

CITY OF DAWSONVILLE
DAWSONVILLE, GEORGIA

FINANCIAL STATEMENTS
(With supplemental material)

FOR THE YEARS ENDED
JUNE 30, 2011 and 2010

CITY OF DAWSONVILLE

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October 3, 2011

INDEPENDENT AUDITORS' REPORT

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 ended June 30, 2011 and 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, 2011 and 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, 2011 and 2010, and the respective changes in financial position and cash flows, thereof and the respective budgetary comparison for the general 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 October 3, 2011 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 46 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 combining and individual nonmajor fund financial schedules, 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 combining and individual nonmajor fund financial schedules and the schedule of projects constructed with special sales tax proceeds 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 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 & Bangs, LLP
Gainesville, Georgia



MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Dawsonville (the "City") 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, 2011 and 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, 2011 by \$ 11,607,847 (net assets).
- The City's net assets decreased by \$ 268,069 for the year ending June 30, 2011 from the prior year. Of this amount, an increase of \$ 243,039 was associated with governmental activities and a decrease of \$ 511,108 with business-type activities. In spite of the nation's economic condition, the City utilized a minimal amount of reserve funds for the year ending June 30, 2011, along with sold fiscal management and expenditure control. In the 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 \$ 94,583 or 1.09% for the year ending June 30, 2011.

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 is considered a major fund, while capital projects funds and the hotel-motel tax funds are considered a non-major governmental funds.

The City of Dawsonville adopted a full year budget for the period ending June 30, 2011 for its general 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

At June 30, 2011, the City's assets exceeded liabilities by \$ 11,607,847. 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.

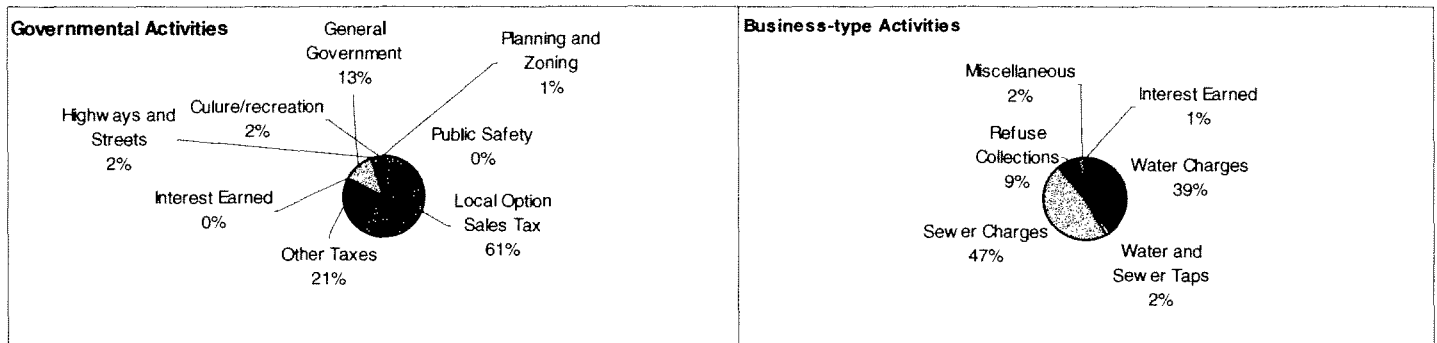
City of Dawsonville's Net Assets

	Governmental Activities June 30, 2011	Business - Type Activities June 30, 2011	Total June 30, 2011	Total June 30, 2010
Current and other assets	\$ 1,563,066	\$ 1,557,607	\$ 3,120,673	\$ 3,339,411
Capital assets	<u>4,281,528</u>	<u>11,537,215</u>	<u>15,818,743</u>	<u>16,155,935</u>
Total assets	<u>5,844,594</u>	<u>13,094,822</u>	<u>18,939,416</u>	<u>19,495,346</u>
Long-term liabilities outstanding	1,924,381	4,995,473	6,919,854	7,148,358
Other liabilities	<u>157,230</u>	<u>254,485</u>	<u>411,715</u>	<u>471,072</u>
Total liabilities	<u>2,081,611</u>	<u>5,249,958</u>	<u>7,331,569</u>	<u>7,619,430</u>
Net assets:				
Invested in capital assets, net of related debt	2,238,622	6,461,822	8,700,444	8,795,027
Restricted for cemetery	185,394	-	185,394	169,888
Restricted for tourism	-	-	-	8,240
Restricted for capital projects	156,532	-	156,532	153,220
Restricted for debt service	-	215,221	215,221	106,332
Unrestricted	<u>1,182,435</u>	<u>1,167,821</u>	<u>2,350,256</u>	<u>2,643,209</u>
Total net assets	<u>\$ 3,762,983</u>	<u>\$ 7,844,864</u>	<u>\$ 11,607,847</u>	<u>\$ 11,875,916</u>

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

	Governmental Activities June 30, 2011	Business - Type Activities June 30, 2011	Total June 30, 2011	Total June 30, 2010
Revenues:				
Program revenues:				
Charges for services	\$ 124,781	\$ 972,252	\$ 1,097,033	\$ 1,143,373
Operating grants & contributions	4,500	-	4,500	7,458
Capital grants & contributions	112,275	-	112,275	637,228
General revenues:				
Other tax	1,113,538	-	1,113,538	1,070,701
Gain (loss) on sale of assets	-	(1,500)	(1,500)	22,385
Other	3,737	7,633	11,370	17,593
Total Revenues	1,358,831	978,385	2,337,216	2,898,738
Expenses:				
General government	706,602	-	706,602	673,355
Public safety	160,000	-	160,000	166,550
Highways and streets	63,848	-	63,848	55,414
Culture/recreation	66,023	-	66,023	20,821
Planning and zoning	68,694	-	68,694	93,952
Housing and development	3,062	-	3,062	2,655
Interest on long-term debt	47,563	216,913	264,476	275,639
Water and sewer	-	1,272,580	1,272,580	1,299,836
Total Expense	1,115,792	1,489,493	2,605,285	2,588,222
Increase in net assets before transfers	243,039	(511,108)	(268,069)	310,516
Transfers	-	-	-	-
Change in net assets	243,039	(511,108)	(268,069)	310,516
Restated net assets - beginning of year	3,519,944	8,355,972	11,875,916	11,565,400
Net assets - ending of year	\$ 3,762,983	\$ 7,844,864	\$ 11,607,847	\$ 11,875,916

Revenues by Source:

