u>	<u>2,252,598</u>
TOTAL LIABILITIES	<u>2,160,041</u>	<u>2,217,675</u>	<u>2,331,598</u>
NET ASSETS			
Unrestricted	<u>95,163</u>	<u>96,154</u>	<u>99,122</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,255,204</u>	<u>\$ 2,313,829</u>	<u>\$ 2,430,720</u>

See accompanying notes to the basic financial statements

CITY OF DAWSONVILLE, GEORGIA  
STATEMENT OF ACTIVITIES  
COMPONENT UNITS  
For the Years Ended June 30, 2010, December 31, 2009 and 2008

	<u>6/30/2010</u> Dawsonville Downtown Development Authority	<u>12/31/2009</u> Total Prior Year Component Unit	<u>12/31/2008</u> Total Prior Year Component Unit
OPERATING EXPENSES			
Housing and community development	\$ -	\$ -	\$ 909
TOTAL OPERATING EXPENSES	<u>1,000</u>	<u>3,000</u>	<u>909</u>
NONOPERATING REVENUE			
Investment income	<u>9</u>	<u>32</u>	<u>49</u>
TOTAL NONOPERATING REVENUE	<u>9</u>	<u>32</u>	<u>49</u>
TRANSFERS FROM PRIMARY GOVERNMENT	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS	(991)	(2,968)	(860)
NET ASSETS, BEGINNING OF YEAR	<u>96,154</u>	<u>99,122</u>	<u>99,982</u>
NET ASSETS, END OF YEAR	<u>\$ 95,163</u>	<u>\$ 96,154</u>	<u>\$ 99,122</u>

See accompanying notes to the basic financial statements

CITY OF DAWSONVILLE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Narrative Profile**

The City operates under a council/mayor form of government and provides the following services: public safety, highways and streets, culture and recreation, planning and zoning, public improvements and general and administrative services. In addition, the City operates a public utility (water/sewer and sanitation) for the incorporated and immediate surrounding areas.

The financial statements of the City have been prepared in accordance with Generally Accepted Accounting Principles in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the standard-setting body for governmental accounting and financial reporting. The City also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities at the government-wide financial reporting level and to its proprietary funds at the fund reporting level, provided they do not conflict with or contradict GASB pronouncements. Only GASB pronouncements issued after this date will be followed. The more significant of these accounting policies are described below.

In June 1999, the GASB issued Statement No. 34 "Basic Financial Statements and Management Discussion and Analysis for State and Local Governments." This Statement provides for the most significant change in financial reporting in over twenty years and requires implementation starting with fiscal years ending after June 15, 2004 for governments with total revenues less than \$ 10 million. The City implemented the basic model during the year ended December 31, 2004.

In December of 2009, the City Council elected to change to a June 30 fiscal year for each year. Consequently, budgets and financial reporting are presented for the 12 month period of July 1, 2009 to June 30, 2010, and there are no comparative statements presented.

**B. Financial Reporting Entity**

As required by the accounting principles generally accepted in the United States, these financial statements present the primary government and its component units, entities for which the government is considered to be financially accountable. The discretely presented component units are reported in a separate column in the government-wide statements to emphasize they are legally separate from the primary government.

**Component Unit:**

**Dawsonville Downtown Development Authority**

On February 6, 1996, the Mayor and Council of Dawsonville, Georgia determined that there was a need in the City for the revitalization and redevelopment of the central business district of the municipal corporations of the State of Georgia. The board of directors determined among themselves their respective terms of office as required under O.C.G.A Section 36-42-4. The members appointed 2 members for a 2 year term of office, 2 members for a 4 year term of office, and 3 members for a 6 year of office. Thereafter, the members shall duly elect by majority vote a chairperson and vice chairperson. In addition thereto, a treasurer/secretary or a treasurer and a secretary will also be elected from among the remaining directors or appointed from non-director candidates. In July 2010, the Dawsonville Downtown Development Authority elected to change to a June 30 fiscal year for each year, retroactive to June 30, 2010. Presented in these financial statements are financial results for the six-months ending June 30, 2010, the twelve-month period ending December 31, 2009, and the previously reported prior year ended December 31, 2008.

The financial statements for the Dawsonville Downtown Development Authority can be obtained at the following address:

Dawsonville Municipal Complex, 415 Highway 53 East, Dawsonville, GA 30534

CITY OF DAWSONVILLE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**C. Basic Financial Statements-GASB Statement No. 34**

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. Fiduciary activities are not included at the government-wide reporting level. While the previous model emphasized fund types (the total of all funds of a particular type), in the new reporting model the focus is on either the City as a whole or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements categorize activities as either governmental activities or business-type activities. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, etc.), which are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function or a business-type activity. Program revenues include revenues from licenses and permits fees, service assessments, and charges for services. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net cost (by function or business-type activity) is normally covered by general revenue (sales or use taxes, intergovernmental revenues, interest income, etc.). Historically, the previous model did not summarize or present net cost by function or activity.

This government-wide focus is more on the substantiality of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The flow of economic resources measurement focus is used for both government-wide financial statements.

The fund financial statements are, in substance, very similar to the financial statements presented in the previous model. Emphasis here is on the major funds in either the governmental or business-type categories. Non-major funds (by category or fund type) are summarized into a single column.

Unless an internal service fund is combined with the business-type activities (deemed to be an infrequent event), totals on the proprietary fund statements should directly reconcile to the business-type activity column presented in the government-wide statements.

The governmental funds major fund statements in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to (a) demonstrate legal and covenant compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the City's actual experience conforms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, reconciliation is presented either on the fund statement or on the page following each statement which briefly explains the adjustment necessary to transform the fund based financial statements into the governmental column of the government-wide presentation.

The focus of the current model is on the City as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories, as well as the component unit. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.



CITY OF DAWSONVILLE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**D. Basis of Presentation**

The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The new model as defined in Statement No. 34 establishes criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a single column in the fund financial statements. The City reports the following major funds.

**1. Major Funds**

**Governmental Fund:**

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

**Capital Projects Fund:**

This includes the Splost fund which is used to account for the receipt and expenditures related to capital construction projects using Splost funding.

**Proprietary Funds:**

Water and Sewer Fund accounts for the operation of the City's water and sewer utility. Activities of the fund include administration, operation and maintenance of the water and sewer system and billing and collection activities. The Fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for revenue bonds and obligations under capital leases when due throughout the year. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the Fund.

**2. Other Governmental Funds**

**Special Revenue Fund:**

This includes the Hotel-Motel tax fund which is used to account for the receipt of Hotel-Motel tax revenues. These funds are used to support tourism.

**Permanent Fund:**

Permanent Funds account for resources that are legally restricted to allow the earnings (and not the principle) to be used to support the governments programs, such as cemeteries, libraries, parks and scholarships.

**3. Non-Current Governmental Assets/Liabilities**

GASB Statement No. 34 eliminates the presentation of Account Groups, but provides for these records to be maintained and incorporates the information into the Governmental column in the government-wide Statement of Net Assets.

**E. Basis of Accounting**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The Government-wide Financial Statements and the Proprietary and Component Unit Combining Financial Statements are presented on an accrual basis of accounting. The Governmental Funds in the Fund Financial Statements are presented on a modified accrual basis.

**Accrual**—Revenues are recognized when earned and expenses are recognized when incurred.

CITY OF DAWSONVILLE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**E. Basis of Accounting (cont'd)**

**Modified Accrual**—All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. “Measurable” means the amount of the transaction can be determined. “Available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

The City defined the length of time used for “available” for purposes of revenue recognition in the governmental fund financial statements to be 60 days.

Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

The City elected to change to recognition of sales tax, which in prior years was recognized as it became available, to a modified accrual basis. Intergovernmental grant revenues, entitlements and contributions are recognized in the year in which all eligibility requirements are met. In applying the “susceptible to accrual” concept to intergovernmental revenues pursuant to GASB Statement No. 33, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenue when the applicable eligibility requirements including time requirements, are met. Resources transmitted before the eligibility requirements are met should, under most circumstances, be reported as advances by the provider and as deferred revenue by the recipient.

Proprietary funds, which employ the economic resources measurement focus, distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing goods and services in connection with the proprietary fund’s ongoing operations. The principal operating revenues of the City’s proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

**F. Budgets**

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to July 1, the Mayor submits to the Council, a proposed operating budget for the calendar year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. The current year period budget was adopted for the year ended July 1 to June 30, 2010.
2. The Council holds a public hearing on the budget, giving notice thereof at least ten days in advance by publication in the official organ of the City of Dawsonville.
3. The budget is then revised and adopted or amended by the Council at the first regular meeting in July of the year to which it applies.
4. The budget so adopted may be revised during the year “only” by formal action of the Council in a regular meeting and no increase shall be made therein without provision also being made for financing the increase.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Water and Sewer Fund.
6. The level of budgetary control is at the department level. Budgets for the General Fund and Water and Sewer Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Budgeted amounts are as originally adopted, or as amended by the Council. Individual amendments were not material in relation to the original appropriations, which were amended.

CITY OF DAWSONVILLE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**G. Assets, Liabilities, and Net Assets**

**1. Cash, Cash Equivalents, and Investments**

For purposes of the statement of cash flows, the City considers cash and cash equivalents (including restricted cash and cash equivalents) to be currency on hand, and liquid investments with a maturity of three months or less when purchased.

Cash and cash equivalents are included in both unrestricted as well as restricted assets.

Investments include pooled investments and certificates of deposit (with maturities of three months or greater). Investments are reported at fair value.

The City does not maintain an investment policy that limits its investment choices. Georgia law authorizes the City to invest in the following type of obligations:

- Obligations of the State of Georgia or of any other states
- Obligations of the United States Government
- Obligations fully insured or guaranteed by the U.S. government or by governmental agency of the United States
- Obligations of any corporation of the U.S. government
- Prime bankers' acceptances
- The State of Georgia local government investment pool
- Repurchase agreements
- Obligations of the other political subdivisions of the State of Georgia

**2. Inventories**

Expendable supplies are recorded as expenditures at the time the items are purchased. The City does not record inventories of supplies at year end due to the lack of materiality.

**3. 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. At the fund reporting level, an equal amount of fund balance is reserved as this amount is not available for general appropriation.

**4. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Restricted assets in the enterprise funds represent cash and cash equivalents and investments set aside for repayment of deposits to utility customers and cash funds required to be maintained by the bond.

**5. Property Taxes**

The City does not levy property taxes.

**6. Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds. The City reports these assets in the governmental activities column of the government-wide statement of net assets but does not report these assets in the governmental fund financial statements. Capital assets utilized by enterprise funds are reported both in the business-type activities column of the government-wide statement of net assets and in the enterprise fund's statement of net assets.

CITY OF DAWSONVILLE, GEORGIA  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2010

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**G. Assets, Liabilities, and Net Assets (cont'd)**

**6. Capital Assets (cont'd)**

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of five thousand dollars. The City's infrastructure consists of roads, bridges and water lines. Improvements to capital assets are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. Interest incurred during the construction of capital assets utilized by the enterprise fund is capitalized.

All reported capital assets are depreciated except for land, artifacts, right-of-ways and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method for all real property and primarily straight line with other methods used periodically for equipment over the following useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings and Improvements	20-50 years	20-50 years
Machinery and Equipment	5-10 years	5-10 years
Vehicles	5-7 years	5-7 years
Infrastructure	15-40 years	25-65 years

**7. Compensated Absences**

Personal leave benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

The total compensated absence liability is reported on the government-wide financial statements. Proprietary funds report the total compensated liability in each individual fund at the fund reporting level. Governmental funds report the compensated absence liability at the fund reporting level only "when due".

**8. Accrued Liabilities and Long-term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of these funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent they are "due for payment" during the current year. Capital leases are recognized as a liability in the governmental fund financial statements when due.

**9. Fund Equity**

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net assets."

Fund Balance – Generally, fund balance represents the difference between the current assets and current liabilities. The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available, spendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund balance that is available for appropriation in future periods. Designations are management's intent to set aside these resources for specific services.

CITY OF DAWSONVILLE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**G. Assets, Liabilities, and Net Assets (cont'd)**

**9. Fund Equity (cont'd)**

Net Assets – Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net assets are reported as unrestricted.

Although the City has no formal policy, it applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

**10. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water, sewer and sanitation. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing type of activities and result from non-exchange transactions or ancillary activities. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of each fund.

**11. Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses section in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Transfers between governmental and business-type activities on the government-wide statement of activities are reported as general revenues. Transfers between funds reported in the governmental activities column are eliminated. Transfers between funds reported in the business type activities column are eliminated.

**12. Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires 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

**13. Deferred Charges**

Bond issuance costs are amortized using the straight-line method over the life of the bond.

**NOTE 2 – DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

Credit and Concentration Risk – Investments: The City maintains investments in Georgia Fund 1, a combined state general fund and local government investment pool managed by the Office of Treasury and Fiscal Services. Georgia Fund 1, formerly referred to as "LGIP" was established by O.C.G.A. 36-83-8. Georgia Fund 1 operates in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940 and is considered to be a 2a-7 like pool. The pool is not registered with the SEC as an investment company.

The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal (\$1.00 per share value). Net asset value is calculated weekly to ensure stability. The pool distributes earnings on a monthly basis and determines participant's shares sold and redeemed based on \$ 1.00 per share. The Georgia Office of the Treasury and Financial Services manages Georgia Fund 1. The investment policies of Georgia Fund 1 are established by the Georgia State Depository Board, which provides regulatory oversight.

CITY OF DAWSONVILLE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

**NOTE 2 – DETAILED NOTES ON ALL FUNDS (CONT'D)**

**A. Deposits and Investments (cont'd)**

The Georgia Fund 1 is rated AAAM rated investment pool by Standard & Poor's. The weighted average maturity at June 30, 2010 was 41 days. Yield is an actual/365 day basis, net of administrative fees. The City's balance in Georgia Fund 1 at June 30, 2010 was \$ 746,432.

**Custodial Credit Risk – Deposits:**

The City does not maintain a formal custodial credit risk policy, however all deposits at June 30, 2010 were insured or collateralized by pledges held in the City's name in the Georgia Bankers Association, Inc. pledging pool. Public funds are not required to disclose custodial credit risk for external investment pools; therefore, the Georgia Fund 1 is exempt from this requirement

**Interest Rate Risk – Deposits:**

Interest rate risk is the risk that changes in interest rates may adversely affect an investment's fair value. Since the price of a bond fluctuates with market interest rates, the risk than an investor faces is that the priced of a bond held in a portfolio will decline if market interest rates rise. The portfolio's weighted average maturity (WAM) is a key determinate of the tolerance of a fund's investments to risking interest rates. In general, the longer the WAM, the more susceptible the fund is to rising interest rate.

According to GASB Statement 40, an acceptable method for reporting interest rate risk is WAM. WAM is the method used for reporting purposes for Georgia Fund 1.

**Restricted Cash:**

The City requires customers to pay a security deposit for their water & sewer service, these funds are deposited into a restricted cash account. The City is required to maintain a reserve fund holding 10% of monthly revenue bond payments for some of their revenue bonds until sufficient funds are on deposit in the Debt Service Reserve Account to pay the principal and interest for the next preceding year.

**B. Receivables**

Receivables and payables are recorded on the City's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and in the case of receivables, collectability.

Receivables at June 30, 2010 consist of the following:

	General Fund	Other Governmental Funds	Proprietary Water & Sewer Fund	Total
Receivables				
Water & Sewer Bills	\$ -	\$ -	\$ 81,352	\$ 81,352
Sales Tax Receivable	139,688	178	-	139,866
	<u>139,688</u>	<u>178</u>	<u>81,352</u>	<u>221,218</u>
Gross Receivables	<u>\$ 139,688</u>	<u>\$ 178</u>	<u>\$ 81,352</u>	<u>\$ 221,218</u>

CITY OF DAWSONVILLE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

**NOTE 2 – DETAILED NOTES ON ALL FUNDS (CONT'D)**

**C. Interfund Balances and Transfers**

Interfund balances at June 30, 2010 consisted of the following amounts and represent charges for services or reimbursable expenses. These are expected to be repaid within one year from the date of the financials.

	Interfund Receivables	Interfund Payables
Primary Government:		
General Fund for expense reimbursement	\$ 26,492	\$ 8,062
Total	26,492	8,062
Other Governmental Funds:		
Hotel-Motel fund reimbursement	8,062	-
Total	8,062	-
Proprietary Fund:		
Water-Sewer Fund expense reimbursement	-	26,492
Total	\$ 34,554	\$ 34,554

**D. Capital Assets**

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

	Balance 6/30/2009	Additions	Deductions	Balance 6/30/2010
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 320,802	\$ -	\$ -	\$ 320,802
Artifacts	54,001	-	4,250	49,751
Construction in progress	280	-	280	-
Total capital assets not being depreciated	375,083	-	4,530	\$ 370,553
Depreciable capital assets:				
Buildings	3,394,904	-	-	3,394,904
Improvements other than buildings	32,010	2,355	-	34,365
Vehicles	94,456	-	-	94,456
Machinery and equipment	231,507	19,592	-	251,099
Infrastructure	1,266,588	206,630	-	1,473,218
Total depreciable capital assets	5,019,465	228,577	-	5,248,042

CITY OF DAWSONVILLE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

**NOTE 2 – DETAILED NOTES ON ALL FUNDS (CONT'D)**

**D. Capital Assets (cont'd)**

	<u>Balance 6/30/2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/2010</u>
Accumulated depreciation:				
Buildings	486,384	174,964	-	661,348
Improvements other than buildings	12,860	2,185	-	15,045
Vehicles	82,921	5,597	-	88,518
Machinery and equipment	150,430	21,639	-	172,069
Infrastructure	91,522	48,435	-	139,957
Total accumulated depreciation	<u>824,117</u>	<u>252,820</u>	<u>-</u>	<u>1,076,937</u>
Total depreciable capital assets - net	<u>4,195,348</u>	<u>(24,243)</u>	<u>-</u>	<u>4,171,105</u>
Governmental activities capital assets, net	<u>\$ 4,570,431</u>	<u>\$ (14,243)</u>	<u>4,530</u>	<u>\$ 4,551,658</u>
Business-type activities:				
Capital assets not being depreciated				
Land	\$ 2,799,609	\$ 133,578	\$ -	\$ 2,933,187
Construction in progress	3,456,038	781,356	4,162,237	75,157
Total capital assets not being depreciated	<u>6,255,647</u>	<u>914,934</u>	<u>4,162,237</u>	<u>3,008,344</u>
Depreciable capital assets:				
Buildings	146,801	-	-	146,801
Machinery and equipment	237,789	4,654	1,395	241,048
Water and sewer system	5,470,491	4,003,989	-	9,474,480
Sewer treatment plant	923,923	-	-	923,923
Total depreciable capital assets	<u>6,779,004</u>	<u>4,008,643</u>	<u>1,395</u>	<u>10,786,252</u>
Accumulated depreciation				
Buildings	9,410	3,764	-	13,174
Machinery and equipment	124,162	30,876	1,395	153,643
Water and sewer system	1,253,664	372,462	-	1,626,126
Sewer treatment plant	247,409	23,690	-	271,099
Total accumulated depreciation	<u>1,634,645</u>	<u>430,792</u>	<u>1,395</u>	<u>2,064,042</u>
Total depreciable capital assets - net	<u>5,144,359</u>	<u>3,577,851</u>	<u>-</u>	<u>8,722,210</u>
Business-type activities capital assets, net	<u>\$ 11,400,006</u>	<u>\$ 4,492,785</u>	<u>\$ 4,163,632</u>	<u>\$ 11,730,554</u>



CITY OF DAWSONVILLE, GEORGIA  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2010

**NOTE 2 – DETAILED NOTES ON ALL FUNDS (CONT'D)**

**D. Capital Assets (cont'd)**

Depreciation expense was charged to function as follows:	
General government	\$ 238,124
Highways and streets	8,447
Culture and recreations	3,391
Planning and zoning	<u>2,858</u>
 Total Governmental activities depreciation expense	 <u><u>\$ 252,820</u></u>
 Business-type Activities	
Water and sewer (amortization \$ 1,003)	<u><u>\$ 431,794</u></u>

**E. Deferred Revenue**

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Deferred revenue is comprised of the following as of June 30, 2010:

	<u>Current</u>	<u>Long Term</u>	<u>Total</u>
<u>Water &amp; Sewer Fund</u>			
Sewer Taps	<u>-</u>	<u>16,500</u>	<u>16,500</u>
 Total	 <u><u>\$ -</u></u>	 <u><u>\$ 16,500</u></u>	 <u><u>\$ 16,500</u></u>

**F. Compensated Absences**

Employees earn personal leave based on 26 bi-weekly payroll periods per year at the rate of 6 hours per bi-weekly payroll period for the first 5 years of employment, 8 hours per bi-weekly payroll period for 5 to 10 years of continuous service, and 10 hours per bi-weekly payroll period for over 10 years of continuous service.

Personal leave cannot be accrued in excess of 240 hours. Employees may be compensated for excess personal leave up to 40 hours per year provided they have banked a minimum of 120 hours of personal leave.

A change to the personnel policy manual was approved on January 4, 2010. An employee can sell up to 80 hours of personnel leave time back to the city, provided an employee had a minimum of 120 hours of personal leave

**G. Risk Management**

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

CITY OF DAWSONVILLE, GEORGIA  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2010

**NOTE 2 – DETAILED NOTES ON ALL FUNDS (CONT'D)**

**G. Risk Management (cont'd)**

As part of these risk pools, the Government is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The Government is also to allow the pool's agents and attorneys to represent the Government in investigation, settlement discussions and all levels of litigation arising out of any claim made against the Government 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.

**H. Retirement Plan**

**Plan Description**

The City participates in the Georgia Municipal Employees Benefit System (GMEBS) Retirement Fund, an agent multiple-employer defined benefit plan where contributions made by the City are commingled with contributions made by the other participants of the GMEBS Retirement Fund for investment purposes. The Plan periodically issues an overall report to the required agencies. A stand-alone financial report can be obtained at City Hall.