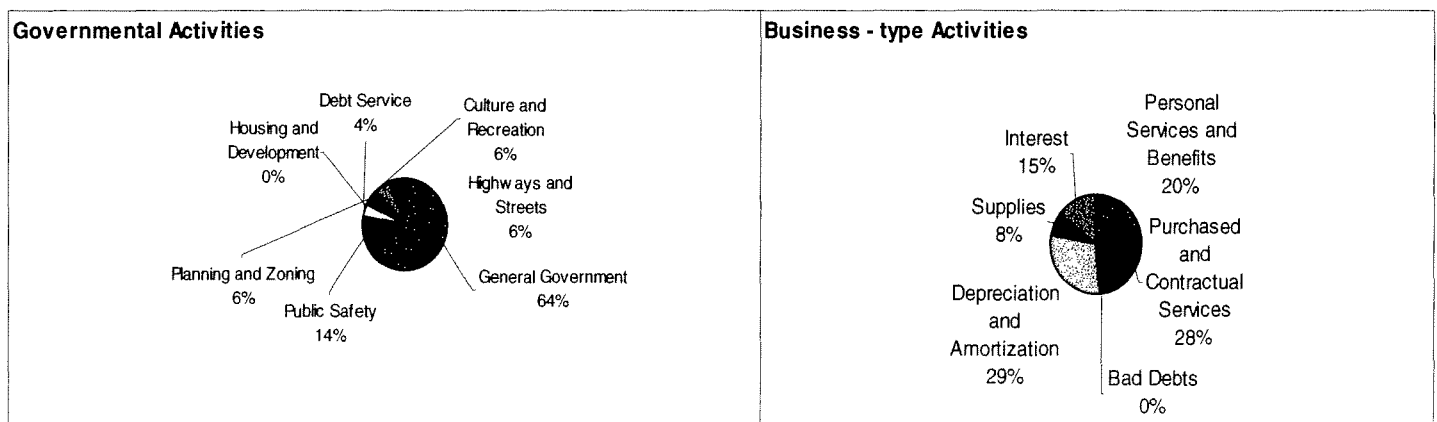


GENERAL FUND BUDGETARY HIGHLIGHTS

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, 2011. 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 \$ 1,222,599 were more than budgeted revenues of \$ 1,156,651 for the year ended June 30, 2011. General Fund expenditures were less than budgeted. With total appropriations of \$ 1,132,451, the City actually spent \$ 980,948 or \$ 151,503 less than budgeted, for the year ended June 30, 2011.

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 City strives to be good stewards of the revenues received through fiscal management, expenditure control using a minimal amount of reserved funds to help keep the budget in balance. The City plans to maintain a conservative fiscal position while the economic conditions dictate.

CAPITAL ASSETS

As of June 30, 2011 the City had \$ 19,513,439 invested in a variety of capital assets, as in the schedule below. Adjustments for depreciation are \$ 688,427 for the year ending June 30, 2011, and \$ 3,713,239 accumulated depreciation. Further detail on capital assets is provided in the notes to the financial statements.

Capital Assets at Year-end

	Governmental Activities	Business - Type Activities
Land	\$ 320,802	\$ 2,933,187
Artifacts	49,751	-
Construction in progress	-	159,495
Buildings	3,306,824	146,801
Improvements other than buildings	34,365	-
Vehicles	86,556	-
Machinery and equipment	224,305	264,720
Infrastructure	1,523,738	-
Water and Sewer System	-	9,540,972
Sewer Treatment Plant	-	923,923
	<hr/>	<hr/>
Total	<u>\$ 5,546,341</u>	<u>\$ 13,969,098</u>

The following reconciliation summarizes the change in Capital Assets:

	Governmental Activities	Business - Type Activities
Beginning Balance:	\$ 5,452,718	\$ 13,794,597
Additions:		
Land	-	-
Artifacts	-	-
Construction in Progress	-	84,338
Buildings	77,677	-
Improvements other than buildings	-	-
Vehicles	-	-
Machinery and equipment	-	43,200
Infrastructure	50,520	-
Water and Sewer System	-	99,561
Sewer Treatment Plant	-	-
Dispositions:		
Buildings	-	-
Machinery and equipment	(7,900)	(19,528)
Infrastructure	(26,674)	-
Water and Sewer System	-	(33,070)
	<hr/>	<hr/>
Total Capital Assets at Year-end	<u>\$ 5,546,341</u>	<u>\$ 13,969,098</u>

LONG-TERM DEBT

As of June 30, 2011, the City was liable for long-term capital lease obligations totaling \$ 2,042,906, for revenue bond debt totaling \$ 3,867,828 and municipal loans of \$ 1,207,565. As of June 30, 2010, the City was liable for long-term capital lease obligations totaling \$ 2,160,041, for revenue bond debt totaling \$ 3,917,948 and municipal loans of \$ 1,265,373. This is a debt reduction of \$ 225,063 from prior year. Further detail on long-term debt is provided in the notes to the financial statements

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, 2011 and 2010

	Primary Government - 2011			Totals Prior Year	(Unaudited) 2011 Component Unit
	Governmental Activities	Business-Type Activities	Total		
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 966,267	\$ 1,207,078	\$ 2,173,345	\$ 2,526,784	\$ 4,591
Restricted cash and investments	341,926	284,409	626,335	538,087	-
Accounts receivable	226,201	66,443	292,644	221,218	-
Internal balances	19,832	(19,832)	-	-	-
Prepaid items	8,840	19,509	28,349	53,322	-
Total current assets	<u>1,563,066</u>	<u>1,557,607</u>	<u>3,120,673</u>	<u>3,339,411</u>	<u>4,591</u>
Noncurrent Assets					
Due from primary government - long term	-	-	-	-	2,042,906
Deferred charges	-	16,543	16,543	17,546	-
Capital assets (net of accumulated depreciation)					
Land	320,802	2,933,187	3,253,989	3,253,989	90,000
Artifacts	49,751	-	49,751	49,751	-
Construction in progress	-	159,495	159,495	75,157	-
Depreciable, capital assets net	<u>3,910,975</u>	<u>8,427,990</u>	<u>12,338,965</u>	<u>12,759,492</u>	<u>-</u>
Total noncurrent assets	<u>4,281,528</u>	<u>11,537,215</u>	<u>15,818,743</u>	<u>16,155,935</u>	<u>2,132,906</u>
TOTAL ASSETS	<u><u>\$ 5,844,594</u></u>	<u><u>\$ 13,094,822</u></u>	<u><u>\$ 18,939,416</u></u>	<u><u>\$ 19,495,346</u></u>	<u><u>\$ 2,137,497</u></u>

See accompanying notes to the basic financial statements

CITY OF DAWSONVILLE, GEORGIA
STATEMENT OF NET ASSETS
June 30, 2011 and 2010

	Primary Government - 2011			Totals Prior Year	(Unaudited) 2011 Component Unit
	Governmental Activities	Business-Type Activities	Total		
LIABILITIES AND NET ASSETS					
Current liabilities					
Accounts payable and accrued liabilities	\$ 37,129	\$ 67,167	\$ 104,296	\$ 165,253	\$ -
Current portion, capital lease debt	120,101	-	120,101	117,382	-
Current portion, bond debt	-	52,591	52,591	51,433	120,101
Current portion, municipal loans	-	60,390	60,390	57,857	-
Current, compensated absences	-	-	-	1,944	-
Customer deposits	-	74,337	74,337	77,203	-
Total current liabilities	157,230	254,485	411,715	471,072	120,101
Noncurrent liabilities					
Deferred revenue	-	16,500	16,500	16,500	-
Long-term debt, capital lease	1,922,805	-	1,922,805	2,042,659	-
Long-term debt, bond debt	-	3,815,237	3,815,237	3,866,515	1,922,805
Long-term debt, municipal loans	-	1,147,175	1,147,175	1,207,516	-
Compensated absences	1,576	16,561	18,137	15,168	-
Total noncurrent liabilities	1,924,381	4,995,473	6,919,854	7,148,358	1,922,805
Total liabilities	2,081,611	5,249,958	7,331,569	7,619,430	2,042,906
Net Assets					
Invested in capital assets, net of related debt	2,238,622	6,445,279	8,683,901	8,795,027	90,000
Restricted for cemetery	185,394	-	185,394	169,888	-
Restricted for tourism	-	-	-	8,240	-
Restricted for capital projects	156,532	-	156,532	153,220	-
Restricted for debt service	-	215,221	215,221	106,332	-
Unrestricted	1,182,435	1,184,364	2,366,799	2,643,209	4,591
Total net assets	3,762,983	7,844,864	11,607,847	11,875,916	94,591
TOTAL LIABILITIES AND NET ASSETS	\$ 5,844,594	\$ 13,094,822	\$ 18,939,416	\$ 19,495,346	\$ 2,137,497

CITY OF DAWSONVILLE, GEORGIA
STATEMENT OF ACTIVITIES
For the Years Ended June 30, 2011 and 2010

	Program Revenues		
	Expenses	Charges For Services and Sales	Operating Grants, Contributions and Interest
PRIMARY GOVERNMENT			
Governmental Activities			
General government	\$ 706,602	\$ 94,318	\$ -
Public safety	160,000	900	-
Highways and streets	63,848	-	-
Culture/recreation	66,023	19,182	4,500
Planning and zoning	68,694	10,381	-
Housing and development	3,062	-	-
Interest on long term debt	47,563	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total Government Activities	<u>1,115,792</u>	<u>124,781</u>	<u>4,500</u>
Business-Type Activities			
Water and sewer	<u>1,489,493</u>	<u>972,252</u>	<u>-</u>
Total Business-Type Activities	<u>1,489,493</u>	<u>972,252</u>	<u>-</u>
Total-Primary Government	<u>\$ 2,605,285</u>	<u>1,097,033</u>	<u>4,500</u>
Component Unit			
Dawsonville Downtown Development Authority	<u>588</u>	<u>-</u>	<u>-</u>
Total Component Unit	<u>\$ 588</u>	<u>-</u>	<u>-</u>

GENERAL REVENUES:

Taxes: Sales

Alcoholic Beverage

Franchise

Other

Interest earned

Gain (loss) on disposal of assets

Total General Revenues

Change In Net Assets

RESTATED NET ASSETS

- beginning of year

NET ASSETS - end of year

See accompanying notes to the basic financial statements

CITY OF DAWSONVILLE, GEORGIA
STATEMENT OF ACTIVITIES
For the Years Ended June 30, 2011 and 2010

Capital Grants and Contributions	Net (Expense) Revenue and Changes In Net Assets			Totals Prior Year	(Unaudited) 2011 Component Unit
	Governmental Activities	Business-Type Activities	Total		
\$ 79,052	\$ (533,232)	\$ -	\$ (533,232)	\$ (576,367)	\$ -
-	(159,100)	-	(159,100)	(163,950)	-
33,223	(30,625)	-	(30,625)	18,052	-
-	(42,341)	-	(42,341)	7,149	-
-	(58,313)	-	(58,313)	(60,772)	-
-	(3,062)	-	(3,062)	(2,655)	-
-	(47,563)	-	(47,563)	(50,320)	-
<u>112,275</u>	<u>(874,236)</u>	<u>-</u>	<u>(874,236)</u>	<u>(828,863)</u>	<u>-</u>
-	-	(517,241)	(517,241)	28,700	-
-	-	(517,241)	(517,241)	28,700	-
<u>112,275</u>	<u>(874,236)</u>	<u>(517,241)</u>	<u>(1,391,477)</u>	<u>(800,163)</u>	<u>-</u>
-	-	-	-	-	588
-	-	-	-	-	588
	832,894	-	832,894	782,352	-
	78,869	-	78,869	76,170	-
	120,936	-	120,936	111,417	-
	80,839	-	80,839	100,762	-
	3,737	7,633	11,370	17,593	16
	-	(1,500)	(1,500)	22,385	-
	<u>1,117,275</u>	<u>6,133</u>	<u>1,123,408</u>	<u>1,110,679</u>	<u>16</u>
	243,039	(511,108)	(268,069)	310,516	(572)
	<u>3,519,944</u>	<u>8,355,972</u>	<u>11,875,916</u>	<u>11,565,400</u>	<u>5,163</u>
	<u>\$ 3,762,983</u>	<u>\$ 7,844,864</u>	<u>\$ 11,607,847</u>	<u>11,875,916</u>	<u>\$ 4,591</u>

CITY OF DAWSONVILLE, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011 and 2010

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>Total Prior Year Governmental Funds</u>
ASSETS				
Cash, cash equivalents and investments	\$ 966,267	\$ 341,926	\$ 1,308,193	\$ 1,163,763
Receivables (net, where applicable, of allowances for uncollectible):				
Taxes receivable	156,847	220	157,067	139,866
Grants receivable	-	68,635	68,635	-
Other receivables	500	-	500	-
Prepaid expense	8,840	-	8,840	17,497
Due from other funds	<u>87,728</u>	<u>739</u>	<u>88,467</u>	<u>26,492</u>
TOTAL ASSETS	<u><u>\$ 1,220,182</u></u>	<u><u>\$ 411,520</u></u>	<u><u>\$ 1,631,702</u></u>	<u><u>\$ 1,347,618</u></u>
LIABILITIES				
Accounts payable	24,505	959	\$ 25,464	68,676
Salaries payable	4,901	-	4,901	1,308
Interest payable	1,015	-	1,015	2,176
Deposits payable	5,750	-	5,750	1,750
Due to other funds	<u>-</u>	<u>68,635</u>	<u>68,635</u>	<u>-</u>
Total Liabilities	<u>36,171</u>	<u>69,594</u>	<u>105,765</u>	<u>73,910</u>
FUND BALANCE				
Non-spendable:				
Prepaid items	8,840	-	8,840	17,497
Restricted:				
Permanent funds	-	185,394	185,394	169,888
Special revenue funds	-	-	-	8,240
Capital project funds	-	156,532	156,532	153,220
Unassigned:	<u>1,175,171</u>	<u>-</u>	<u>1,175,171</u>	<u>924,863</u>
Total Fund Balances	<u>1,184,011</u>	<u>341,926</u>	<u>1,525,937</u>	<u>1,273,708</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 1,220,182</u></u>	<u><u>\$ 411,520</u></u>	<u><u>\$ 1,631,702</u></u>	<u><u>\$ 1,347,618</u></u>

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, 2011 and 2010

	2011	2010
TOTAL GOVERNMENTAL FUND BALANCES	\$ 1,525,937	\$ 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	\$ 5,546,342	
Less accumulated depreciation	(1,264,814)	
Total capital assets, net depreciation	4,281,528	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	(2,042,906)	
Long-term compensated absences payable	(1,576)	
Total long-term liabilities	(2,044,482)	(2,161,598)
NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ 3,762,983	\$ 3,653,768

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 Years Ended June 30, 2011 and 2010