The specific benefit provisions of the City's Plan were established by an adoption agreement executed by the City Council. The Plan provides for benefits upon retirement, death, disablement, and termination of employment. The Plan is affiliated with the Georgia Municipal Employees Benefit System Retirement Fund, an agent multiple-employer pension plan administered by the Georgia Municipal Association (GMA). The City Council retains the authority to amend the adoption agreement, which defines the specific operational provisions of The Plan. An outline of the plan provisions is as follows:

**Funding Policy**

The City is required to contribute an actuarially determined amount annually to the Plan's trust. The contribution amount is determined using actuarial methods and assumptions approved by the GMEBS Plan Trustees and intended to satisfy the minimum contribution requirements as set forth in controlling State of Georgia statutes.

**Annual Contribution Cost**

The City's annual pension cost and net pension obligation for the pension plan for the current year are as follows:

	October 1, 2009	September 1, 2008	September 1, 2007
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Annual required contribution	\$ 33,904	\$ 39,922	\$ 36,160
Interest on net pension obligation	-	-	-
Adjustment to annual required contribution	-	-	-
Annual cost	<u>33,904</u>	<u>39,922</u>	<u>36,160</u>
Required employee contribution	-	-	-
Total contributions made	\$ 33,904	\$ 39,922	\$ 36,160
 Recommended contribution as a percentage of payroll	 12.02%	 10.93%	 11.20%

CITY OF DAWSONVILLE, GEORGIA  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2010

**NOTE 2 – DETAILED NOTES ON ALL FUNDS (CONT'D)**

**H. Retirement Plan (cont'd)**

**Annual Contribution Cost (cont'd)**

Current valuation date	October 1, 2009
Actuarial cost method	Projected Unit Credit
Amortization method for remaining unfunded liability	Closed Dollar Level
Remaining amortization period	Varies for Bases
Asset valuation method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 20% of market value.

Actuarial assumptions:

Annual return on investment plan assets	8.00%
Projected annual salary increased	5.50%
Cost of living adjustment	0.00%

Membership of the plan:

Retirees and beneficiaries receiving benefits	2
Terminated plan members entitled to, but not yet receiving benefits	0
Active plan members	<u>12</u>
Total	14

The recommended contribution meets the guidelines for calculating an annual required contribution as set forth in paragraphs 9-10 of Statement No. 27 issued by the Government Accounting Standards Board. These contributions are determined under the projected unit credit actuarial cost method. The asset valuation method for developing the actuarial value of assets is the sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10 percent of the amount that the value exceeds or is less than the market value at the end of year. The actuarial value is adjusted, if necessary, to be within 20% of market value. The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 2003 and current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods, if applicable are closed for this plan.

Details of the funded status and funding results for the Plan as of October 1, 2009 are presented as Required Supplementary Information immediately following the notes to the financial statements. The schedule of funding progress presents multiyear trend information about whether they actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

CITY OF DAWSONVILLE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

**NOTE 2 – DETAILED NOTES ON ALL FUNDS (CONT'D)**

**I. Long-Term Debt**

**1. Revenue Bonds (Water & Sewer Fund)**

The 1997 Series Revenue Bonds were issued for the cost of the acquisition, construction and installation of certain additions, extensions and improvements to the water and sewer system of the City. The bonds are collateralized by the revenue of the water and sewer system. The City is required to maintain a reserve fund holding 10% of monthly revenue bond payments until sufficient funds are on deposit in the Debt Service Reserve Account to pay the principal and interest on the Series 1997 Bonds for the next succeeding year. As of June 30, 2010, the account has sufficient funds on deposit in the amount of \$ 31,764.

The 2003 Series Revenue Bonds were issued to provide financing for acquiring, constructing and installing certain additions, extensions, and improvements to the water and sewer system. The bonds are collateralized by the revenue of the water and sewer system. The City is required to maintain a reserve fund holding 10% of monthly revenue bond payments until sufficient funds are on deposit in the Debt Service Reserve Account to pay the principal and interest on the Series 2003 Bonds for the succeeding year. As of June 30, 2010, the account has sufficient funds on deposit in the amount of \$ 24,264.

The 2006 Series Revenue Bonds were issued to provide financing for acquiring, constructing and installing additions, extensions and improvements to the existing water and sewer system of the City. The bonds are collateralized by the revenue of the water and sewer system. The City is required to maintain a reserve fund holding 10% of monthly revenue bond payments until sufficient funds are on deposit in the Debt Service Reserve Account to pay the principal and interest on the Series 2006 Bonds for the succeeding year. As of June 30, 2010, the account has sufficient funds on deposit in the amount of \$ 50,303.

Changes in bond debt liability for the year ending June 30, 2010 are as follows:

	<u>Balance 6/30/2009</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance 6/30/2010</u>	<u>Due One Year</u>
Series 1997-A, Water & Sewer Revenue Bond dated December 31, 1997 with 4.5% interest and monthly payments of \$ 606 beginning January 11, 1998 and ending December 31, 2037. Original loan \$ 134,540	\$ 116,404	\$ -	\$ 2,120	\$ 114,284	\$ 2,151
Series 1997 - B, Water & Sewer Revenue Bond dated December 11, 1997 with 4.5% interest with monthly payment of \$ 960 beginning January 11, 1998 and ending December 11, 2037. Original loan \$ 213,300.	184,674	-	3,335	181,339	3,413
Series 1997-C, Water & Sewage Revenue Bond dated December 11, 1997 with 4.5% interest with monthly payments of \$ 1,081 beginning January 11, 1998 and ending December 11, 2037. Original loan \$ 240,120.	<u>207,846</u>	<u>-</u>	<u>3,764</u>	<u>204,082</u>	<u>3,841</u>
Subtotal - Series 1997 Bonds	<u>508,924</u>	<u>-</u>	<u>9,219</u>	<u>499,705</u>	<u>9,405</u>

CITY OF DAWSONVILLE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

**NOTE 2 – DETAILED NOTES ON ALL FUNDS (CONT'D)**

**I. Long-Term Debt (cont'd)**

**1. Revenue Bonds (Water & Sewer Fund) (cont'd)**

	Balance 6/30/2009	Issued	Retired	Balance 6/30/2010	Due One Year
Series 2003, Water & Sewage Revenue Bond dated May 4, 2004 with 4.375% interest with monthly payment of \$ 2,022 beginning June 30, 2004 and ending May 3, 2044. Original loan \$ 457,250.	433,096	-	6,342	426,754	5,831
Series 2006, Water & Sewer Revenue Bond dated March 7, 2007 with interest currently at 4.125% and not to exceed 4.5% with monthly payments of \$ 13,910 beginning April 7, 2007 and ending March 7, 2047. Original loan \$ 3,091,100.	3,019,543	-	28,054	2,991,489	36,197
<b>Total Bond Debt (Water &amp; Sewer Fund)</b>	<b>\$ 3,961,563</b>	<b>\$ -</b>	<b>\$ 43,615</b>	<b>\$ 3,917,948</b>	<b>\$ 51,433</b>

Debt-service requirements for long-term bond debt are as follows:

	Principal	Interest	Total
2011	\$ 51,433	\$ 162,623	\$ 214,056
2012	53,647	160,409	214,056
2013	55,984	158,072	214,056
2014	58,396	155,660	214,056
2015	60,890	153,166	214,056
2016-2020	345,807	724,473	1,070,280
2021-2025	424,676	645,604	1,070,280
2026-2030	514,356	555,924	1,070,280
2031-2035	647,775	422,505	1,070,280
2036-2040	718,834	264,261	983,095
2041-2045	743,217	124,628	867,845
2046-2050	242,933	5,110	248,043
<b>Total</b>	<b>\$ 3,917,948</b>	<b>\$ 3,532,435</b>	<b>\$ 7,450,383</b>

**2. Municipal Loans (Water & Sewer Fund)**

During 2001, the City incurred debt from a Georgia Environmental Facilities Authority loan for the purchase of land and construction of a new water tank. In 2008, the City finalized a contract with Georgia Environmental Facilities Authority issued for financing the purchase of land and construction of three wells.