	General	Other Governmental Funds	Total Governmental Funds	Total Prior Year Governmental Funds
REVENUES				
Taxes	\$ 1,111,489	\$ 2,048	\$ 1,113,537	\$ 1,070,702
Charges for services	13,476	20,390	33,866	34,072
Intergovernmental	-	111,682	111,682	73,466
Fines and forfeitures	-	-	-	50
Licenses and permits	35,471	-	35,471	64,880
Contributions and donations	4,500	-	4,500	7,458
Interest earned	2,219	2,111	4,330	5,539
Miscellaneous	55,444	-	55,444	80,913
Total Revenues	1,222,599	136,231	1,358,830	1,337,080
EXPENDITURES				
Current operating:				
General government	453,284	8,313	461,597	437,813
Public safety	160,000	-	160,000	166,550
Highways and streets	49,684	-	49,684	46,966
Culture/recreation	62,373	-	62,373	17,429
Planning and zoning	67,241	-	67,241	91,462
Housing and development	3,060	9,751	12,811	4,016
Capital outlay:	20,608	107,589	128,197	228,297
Debt service:	164,698	-	164,698	168,035
Total Expenditures	980,948	125,653	1,106,601	1,160,568
EXCESS REVENUES (EXPENDITURES)	241,651	10,578	252,229	176,512
NET CHANGES IN FUND BALANCES	241,651	10,578	252,229	176,512
FUND BALANCES - beginning of year	942,360	331,348	1,273,708	1,097,196
FUND BALANCES - end of year	\$ 1,184,011	\$ 341,926	\$ 1,525,937	\$ 1,273,708

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 Years Ended June 30, 2011 and 2010

	2011	2010
NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 252,229	\$ 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	\$ (254,503)	
Capital outlay	128,197	
	(126,306)	(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>		
	117,134	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	(1,576)	
Less prior year liability - long term compensated absences	1,558	
	(18)	4,307
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ 243,039	\$ 269,762

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, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Taxes	\$ 1,039,216	\$ 1,039,216	\$ 1,111,489	\$ 72,273
Charges for services	13,850	13,850	13,476	(374)
Fines and forfeitures	50	50	-	(50)
Licenses and permits	51,460	51,460	35,471	(15,989)
Contributions and donations	300	300	4,500	4,200
Interest earned	1,500	1,500	2,219	719
Miscellaneous	50,275	50,275	55,444	5,169
Total revenues	1,156,651	1,156,651	1,222,599	65,948
EXPENDITURES				
Current operating:				
General government	487,700	487,700	453,284	34,416
Public safety	162,000	162,000	160,000	2,000
Highways and streets	139,650	99,650	49,684	49,966
Culture/recreation	27,250	67,250	62,373	4,877
Planning and zoning	93,750	93,750	67,241	26,509
Housing and development	9,550	9,550	3,060	6,490
Capital outlay:	27,500	27,500	20,608	6,892
Debt service:	185,051	185,051	164,698	20,353
Total expenditures	1,132,451	1,132,451	980,948	151,503
TOTAL REVENUES OVER EXPENDITURES	24,200	24,200	241,651	217,451
OTHER FINANCING SOURCES (USES)				
Contingencies, surplus reserves	(24,200)	(24,200)	-	24,200
TOTAL OTHER FINANCING SOURCES (USES)	(24,200)	(24,200)	-	24,200
NET CHANGE IN FUND BALANCE	\$ -	\$ -	241,651	\$ 241,651
FUND BALANCES - beginning of year			942,360	
FUND BALANCES - end of year			\$ 1,184,011	

See accompanying notes to the basic financial statements

CITY OF DAWSONVILLE, GEORGIA
STATEMENT OF NET ASSETS
WATER-SEWER
PROPRIETARY FUND
June 30, 2011 and 2010

	<u>Total Water & Sewer Enterprise Fund</u>	<u>Total Prior Year</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,207,078	\$ 1,722,622
Receivables (net of allowance for uncollectible):		
Accounts	66,443	81,352
Internal balances	(19,832)	(26,492)
Prepaid expense	19,509	35,825
<u>Total Current Assets</u>	<u>1,273,198</u>	<u>1,813,307</u>
Noncurrent Assets:		
Deferred charges	<u>16,543</u>	<u>17,546</u>
Capital assets:		
Nondepreciable capital assets	3,092,682	3,008,344
Depreciable capital assets, net	<u>8,427,990</u>	<u>8,722,211</u>
<u>Total Capital Assets</u>	<u>11,520,672</u>	<u>11,730,555</u>
<u>Total Noncurrent Assets</u>	<u>11,537,215</u>	<u>11,748,101</u>
Restricted Assets:		
Cash and investments	<u>284,409</u>	<u>178,486</u>
TOTAL ASSETS	<u><u>\$ 13,094,822</u></u>	<u><u>\$ 13,739,894</u></u>

See accompanying notes to the basic financial statements

CITY OF DAWSONVILLE, GEORGIA
STATEMENT OF NET ASSETS
WATER-SEWER
PROPRIETARY FUND
June 30, 2011 and 2010

	<u>Total Water & Sewer Enterprise Fund</u>	<u>Total Prior Year</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 39,238	\$ 72,532
Accrued expenses	10,546	2,683
Accrued interest payable	17,383	17,879
Compensated absences payable	-	1,944
Current portion of long-term debt	112,981	109,290
Customer deposits	74,337	75,453
	<u>254,485</u>	<u>279,781</u>
Long-Term Liabilities:		
Deferred revenue	16,500	16,500
Compensated absences payable (net of current portion)	16,561	13,610
Long-term debt (net of current portion)	4,962,412	5,074,031
	<u>4,995,473</u>	<u>5,104,141</u>
TOTAL LIABILITIES	<u>5,249,958</u>	<u>5,383,922</u>
NET ASSETS		
Invested in capital assets, net of related debt	6,445,279	6,547,234
Restricted for debt service	215,221	106,332
Unrestricted	1,184,364	1,702,406
	<u>7,844,864</u>	<u>8,355,972</u>
TOTAL NET ASSETS	<u>7,844,864</u>	<u>8,355,972</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 13,094,822</u>	<u>13,739,894</u>

CITY OF DAWSONVILLE, GEORGIA
STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND NET ASSETS
WATER-SEWER
PROPRIETARY FUND
For the Years Ended June 30, 2011 and 2010

	<u>Total Water & Sewer Enterprise Fund</u>	<u>Total Prior Year</u>
OPERATING REVENUES		
Charges for services	\$ 946,411	\$ 964,391
Miscellaneous	<u>25,841</u>	<u>25,702</u>
Total Operating Revenues	<u>972,252</u>	<u>990,093</u>
OPERATING EXPENSES		
Personal services and benefits	293,687	315,853
Purchased and contractual services	423,450	449,155
Bad debts	5,488	2,306
Supplies	113,470	100,728
Depreciation and amortization	<u>436,485</u>	<u>431,794</u>
Total Operating Expenses	<u>1,272,580</u>	<u>1,299,836</u>
OPERATING INCOME (LOSS)	<u>(300,328)</u>	<u>(309,743)</u>
NON-OPERATING INCOME (LOSS)		
Gain (loss) on disposal of assets	(1,500)	-
Intergovernmental revenues	-	563,762
Interest and fiscal charges	(216,913)	(225,319)
Interest earned	<u>7,633</u>	<u>12,054</u>
TOTAL NON-OPERATING INCOME (LOSS)	<u>(210,780)</u>	<u>350,497</u>
NET INCOME BEFORE TRANSFERS	(511,108)	40,754
Transfers in (out)	<u>-</u>	<u>-</u>
Change in net assets	(511,108)	40,754
NET ASSETS - beginning of year	<u>8,355,972</u>	<u>8,315,218</u>
NET ASSETS - end of year	<u><u>\$ 7,844,864</u></u>	<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 Years Ended June 30, 2011 and 2010

	<u>Total Water & Sewer Enterprise Fund</u>	<u>Total Prior Year</u>
Cash Flows from Operating Activities		
Cash receipts from customers	\$ 954,716	\$ 954,023
Cash receipts from other operating sources	25,841	25,702
Cash payments for goods and services	(560,558)	(564,022)
Cash payments to employees for services and benefits	<u>(284,817)</u>	<u>(324,555)</u>
Net Cash Provided by (Used in) Operating Activities	<u>135,182</u>	<u>91,148</u>
Cash Flows from Capital and Related Financing Activities		
Acquisition, construction and disposal of capital assets, net	(227,098)	(761,340)
Non-operating grant receipts	-	623,764
Principal paid on debt	(107,928)	(99,025)
Interest paid on debt	<u>(217,410)</u>	<u>(226,311)</u>
Net Cash Provided by Capital and Related Financing Activities	<u>(552,436)</u>	<u>(462,912)</u>
Cash Flows from Investing Activities		
Interest on investments	<u>7,633</u>	<u>12,054</u>
Net Cash Provided by Investing Activities	<u>7,633</u>	<u>12,054</u>
Net Increase (Decrease) In Cash And Cash Equivalents	(409,621)	(359,710)
Cash and Investments - beginning of year	<u>1,901,108</u>	<u>2,260,818</u>
Cash and Investments - end of year	<u>\$ 1,491,487</u>	<u>\$ 1,901,108</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 Years Ended June 30, 2011 and 2010

	<u>Total Water & Sewer Enterprise Fund</u>	<u>Total Prior Year</u>
Reconciliation of Operating Gain (Loss) to Net Cash Provided by (Used In) Operating Activities		
Operating income	\$ (300,328)	\$ (309,743)
Adjustments		
Depreciation and amortization	436,485	431,794
(Increase) decrease in assets		
Accounts receivable	14,909	(10,925)
Due from other funds	(6,660)	26,087
Prepaid expense	16,316	8,179
Increase (decrease) in liabilities		
Accounts payable	(33,294)	(48,405)
Customer deposits	(1,116)	2,863
Accrued expenses	7,863	(6,063)
Compensated absences payable	1,007	(2,639)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u><u>\$ 135,182</u></u>	<u><u>\$ 91,148</u></u>
Reconciliation of cash and cash equivalents:		
Cash and cash equivalents	\$ 1,207,078	\$ 1,722,622
Cash and investments, restricted	284,409	178,486
Total cash and cash equivalents	<u><u>\$ 1,491,487</u></u>	<u><u>\$ 1,901,108</u></u>

See accompanying notes to the basic financial statements

CITY OF DAWSONVILLE, GEORGIA
STATEMENT OF NET ASSETS
COMPONENT UNIT
June 30, 2011 and 2010

	(Unaudited) Dawsonville Downtown Development Authority	(Unaudited) Total Prior Year Dawsonville Downtown Development Authority
ASSETS		
Cash and cash equivalents	\$ 4,591	\$ 5,163
Due from primary government	2,042,906	2,160,041
Capital assets - Land	90,000	90,000
Total noncurrent assets	<u>2,132,906</u>	<u>2,250,041</u>
TOTAL ASSETS	<u><u>2,137,497</u></u>	<u><u>2,255,204</u></u>
LIABILITIES		
Current portion, bond debt	120,101	117,382
Long-term liability	1,922,805	2,042,659
TOTAL LIABILITIES	<u>2,042,906</u>	<u>2,160,041</u>
NET ASSETS		
Invested in capital assets, net of related debt	90,000	90,000
Unrestricted	4,591	5,163
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,137,497</u></u>	<u><u>\$ 2,255,204</u></u>

See accompanying notes to the basic financial statements

CITY OF DAWSONVILLE, GEORGIA
STATEMENT OF ACTIVITIES
COMPONENT UNITS
For the Years Ended June 30, 2011 and 2010

	<u>(Unaudited) Dawsonville Downtown Development Authority</u>	<u>(Unaudited) Total Prior Year Dawsonville Downtown Development Authority</u>
OPERATING REVENUES	<u>\$ -</u>	<u>\$ -</u>
OPERATING EXPENSES		
Housing and community development	<u>588</u>	<u>1,000</u>
TOTAL OPERATING EXPENSES	<u>588</u>	<u>1,000</u>
OPERATING INCOME (LOSS)	<u>(588)</u>	<u>(1,000)</u>
NON-OPERATING REVENUE		
Investment income	<u>16</u>	<u>9</u>
TOTAL NON-OPERATING REVENUE	<u>16</u>	<u>9</u>
TRANSFERS FROM PRIMARY GOVERNMENT	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS	<u>(572)</u>	<u>(991)</u>
NET ASSETS, BEGINNING OF YEAR	<u>95,163</u>	<u>96,154</u>
NET ASSETS, END OF YEAR	<u><u>\$ 94,591</u></u>	<u><u>\$ 95,163</u></u>

See accompanying notes to the basic financial statements

CITY OF DAWSONVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Narrative Profile

The City of Dawsonville (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.

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 year ending June 30, 2011 and 2010. 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, 2011

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, 2011

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.

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

Capital Projects Fund:

This includes the Splost fund, Transportation Enhancement Project ("TE") grant and a Georgia Environmental Finance Authority ("GEFA") grant which is used to account for the receipt and expenditures related to capital construction projects using Splost, TE and GEFA funding.

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, 2011

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 recognizes sales tax revenue on 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 fiscal year July 1, 2010 to June 30, 2011.
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, 2011

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, 2011, 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, 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, 2011

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 \$ 5,000. 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, 2011

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.

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Government Fund Type Definitions, the County classifies government fund balances as follows:

- Non-spendable – includes fund balances that cannot be spent either because it is not in spendable forms or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Mayor and City Council.
- Unassigned – includes positive fund balance with the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The City does not have an official policy; however, the City uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City does not have a formal minimum fund balance policy.

CITY OF DAWSONVILLE, GEORGIA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2011

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

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

9. Fund Equity (cont'd)

Fund Balances at June 30, 2011 consist of the following for the Governmental Funds:

	General	Other Governmental Funds	Total Governmental Funds
Fund Balances:			
Non-spendable			
Prepaid items	8,840	-	8,840
Restricted:			
Cemetary	-	185,394	185,394
Capital projects	-	156,532	156,532
Unassigned:	1,175,171	-	1,175,171
 Total Fund Balance	1,184,011	341,926	1,525,937

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.