CITY OF DAWSONVILLE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

**NOTE 2 – DETAILED NOTES ON ALL FUNDS (CONT'D)**

**I. Long-Term Debt (cont'd)**

**2. Municipal Loans (Water & Sewer Fund) (cont'd)**

	Balance 6/30/2009	Issued	Retired	Balance 6/30/2010	Due One Year
Georgia Environmental Facilities Authority loan dated November 15, 2000 with 4.72% interest and quarterly payments of \$ 10,323.54 beginning January 1, 2003 and ending October 1, 2023. Original loan \$ 532,603.	\$ 410,538	\$ -	\$ 22,308	\$ 388,230	\$ 23,364
Georgia Environmental Facilities Authority loan dated February 1, 2008, with 4.12% interest and monthly payments of \$ 5,832.29 beginning March 1, 2008 and ending February 1, 2028. Original loan \$952,487.	910,246	-	33,104	877,142	34,493
<b>Total Municipal Loans (Water &amp; Sewer Fund)</b>	<b>\$ 1,320,784</b>	<b>\$ -</b>	<b>\$ 55,412</b>	<b>\$ 1,265,372</b>	<b>\$ 57,857</b>

Debt-service requirements for long-term debt are as follows:

	Principal	Interest	Total
2011	\$ 57,857	\$ 53,425	\$ 111,282
2012	60,378	50,904	111,282
2013	63,176	48,106	111,282
2014	65,934	45,348	111,282
2015	68,868	42,414	111,282
2016-2020	393,071	163,339	556,410
2021-2025	379,901	73,308	453,209
2026-2030	176,187	10,150	186,337
<b>Total</b>	<b>\$ 1,265,372</b>	<b>\$ 486,994</b>	<b>\$ 1,752,366</b>

**3. Downtown Development Authority Series 2005 Revenue Bonds (Component Unit) and Intergovernmental Capital Lease Agreement (General Fund)**

On December 22, 2005, the Downtown Development Authority, which is reported as a component unit of the City in these financial statements, issued Series 2005 Revenue Bonds for the purpose of financing or refinancing the costs of acquiring property known as the Dawsonville Municipal Complex for the City of Dawsonville. The value of capital assets recorded under the capital lease agreement for the Dawsonville Municipal Complex building totals \$ 2,575,106. Subsequently, the City entered into an Intergovernmental Lease Agreement with the Downtown Development Authority by which the City has agreed to pay the bond debt installments under a lease-purchase arrangement until the full debt is satisfied. The City has agreed, if necessary, to levy ad valorem tax on property to produce revenues sufficient to fulfill the debt obligation.

CITY OF DAWSONVILLE, GEORGIA  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2010

**NOTE 2 – DETAILED NOTES ON ALL FUNDS (CONT'D)**

**I. Long-Term Debt (cont'd)**

**3. Downtown Development Authority Series 2005 Revenue Bonds (Component Unit) and Intergovernmental Capital Lease Agreement (General Fund) (cont'd)**

The Series 2005 – A Bonds provide financing for the portion of the Dawsonville Municipal Complex that houses the City government facilities and thereby designated as a “qualified tax-exempt” obligation eligible for preferential governmental finance rates. Series 2005 – B Bonds fund the portion of the property that is to be used for commercial development and is thereby are not to preferred governmental finance rates applicable.

	Balance 6/30/2009	Issued	Retired	Balance 6/30/2010	Due One Year
Series 2005-A, DDA Revenue Bonds dated December 22, 2005 with interest rate per annum equal to the "Prime Rate" as published in the Money Rates section of <u>The Wall Street Journal - Southeastern Edition</u> . Monthly payments of \$ 11,802.39 beginning January 22, 2006 and ending December 22, 2025. Original loan \$2,166,922.00	\$ 1,969,179	\$ -	\$ 102,851	\$ 1,866,328	\$ 102,619
Series 2005 - B, DDA Revenue Bonds dated December 22, 2005 with interest reate per annum equal to the "Prime Rate" as published in the Money Rates section of <u>The Wall Street Journal - Southeastern Edition</u> . Monthly payments of \$ 2019.17 beginning January 22, 2006 and ending December 22, 2025. Original loan \$333,078.00	308,577	-	14,864	293,713	14,763
<b>Total Bond Debt (DDA)</b>	<b>\$ 2,277,756</b>	<b>\$ -</b>	<b>\$ 117,715</b>	<b>\$ 2,160,041</b>	<b>\$ 117,382</b>

Debt-service requirements for long-term debt are as follows:

	Principal	Interest	Total
2011	\$ 117,382	\$ 48,477	\$ 165,859
2012	120,101	45,758	165,859
2013	122,880	42,979	165,859
2014	125,727	40,132	165,859
2015	128,623	37,236	165,859
2016-2020	689,435	139,860	829,295
2021-2025	773,518	55,777	829,295
2026-2030	82,375	558	82,933
	<b>\$ 2,160,041</b>	<b>\$ 410,777</b>	<b>\$ 2,570,818</b>

CITY OF DAWSONVILLE, GEORGIA  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2010

**NOTE 2 – DETAILED NOTES ON ALL FUNDS (CONT'D)**

**I. Long-Term Debt (cont'd)**

**4. Compensated Absences (General Fund and Water & Sewer Fund)**

Long-term compensated absences liability consists of the following as of June 30, 2010:

	Balance 6/30/2009	Issued	Retired	Balance 6/30/2010	Due In One Year
<b>Government Activities</b>					
Compensated Absences	\$ 5,865	\$ 11,822	\$ (16,129)	\$ 1,558	\$ -
<b>Water &amp; Sewer Fund</b>					
Compensated Absences	18,193	22,117	(24,756)	13,610	1,944
Total Compensated Absences	<u>\$ 24,058</u>	<u>\$ 33,939</u>	<u>\$ (40,885)</u>	<u>\$ 15,168</u>	<u>\$ 1,944</u>

Compensated absences are liquidated in the general fund for governmental activities and in the enterprise fund for business-type activities.

**J. Reserved/Restricted Equity Balances**

**Capital Projects Fund**

Reserved for restricted assets – An amount of \$ 153,220 has been reserved in the SPLOST capital projects fund for restricted assets since this amount is not legally available for appropriation.

**Special Revenue Fund**

Reserved for tourism – A total of \$ 8,240 has been reserved for tourism expenditures in the Hotel-Motel Fund since this amount is not legally available for appropriation.

**Permanent Fund**

Reserved for cemetery – An amount of \$ 169,888 has been reserved in the Cemetery Fund since this amount is not legally available for appropriation. Of these funds, \$ 169,888 is expendable for cemetery perpetual care.