14. Reclassifications

Certain prior year balances have been reclassified to conform to current year presentation. Such reclassifications had no effect on change in net assets.

CITY OF DAWSONVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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.

The Georgia Fund 1 is rated AAAM rated investment pool by Standard & Poor's. The weighted average maturity at June 30, 2011 was 59 days. Yield is an actual/365 day basis, net of administrative fees. The City's balance in Georgia Fund 1 at June 30, 2011 was \$ 828,565.

Custodial Credit Risk – Deposits:

The City does not maintain a formal custodial credit risk policy, however all deposits at June 30, 2011 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 price 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 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. The cemetery funds are restricted except for spending monies on perpetual care or maintenance.

CITY OF DAWSONVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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

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, 2011 consist of the following:

	General Fund	Other Governmental Funds	Proprietary Water & Sewer Fund	Total
Receivables				
Water, sewer and garbage bills	\$ -	\$ -	\$ 66,443	\$ 66,443
Grants receivable	-	68,635	-	68,635
Taxes receivable	156,847	220	-	157,067
Other Receivables	500	-	-	500
	<u>157,347</u>	<u>68,855</u>	<u>66,443</u>	<u>292,645</u>
Gross Receivables	<u>\$ 157,347</u>	<u>\$ 68,855</u>	<u>\$ 66,443</u>	<u>\$ 292,645</u>

C. Interfund Balances and Transfers

Interfund balances at June 30, 2011 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	<u>\$ 88,467</u>	<u>\$ 739</u>
Total	<u>88,467</u>	<u>739</u>
Other Governmental Funds:		
Capital Project fund reimbursement	-	68,635
Hotel-Motel fund reimbursement	739	-
Total	<u>739</u>	<u>68,635</u>
Proprietary Fund:		
Water-Sewer Fund expense reimbursement	-	19,832
Total	<u>\$ 89,206</u>	<u>\$ 89,206</u>

CITY OF DAWSONVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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

D. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

	Balance 6/30/2010	Additions	Deductions	Balance 6/30/2011
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 320,802	\$ -	\$ -	\$ 320,802
Artifacts	49,751	-	-	49,751
Total capital assets not being depreciated	<u>370,553</u>	<u>-</u>	<u>-</u>	<u>\$ 370,553</u>
Depreciable capital assets:				
Buildings	3,229,147	77,677	-	3,306,824
Improvements other than buildings	34,365	-	-	34,365
Vehicles	94,456	-	7,900	86,556
Machinery and equipment	250,979	-	26,674	224,305
Infrastructure	<u>1,473,218</u>	<u>50,520</u>	<u>-</u>	<u>1,523,738</u>
Total depreciable capital assets	<u>5,082,165</u>	<u>128,197</u>	<u>34,574</u>	<u>5,175,788</u>
Accumulated depreciation:				
Buildings	629,295	170,880	-	800,175
Improvements other than buildings	15,045	2,195	-	17,240
Vehicles	88,518	4,192	7,900	84,810
Machinery and equipment	172,069	20,532	26,674	165,927
Infrastructure	<u>139,957</u>	<u>56,704</u>	<u>-</u>	<u>196,661</u>
Total accumulated depreciation	<u>1,044,884</u>	<u>254,503</u>	<u>34,574</u>	<u>1,264,813</u>
Total depreciable capital assets - net	<u>4,037,281</u>	<u>(126,306)</u>	<u>-</u>	<u>3,910,975</u>
Governmental activities capital assets, net	<u>\$ 4,407,834</u>	<u>\$ (126,306)</u>	<u>-</u>	<u>\$ 4,281,528</u>

CITY OF DAWSONVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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

D. Capital Assets (cont'd)

	<u>Balance 6/30/2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/2011</u>
Business-type activities:				
Capital assets not being depreciated				
Land	\$ 2,933,187	-	\$ -	\$ 2,933,187
Construction in progress	<u>75,157</u>	<u>84,338</u>	<u>-</u>	<u>159,495</u>
Total capital assets not being depreciated	<u>3,008,344</u>	<u>84,338</u>	<u>-</u>	<u>3,092,682</u>
Depreciable capital assets:				
Buildings	146,801	-	-	146,801
Machinery and equipment	241,048	43,200	19,528	264,720
Water and sewer system	9,474,481	99,561	33,070	9,540,972
Sewer treatment plant	<u>923,923</u>	<u>-</u>	<u>-</u>	<u>923,923</u>
Total depreciable capital assets	<u>10,786,253</u>	<u>142,761</u>	<u>52,598</u>	<u>10,876,416</u>
Accumulated depreciation				
Buildings	13,174	3,764	-	16,938
Machinery and equipment	153,643	41,130	18,029	176,744
Water and sewer system	1,626,126	366,897	33,069	1,959,954
Sewer treatment plant	<u>271,099</u>	<u>23,691</u>	<u>-</u>	<u>294,790</u>
Total accumulated depreciation	<u>2,064,042</u>	<u>435,482</u>	<u>51,098</u>	<u>2,448,426</u>
Total depreciable capital assets - net	<u>8,722,211</u>	<u>(292,721)</u>	<u>1,500</u>	<u>8,427,990</u>
Business-type activities capital assets, net	<u>\$ 11,730,555</u>	<u>\$ (208,383)</u>	<u>\$ 1,500</u>	<u>\$ 11,520,672</u>
Depreciation expense was charged to function as follows:				
General government		\$ 235,236		
Highways and streets		14,164		
Culture and recreations		3,650		
Planning and zoning		<u>1,453</u>		
Total Governmental activities depreciation expense		<u>\$ 254,503</u>		
Business-type Activities				
Water and sewer (amortization \$ 1,003)		<u>\$ 436,485</u>		

CITY OF DAWSONVILLE, GEORGIA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2011

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

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, 2011:

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

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.

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.

CITY OF DAWSONVILLE, GEORGIA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2011

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

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:

	July 1, 2010	October 1, 2009	September 1, 2008
	<u> </u>	<u> </u>	<u> </u>
Annual required contribution	\$ 35,811	\$ 33,904	\$ 39,922
Interest on net pension obligation	-	-	-
Adjustment to annual required contribution	-	-	-
Annual cost	<u>35,811</u>	<u>33,904</u>	<u>39,922</u>
Required employee contribution	-	-	-
Total contributions made	<u>\$ 35,811</u>	<u>\$ 33,904</u>	<u>\$ 39,922</u>
Recommended contribution as a percentage of payroll	<u>12.48%</u>	<u>12.02%</u>	<u>10.93%</u>

CITY OF DAWSONVILLE, GEORGIA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2011

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

H. Retirement Plan (cont'd)

Annual Contribution Cost (cont'd)

Current valuation date	July 1, 2010
Actuarial cost method	Projected Unit Credit
Amortization method for remaining unfunded liability	Closed level dollar for remaining unfunded liability
Remaining amortization period	Remaining amortization period varies for the bases, with a net effective amortization period of 19 years.
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 50% of market value for 2009, 44% of market value for 2010, 38% of market value for 2011, 32% of market value for 2012, 26% of market value for 2013, and 20% of market value for 2014 and later years.
 Actuarial assumptions:	
Annual return on investment plan assets	7.75%
Projected annual salary increased	3.5% plus age and service based merit increases
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	4
Active plan members	<u>10</u>
Total	16

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 July 1, 2010 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, 2011

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

H. Retirement Plan (cont'd)

Trend Analysis

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)
7/1/2010	\$ 150,837	\$ 277,356	54.38%	126,519	281,976	44.87%
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%

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, 2011, 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, 2011, 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, 2011, the account has sufficient funds on deposit in the amount of \$ 159,193.