**Proprietary Fund**

Reserved for restricted assets – An amount of \$ 106,332 has been reserved in the Water-Sewer Enterprise Fund for restricted assets.

**Note 3 – USDA GRANTS - WATER SYSTEM IMPROVEMENTS**

During 2006, the City of Dawsonville was approved by the United States Department of Agriculture for a \$ 3,091,100 loan and \$ 2,284,362 agency development grant for improvements to the City's wastewater system. The improvements involve acquisition of land, construction of a new maintenance building and extension of water and sewer lines. As of June 30, 2010, the project was complete.



CITY OF DAWSONVILLE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

**Note 4 – COMMITMENTS AND CONTINGENCIES**

Liability

A. Intergovernmental agreement for law enforcement services and fire protection

Effective January 1, 2003 the City of Dawsonville entered into a agreement with Dawson County Board of Commissioners, the Dawson County Sheriff's Department and the Dawson County Fire Department for the purpose of providing and maintaining law enforcement services and fire protection for the residents and businesses located within the geographical confines of the City of Dawsonville, Georgia. The law enforcement services and fire protection contracts shall continue in full force and effect through December 31, 2012, unless terminated in accordance with the agreement. For law enforcement services, the City agrees to pay to the County \$ 120,000 annually. The parties agreed that over the term of the contract the compensation paid by the City may be increased by the percentage increase of gross Local Option Sales Tax proceeds above 3.5 million dollars, but any such increase shall be limited to a maximum of 7.5% annually and 25% over the term of this contract. For fire protection, the City agrees to pay to the County \$ 40,000 annually. The parties agreed that such amount shall be adjusted annually based upon an increase of 25% over the ten year term.

B. Litigation

Various claims and lawsuits are pending against the City. Although the outcome of these matters is not presently determinable, it is the opinion of the management and the City's Council that any potential liability resulting from the resolution of these matters would be covered under liability insurance and not have a materially adverse effect on the financial condition of the County.

**Note 5 – GRHOF MUSEUM ARTIFACTS**

During 2001, the City of Dawsonville acquired the collateral goods and artifacts of the Georgia Racing Hall of Fame Museum for \$ 69,000. The collection includes racing artifacts and memorabilia, which are expected to maintain intrinsic value and are, therefore, not depreciated. Also included in the purchase were various equipment and fixtures that are not depreciated because individual items are valued below the City's capitalization threshold.

**Note 6 – JOINT VENTURE**

**Georgia Mountains Regional Commission (GMRC)**

Under Georgia law, the City, in conjunction with other cities and counties in the thirty County Northeast Georgia area, is a member of the Georgia Mountains Regional Commission (GMRC) and is required to pay annual dues thereto. Membership in GMRC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organization structure of the GMRC in Georgia. The GMRC Board membership includes the chief elected official of each county and municipality of the area and private sector individuals from each County and three minority members. For the year ended June 30, 2010, the city paid \$ 1,120 to the GMRC for water & sewer base and zone maps. Annual dues are paid by the Dawson County Board of Commissioners to include the City of Dawsonville and overall county populace.

OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of a GMRC. Separate financial statements may be obtained from:

Georgia Mountains Regional Commission  
1310 West Ridge Road  
Gainesville, Georgia 30501

**Note 7 – HOTEL/MOTEL TAX**

During the year ended June 30, 2010, the City had receipts of \$ 8,006 based on the tax rate of 6%. These funds are held for disbursement to the Dawson County Chamber of Commerce for the purpose of promoting tourism. The City complied with the requirements of OCGA 48-13-51.

CITY OF DAWSONVILLE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

**Note 8 – PRIOR PERIOD ADJUSTMENTS**

**Sales Tax Revenue**

In the past years, the City has recognized revenue from the local option sales tax on a cash basis. Beginning several years ago, the year end accrual became a material amount; therefore, this change is an effort to provide accurate financial information.

**Water & Sewer Tap Fees**

In previous years, revenue from all water and sewer tap fees was recognized when the meters were set. During the economic growth, many tap fees were paid in advance and the revenue was deferred even though these taps fees were non-refundable. As a result of the decline of economic growth, the City elected to recognize this revenue. All of the revenue has been recognized in prior years.

The following are prior period adjustments to the beginning net asset balances.

	Government Activities	Business - Type Activities	Total
Increase/(Decrease) in net assets as a result of:			
Change in accounting principle to reflect the accrual of sales tax revenue for May, 2009 and June, 2009.	\$ 129,433	\$ -	\$ 129,433
Change in accounting principle for revenue recognition of water/sewer taps fees.	-	916,000	916,000
Total Prior Period Adjustments	\$ 129,433	\$ 916,000	\$ 1,045,433

**Note 9 – Gain/Loss Sale of Assets**

The City sold approximately 4,070 square feet of right of way area on West Second Street. The property was acquired before the City’s implementation of GASB 34. As a smaller governmental entity, the City was exempt from the requirement to retroactively capitalize infrastructure assets acquired prior to its conversion to GASB 34 reporting. Consequently, there is no capitalization of the asset; the entire sale price of \$ 22,385 has been recognized as gain on sale of assets on the government activities statement of activities.

**Note 10 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through December 6, 2010, the date the financial statements were available to be issued. There are no significant events that have occurred since the balance sheet date.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF DAWSONVILLE, GEORGIA  
 DEFINED BENEFIT RETIREMENT PLAN  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS-RETIREMENT PLAN

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability AAL	Funded Ratio (a/b)	Unfunded AAL (UAAL) (b-a)	( c ) Covered Payroll (prior year)	UAAL as a Percentage of Covered Payroll ( (b-a)/c )
10/1/2009	\$ 133,082	\$ 239,503	55.57%	\$ 106,421	\$ 281,976	37.74%
9/1/2008	92,458	227,325	40.67%	134,867	365,102	36.94%
9/1/2007	69,471	193,493	35.90%	124,022	322,927	38.41%
9/1/2006	48,068	168,254	28.57%	120,186	189,119	41.57%
9/1/2005	34,210	151,638	22.56%	117,428	227,000	51.73%

## COMBINING AND INDIVIDUAL FUND STATEMENTS

CITY OF DAWSONVILLE, GEORGIA  
OTHER GOVERNMENTAL FUNDS  
COMBINING STATEMENT  
BALANCE SHEET  
June 30, 2010

	Nonmajor Fund Special Revenue Fund Hotel-Motel	Permanent Fund Cemetary	Total Other Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ 169,918	\$ 169,918
Taxes receivable	178	-	178
Due (to) / from other funds	8,062	-	8,062
<b>TOTAL ASSETS</b>	<b>\$ 8,240</b>	<b>\$ 169,918</b>	<b>\$ 178,158</b>
<b>LIABILITIES</b>			
Current - accounts payable	\$ -	\$ 30	\$ 30
Long-term liability	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>30</b>	<b>30</b>
<b>NET ASSETS</b>			
Reserved for cemetary	-	169,888	169,888
Unrestricted	8,240	-	8,240
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 8,240</b>	<b>\$ 169,918</b>	<b>\$ 178,158</b>

CITY OF DAWSONVILLE, OTHER GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPEDITURES AND CHANGES IN FUND BALANCE  
COMBINING STATEMENT  
For the Year Ended June 30, 2010