CITY OF DAWSONVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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

I. Long-Term Debt (Cont'd)

1. Revenue Bonds (Water & Sewer Fund – Cont'd)

Changes in bond debt liability for the year ending June 30, 2011 are as follows:

	<u>Balance 6/30/2010</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance 6/30/2011</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.	\$ 114,284	\$ -	\$ 1,991	\$ 112,293	\$ 2,250
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.	181,339	-	3,430	177,909	3,587
Series 1997-C, Water & Sewer 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.	204,082	-	3,701	200,381	4,017
Series 2003, Water & Sewer 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.	426,754	-	5,707	421,047	5,962
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.	<u>2,991,489</u>	<u>-</u>	<u>35,291</u>	<u>2,956,198</u>	<u>36,775</u>
Total Revenue Bond Debt (Water & Sewer Fund)	<u><u>\$ 3,917,948</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 50,120</u></u>	<u><u>\$ 3,867,828</u></u>	<u><u>\$ 52,591</u></u>

CITY OF DAWSONVILLE, GEORGIA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2011

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

I. Long-Term Debt (Cont'd)

1. Revenue Bonds (Water & Sewer Fund – Cont'd)

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 52,591	\$ 161,465	\$ 214,056
2013	54,858	159,198	214,056
2014	57,220	156,836	214,056
2015	59,688	154,368	214,056
2016	62,258	151,798	214,056
2017-2021	352,920	717,360	1,070,280
2022-2026	437,059	633,221	1,070,280
2027-2031	539,753	530,527	1,070,280
2032-2036	665,618	404,662	1,070,280
2037-2041	704,305	255,987	960,292
2042-2046	747,481	105,770	853,251
2047-2051	134,077	2,625	136,702
	<u>\$ 3,867,828</u>	<u>\$ 3,433,817</u>	<u>\$ 7,301,645</u>

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. The Georgia Environmental Facilities Authority requires the City to maintain a fixed charge coverage ratio of 1.05 or greater in the Water & Sewer fund.

	<u>Balance 6/30/2010</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance 6/30/2011</u>	<u>Due One Year</u>
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.	\$ 388,231	\$ -	\$ 23,404	\$ 364,827	\$ 24,503
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.	<u>877,142</u>	<u>-</u>	<u>34,404</u>	<u>842,738</u>	<u>35,887</u>
Total Municipal Loans (Water & Sewer Fund)	<u>\$ 1,265,373</u>	<u>\$ -</u>	<u>\$ 57,808</u>	<u>\$ 1,207,565</u>	<u>\$ 60,390</u>

CITY OF DAWSONVILLE, GEORGIA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2011

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

I. Long-Term Debt (Cont'd)

2. Municipal Loans (Water & Sewer Fund – Cont'd)

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

	Principal	Interest	Total
2012	\$ 60,390	\$ 50,892	\$ 111,282
2013	63,183	48,099	111,282
2014	65,935	45,346	111,282
2015	68,868	42,413	111,282
2016	71,886	39,396	111,282
2017-2021	410,633	145,775	556,410
2022-2026	354,315	57,540	453,209
2027-2030	112,355	4,087	116,442
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 1,207,565</u>	<u>\$ 433,548</u>	<u>\$ 1,682,471</u>

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.

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.

CITY OF DAWSONVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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)

	<u>Balance 6/30/2010</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance 6/30/2011</u>	<u>Due One Year</u>
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.	\$ 1,866,328	\$ -	\$ 102,421	\$ 1,763,907	\$ 104,841
Series 2005 - B, 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 \$ 2019.17 beginning January 22, 2006 and ending December 22, 2025. Original loan \$ 333,078.	<u>293,713</u>	<u>-</u>	<u>14,714</u>	<u>278,999</u>	<u>15,260</u>
Total Bond Debt (DDA)	<u>\$ 2,160,041</u>	<u>\$ -</u>	<u>\$ 117,135</u>	<u>\$ 2,042,906</u>	<u>\$ 120,101</u>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	131,627	34,232	165,859
2017-2021	705,464	123,829	829,293
2022-2026	<u>708,484</u>	<u>38,131</u>	<u>746,615</u>
	<u>\$ 2,042,906</u>	<u>\$ 362,297</u>	<u>\$ 2,405,203</u>

CITY OF DAWSONVILLE, GEORGIA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2011

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, 2011:

	<u>Balance 6/30/2010</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance 6/30/2011</u>	<u>Due One Year</u>
Governmental Activities					
Compensated Absences	\$ 1,558	\$ 4,153	\$ 4,135	\$ 1,576	\$ -
Water & Sewer Fund					
Compensated Absences	<u>15,554</u>	<u>15,927</u>	<u>14,920</u>	<u>16,561</u>	<u>-</u>
Total Compensated Absences	<u>\$ 17,112</u>	<u>\$ 20,080</u>	<u>\$ 19,055</u>	<u>\$ 18,137</u>	<u>\$ -</u>

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

J. Restricted Equity Balances

Capital Projects Fund

Restricted for capital projects – An amount of \$ 156,532 has been restricted in the SPLOST capital projects fund for restricted assets since this amount is not legally available for appropriation.

Permanent Fund

Restricted for cemetery – An amount of \$ 185,394 has been restricted in the Cemetery Fund since this amount is not legally available for appropriation. Of these funds, \$ 185,394 is expendable for cemetery perpetual care.

Proprietary Fund

Restricted for debt service– An amount of \$ 215,221 has been restricted in the Water-Sewer Enterprise Fund for debt service.

Note 3 – 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.

CITY OF DAWSONVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 3 – COMMITMENTS AND CONTINGENCIES (Cont'd)

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 4 – 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. In January 2011, the Georgia Racing Hall of Fame established its own entity the Dawsonville History Museum, Inc. the City still owns the collateral goods and artifacts of the Georgia Racing Hall of Fame.

Note 5 – 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, 2011, the city paid \$ 220 to the GMRC for an updated zoning map. 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 6 – HOTEL/MOTEL TAX

During the year ended June 30, 2011, the City had receipts of \$ 2,048 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*.

Note 7 – PRIOR PERIOD ADJUSTMENT

Fixed Assets

During the review of fixed assets with management it was discovered a building that was sold in previous years was not disposed. The property had been purchased by the General fund and the Water & Sewer fund. Only the General fund portion was removed from the City's fixed assets. This was a GASB 34 adjustment and only affects the Government Wide Statement of Activities and Statement of Net Assets.

Sales Tax Revenue

In 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 based on the City's current revenue recognition policy.