	<u>Nonmajor Fund Special Revenue Fund Hotel-Motel</u>	<u>Permanent Fund Cemetery</u>	<u>Total Other Governmental Funds</u>
REVENUES			
Taxes	8,006	-	\$ 8,006
Charge for services	-	15,080	15,080
Interest Earned	-	2,519	2,519
Total revenues	<u>8,006</u>	<u>17,599</u>	<u>25,605</u>
EXPENDITURES			
Current operating:			
General government	-	6,584	6,584
Housing and development - tourism	1,361	-	1,361
Capital outlay	-	-	-
Total expenditures	<u>1,361</u>	<u>6,584</u>	<u>7,945</u>
TOTAL REVENUES OVER EXPENDITURES	<u>6,645</u>	<u>11,015</u>	<u>17,660</u>
NET CHANGE IN FUND BALANCE	6,645	11,015	17,660
FUND BALANCES - beginning of year	<u>1,595</u>	<u>158,873</u>	<u>160,468</u>
FUND BALANCES - end of year	<u>\$ 8,240</u>	<u>\$ 169,888</u>	<u>\$ 178,128</u>

CITY OF DAWSONVILLE, GEORGIA  
NONMAJOR GOVERNMENTAL FUNDS  
BALANCE SHEET  
SPECIAL REVENUE FUND  
HOTEL-MOTEL FUND  
June 30, 2010

ASSETS	
Cash and cash equivalents	\$ -
Taxes receivable	178
Due from other funds	<u>8,062</u>
TOTAL ASSETS	<u><u>\$ 8,240</u></u>
LIABILITIES	
Current - accounts payable	-
Long-term liability	<u>-</u>
TOTAL LIABILITIES	<u>-</u>
NET ASSETS	
Unrestricted	<u>8,240</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 8,240</u></u>



CITY OF DAWSONVILLE, GEORGIA  
NONMAJOR GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
SPECIAL REVENUE FUND  
HOTEL-MOTEL FUND  
For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Taxes	\$ 1,000	\$ 1,000	\$ 8,006	\$ 7,006
Intergovernmental shared revenues	-	-	-	-
Interest earned	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>1,000</u>	<u>1,000</u>	<u>8,006</u>	<u>7,006</u>
EXPENDITURES				
Capital outlay:				
Highways and streets - sidewalks	<u>1,000</u>	<u>1,000</u>	<u>1,361</u>	<u>(361)</u>
Total expenditures	<u>1,000</u>	<u>1,000</u>	<u>1,361</u>	<u>(361)</u>
TOTAL REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>6,645</u>	<u>6,645</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>6,645</u>	<u>6,645</u>
FUND BALANCES - beginning of year			<u>1,595</u>	
FUND BALANCES - end of year			<u>\$ 8,240</u>	

CITY OF DAWSONVILLE, GEORGIA  
STATEMENT OF NET ASSETS  
PERMANENT FUND  
June 30, 2010

	<u>Cemetery Fund</u>
ASSETS	
Cash and cash equivalents	\$ 169,918
Internal balances	-
TOTAL ASSETS	\$ 169,918
LIABILITIES	
Current - accounts payable	30
TOTAL LIABILITIES	30
NET ASSETS	
Reserved for Cemetery Fund	169,888
TOTAL NET ASSETS	\$ 169,888

CITY OF DAWSONVILLE, GEORGIA  
STATEMENT OF CHANGES IN NET ASSETS  
PERMANENT FUND  
For the Year Ended June 30, 2010

	Cemetery Fund Actual
ADDITIONS	
Cemetery lot sales	\$ 15,000
Real estate fees	80
Perpetual care fund donations	-
Interest income	2,519
	17,599
TOTAL ADDITIONS	
DEDUCTIONS	
Repairs and maintenance	6,011
Miscellaneous expenditures	573
Capital outlay	-
	6,584
TOTAL DEDUCTIONS	
CHANGES IN NET ASSETS	11,015
NET ASSETS - beginning of year	158,873
NET ASSETS - end of year	\$ 169,888

SUPPLEMENTARY INFORMATION

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PEGGY W. SHIRLEY, C.P.A.

December 6, 2010

MEMBERS OF:  
THE AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
THE GEORGIA SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Mayor and City Council  
City of Dawsonville  
Dawsonville, Georgia

We have audited the financial statements of the government activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dawsonville for the year ended June 30, 2010, which collectively comprise the City of Dawsonville's basic financial statements and have issued our report thereon dated December 6, 2010. We did not express an opinion on the Dawsonville Downtown Development Authority Component Unit because we did not audit the financial statements. Except as discussed in the preceding sentence, 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 audits, we considered the City of Dawsonville'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 our opinion on the effectiveness of the City of Dawsonville's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was 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. We noted certain matters that we reported to management of the City of Dawsonville in a separate letter dated December 6, 2010.

Compliance and Other Matters

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

We noted certain other matters that we reported to management of the City of Dawsonville in a separated letter dated December 6, 2010.

This report is intended solely for the information and use of management, and specified legislative or regulatory bodies, and is not intended to be and should not be used by anyone other than these specifies parties.

*Alexander, Alusand & Associates, LLP*

CITY OF DAWSONVILLE, GEORGIA  
SPECIAL LOCAL OPTION SALES TAX  
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL SALES TAX PROCEEDS  
BUDGET AND ACTUAL - PROJECT TO DATE  
From Inception Through June 30, 2010

<u>Project</u>	<u>Original Budget</u>	<u>Current Project Budget</u>	<u>Prior Year Project to Date</u>	<u>Current Year</u>	<u>Total</u>	<u>Percent Complete</u>
Sidewalk Project	\$ 500,000	\$ 500,000	\$ 283,002	\$ 71,119	\$ 354,121	70.82%

CITY OF DAWSONVILLE  
 USDA COMPLIANCE SCHEDULE OF FUNCTIONAL ALLOCATIONS  
 WATER-SEWER PROPRIETARY FUND  
 BALANCE SHEET  
 June 30, 2010

	Water	Sewer	Garbage	Total
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 917,082	\$ 794,504	11,036	\$ 1,722,622
Receivables (net of allowance for uncollectible):				
Accounts	30,026	40,792	10,534	81,352
Internal balances	(31,856)	(25,505)	30,869	(26,492)
Prepaid expense	17,913	17,912	-	35,825
Total Current Assets	933,165	827,703	52,439	1,813,307
Noncurrent Assets:				
Restricted assets:				
Cash and cash equivalents	83,439	95,047	-	178,486
Total Restricted Assets	83,439	95,047	-	178,486
Deferred charges	6,180	11,366	-	17,546
Capital assets:				
Land	453,660	2,479,527	-	2,933,187
Nondepreciable capital assets	67,941	7,216	-	75,157
Depreciable capital assets, net	2,960,390	5,761,821	-	8,722,211
Total Capital Assets	3,481,991	8,248,564	-	11,730,555
Total Noncurrent Assets	3,571,610	8,354,977	-	11,926,587
TOTAL ASSETS	\$ 4,504,775	\$ 9,182,680	\$ 52,439	\$ 13,739,894



CITY OF DAWSONVILLE  
 USDA COMPLIANCE SCHEDULE OF FUNCTIONAL ALLOCATIONS  
 WATER-SEWER PROPRIETARY FUND  
 BALANCE SHEET  
 June 30, 2010

	<u>Water</u>	<u>Sewer</u>	<u>Garbage</u>	<u>Total</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	\$ -	\$ 66,981	\$ 5,551	\$ 72,532
Accrued expenses	1,342	1,341	-	2,683
Accrued interest payable	8,940	8,939	-	17,879
Current portion of long-term debt	62,560	46,730	-	109,290
Compensated absences payable	972	972	-	1,944
	<u>73,814</u>	<u>124,963</u>	<u>5,551</u>	<u>204,328</u>
Current Liabilities Payable from Restricted Assets:				
Customer deposits	45,271	30,182	-	75,453
	<u>45,271</u>	<u>30,182</u>	<u>-</u>	<u>75,453</u>
Total Current Liabilities Payable from Restricted Assets:				
	<u>45,271</u>	<u>30,182</u>	<u>-</u>	<u>75,453</u>
Long-Term Liabilities:				
Deferred revenue	-	16,500	-	16,500
Long-term debt (net of current portion)	1,452,666	3,621,365	-	5,074,031
Compensated absences payable (net of current portion)	-	-	-	-
	6,805	6,805	-	13,610
	<u>1,459,471</u>	<u>3,644,670</u>	<u>-</u>	<u>5,104,141</u>
<b>TOTAL LIABILITIES</b>	<u>1,578,556</u>	<u>3,799,815</u>	<u>5,551</u>	<u>5,383,922</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	1,966,765	4,580,469	-	6,547,234
Restricted assets	53,166	53,166	-	106,332
Unrestricted	744,912	910,606	46,888	1,702,406
	<u>2,764,843</u>	<u>5,544,241</u>	<u>46,888</u>	<u>8,355,972</u>
<b>TOTAL NET ASSETS</b>	<u>2,764,843</u>	<u>5,544,241</u>	<u>46,888</u>	<u>8,355,972</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 4,343,399</u>	<u>\$ 9,344,056</u>	<u>\$ 52,439</u>	<u>\$ 13,739,894</u>

CITY OF DAWSONVILLE  
 USDA COMPLIANCE SCHEDULE OF FUNCTIONAL ALLOCATIONS  
 WATER-SEWER PROPRIETARY FUND  
 REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
 For the Year Ended June 30, 2010

	<u>Water</u>	<u>Sewer</u>	<u>Garbage</u>	<u>Total</u>
OPERATING REVENUES				
Charges for services	\$ 385,590	\$ 494,541	\$ 84,260	\$ 964,391
Miscellaneous	7,845	16,815	1,042	25,702
	<u>393,435</u>	<u>511,356</u>	<u>85,302</u>	<u>990,093</u>
Total Operating Revenues				
OPERATING EXPENSES				
Personal services and benefits	160,953	154,900	-	315,853
Purchased and contractual services	150,312	233,476	65,367	449,155
Bad debts	1,010	1,000	296	2,306
Supplies	61,750	38,978	-	100,728
Depreciation and amortization	277,362	154,432	-	431,794
	<u>651,387</u>	<u>582,786</u>	<u>65,663</u>	<u>1,299,836</u>
Total Operating Expenses				
OPERATING INCOME (LOSS)	<u>(257,952)</u>	<u>(71,430)</u>	<u>19,639</u>	<u>(309,743)</u>
NON-OPERATING INCOME (LOSS)				
Intergovernmental revenues	-	563,762	-	563,762
Interest and fiscal charges	(73,397)	(151,922)	-	(225,319)
Interest earned	6,762	5,256	36	12,054
	<u>(66,635)</u>	<u>417,096</u>	<u>36</u>	<u>350,497</u>
TOTAL NON-OPERATING INCOME (LOSS)				
NET INCOME BEFORE TRANSFERS	(324,587)	345,666	19,675	40,754
Transfers in (out)	-	-	-	-
Change in net assets	(324,587)	345,666	19,675	40,754
NET ASSETS - beginning of year	3,027,930	4,344,075	27,213	7,399,218
Prior period adjustment	61,500	854,500	-	916,000
NET ASSETS - end of year	<u>\$ 2,764,843</u>	<u>\$ 5,544,241</u>	<u>\$ 46,888</u>	<u>\$ 8,355,972</u>

SINGLE AUDIT REPORTING PACKAGE

of

CITY OF DAWSONVILLE

415 Hwy 53 East

P.O. Box 6

Dawsonville, Georgia 30534

FEIN 58-1083885

Year Ended June 30, 2010

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December 6, 2010

MEMBERS OF:  
THE AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
THE GEORGIA SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Mayor and City Council  
City of Dawsonville  
Dawsonville, Georgia

Compliance

We have audited the compliance of the City of Dawsonville with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. The City of Dawsonville's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the management of the City of Dawsonville. Our responsibility is to express an opinion on the City of Dawsonville's compliance based on our audit.

We conducted our audit of compliance in accordance with audit 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 Dawsonville's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Dawsonville's compliance with those requirements.

In our opinion, the City of Dawsonville 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 Dawsonville is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we consider the City of Dawsonville's internal control over compliance with requirements that could have a direct and material effect on a major federal program 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. Accordingly, we do not express an opinion on the effectiveness of the City of Dawsonville's internal control over compliance.

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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over compliance 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 a material weaknesses as defined above.

This report is intended solely for the information and use of management, federal awarding agencies, and specified legislative or regulatory bodies, and is not intended to be and should not be used by anyone other than these specifies parties.

*Alexander, Almond & Associates, LLP*

CITY OF DAWSONVILLE, GEORGIA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED, JUNE 30, 2010

Grantor	Description	CFDA Number	Expenditures	
<b>U.S. Department of Agriculture</b>	Water & Waste Disposal Systems for Rural Communities	10.760	\$ 563,762	(1)
		20.205	<u>91,810</u>	(2)
<b>U.S. Department of Transportation</b> Georgia Dept. of Transportation	Transportation Enhancement Project No. TEE-0008-00(111)		<u>\$ 655,572</u>	

(1) This amount represents the amount of expenditures approved and reimbursed by the United States Department of Agriculture.

(2) This amount represents the amount of expenditures approved and submitted to the Georgia Department of Transportation (GDOT). The GDOT reimbursed 80 % of the expenditures to the City of Dawsonville.

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

CITY OF DAWSONVILLE, GEORGIA  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
June 30, 2010

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Dawsonville, Georgia 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 general purpose financial statements.

**NOTE 2 – SUBRECEIPTS**

There were no subrecipients of federal awards for the year ended June 30, 2010.



CITY OF DAWSONVILLE, GEORGIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2010

**SECTION I – SUMMARY OF AUDIT RESULTS:**

1. The auditors' report expresses an unqualified opinion on the financial statements of the City of Dawsonville, Georgia.
2. We found no significant deficiencies in the design or operation of internal control over financial reporting that we consider a reportable condition.
3. We note no instances of non-compliance, which are material to the financial statements of the City of Dawsonville, Georgia.
4. The audit disclosed no reportable conditions required to be reported under Section 510 (a) of OMB Circular A-133.
5. The auditors' report expresses an unqualified opinion on compliance for major programs of City of Dawsonville, Georgia
6. The program identified and tested as major federal programs in accordance with OMB Circular A-133, Section 530:  

Water & Waste Disposal Systems for Rural Communities	CFDA # 10.760
--	---------------
7. The threshold used to distinguish between Type A and Type B programs was \$ 300,000.
8. The City of Dawsonville, Georgia did not qualify as a low-risk auditee under OMB Circular A-133, Section 530.

**SECTION II – MAJOR PROGRAM AUDITS**

There were no findings related to major federal programs.

**SECTION III – FINDINGS – FINANCIAL STATEMENT AUDIT (GAGAS):**

There were no findings related to the financial statement audit.