CITY OF DAWSONVILLE, GEORGIA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2011

Note 7 – PRIOR PERIOD ADJUSTMENT (Cont'd)

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 balance as of June 30, 2009:

	Governmental Activities	Business - Type Activities	Total
Net Assets - beginning of the year - 6/30/09	\$ 3,254,573	\$ 7,399,218	\$ 10,653,791
GASB 34 adjustment for fixed assets.	(133,824)	-	(133,824)
Change in accounting principal to reflect the accrual of sales tax revenue.	129,433	-	129,433
Change in accounting principal for revenue recognition of water/sewer tap fees.	-	916,000	916,000
Restated Net Assets - beginning of the year - 6/30/09	<u>\$ 3,250,182</u>	<u>\$ 8,315,218</u>	<u>\$ 11,565,400</u>

Note 8 – COMPLIANCE

During the current year, the City did not meet the fixed coverage ratio of 1.05 in the Water & Sewer fund required by the Georgia Environmental Facilities Authority. The ratio is the net income of the Water & Sewer fund plus depreciation, amortization and interest expense divided by the annual debt service cost.

Note 9 – RELATED PARTY TRANSACTION

During the current year, the City hired an independent contractor who is the sibling of the Public Works Director. The City paid the independent contractor \$ 11,513 for services rendered.

Note 10 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 3, 2011, 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 <u>Assets</u>	(b) Actuarial Accrued <u>Liability AAL</u>	Funded Ratio <u>(a/b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	(c) Covered Payroll <u>(prior year)</u>	UAAL as a Percentage of Covered Payroll <u>((b-a)/c)</u>
7/1/2010	\$ 150,837	\$ 277,356	54.38%	126,519	281,976	44.87%
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%

COMBINING AND INDIVIDUAL FUND SCHEDULES

CITY OF DAWSONVILLE, GEORGIA
OTHER GOVERNMENTAL FUNDS
COMBINING SCHEDULE
BALANCE SHEET
June 30, 2011 and 2010

	Nonmajor Fund Capital Projects Fund Splost, TE & GEFA Grant	Nonmajor Fund Special Revenue Fund Hotel-Motel
ASSETS		
Cash, cash equivalents and investments	\$ 156,532	\$ -
Taxes receivable	-	220
Grants receivable	68,635	-
Due from other funds	-	739
	-	739
TOTAL ASSETS	\$ 225,167	959
LIABILITIES		
Current - accounts payable	-	959
Due to other funds	68,635	-
Long-term liability	-	-
	-	-
TOTAL LIABILITIES	68,635	959
NET ASSETS		
Restricted for capital projects	156,532	-
Restricted for tourism	-	-
Restricted for cemetary	-	-
	-	-
TOTAL LIABILITIES AND NET ASSETS	\$ 225,167	\$ 959

CITY OF DAWSONVILLE, GEORGIA
 OTHER GOVERNMENTAL FUNDS
 COMBINING SCHEDULE
 BALANCE SHEET
 June 30, 2011 and 2010

<u>Nonmajor Fund</u> <u>Permanent</u> <u>Fund</u> <u>Cemetery</u>	<u>Total</u> <u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Prior Year</u>
\$ 185,394	\$ 341,926	\$ 169,918
-	220	178
-	68,635	-
-	739	8,062
<u>185,394</u>	<u>411,520</u>	<u>178,158</u>
-	959	30
-	68,635	-
-	-	-
<u>-</u>	<u>69,594</u>	<u>30</u>
-	156,532	-
-	-	8,240
<u>185,394</u>	<u>185,394</u>	<u>169,888</u>
<u>\$ 185,394</u>	<u>\$ 411,520</u>	<u>\$ 178,158</u>

CITY OF DAWSONVILLE, OTHER GOVERNMENTAL FUNDS
SCHEDULE OF REVENUES, EXPEDITURES AND CHANGES IN FUND BALANCE
COMBINING SCHEDULE
For the Years Ended June 30, 2011 and 2010

	Nonmajor Fund Capital Projects Fund Splost, TE & GEFA Grant	Nonmajor Fund Special Revenue Fund Hotel-Motel
REVENUES		
Taxes	\$ -	\$ 2,048
Charge for services	-	-
Intergovernmental revenues	111,682	-
Interest earned	593	-
Total revenues	112,275	2,048
EXPENDITURES		
Current operating:		
General government	1,374	537
Housing and development - tourism	-	9,751
Capital Outlay:		
General government	77,677	-
Highways and streets - sidewalks	29,912	-
Total expenditures	108,963	10,288
TOTAL REVENUES OVER EXPENDITURES	3,312	(8,240)
NET CHANGE IN FUND BALANCE	3,312	(8,240)
FUND BALANCES - beginning of year	153,220	8,240
FUND BALANCES - end of year	\$ 156,532	\$ -

CITY OF DAWSONVILLE, OTHER GOVERNMENTAL FUNDS
SCHEDULE OF REVENUES, EXPEDITURES AND CHANGES IN FUND BALANCE
COMBINING SCHEDULE
For the Years Ended June 30, 2011 and 2010

<u>Nonmajor Fund</u> Permanent Fund Cemetary	<u>Total Other Governmental Funds</u>	<u>Total Prior Year</u>
\$ -	\$ 2,048	\$ 8,006
20,390	20,390	15,080
-	111,682	-
<u>1,518</u>	<u>2,111</u>	<u>2,519</u>
 21,908	 136,231	 25,605
 6,402	 8,313	 6,584
-	9,751	1,361
-	77,677	-
<u>-</u>	<u>29,912</u>	<u>-</u>
 6,402	 125,653	 7,945
<u>15,506</u>	<u>10,578</u>	<u>17,660</u>
15,506	10,578	17,660
<u>169,888</u>	<u>331,348</u>	<u>160,468</u>
<u>\$ 185,394</u>	<u>\$ 341,926</u>	<u>\$ 178,128</u>

CITY OF DAWSONVILLE, GEORGIA
NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS FUND
SPLOST, TE AND GEFA GRANT
BALANCE SHEET
June 30, 2011 and 2010

	<u>SPLOST, TE and GEFA Grant</u>	<u>Total Prior Year SPLOST, TE and GEFA Grant</u>
ASSETS		
Cash, cash equivalents and investments	\$ 156,532	\$ 189,683
Grants receivable	<u>68,635</u>	<u>-</u>
TOTAL ASSETS	<u><u>225,167</u></u>	<u><u>189,683</u></u>
LIABILITIES		
Current - accounts payable	-	36,463
Due to other funds	<u>68,635</u>	<u>-</u>
TOTAL LIABILITIES	<u><u>68,635</u></u>	<u><u>36,463</u></u>
NET ASSETS		
Restricted for capital projects	<u>156,532</u>	<u>153,220</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 225,167</u></u>	<u><u>\$ 189,683</u></u>

CITY OF DAWSONVILLE, GEORGIA
NONMAJOR GOVERNMENTAL FUNDS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
CAPITAL PROJECTS FUND
SPLOST AND GEFA GRANT
For the Years Ended June 30, 2011 and 2010

	SPLOST, TE and GEFA Grant	Total Prior Year SPLOST, TE and GEFA Grant
REVENUES		
Intergovernmental revenues	\$ 111,682	\$ 73,466
Interest earned	593	896
Total revenues	112,275	74,362
EXPENDITURES		
General government	1,374	-
Capital outlay:		
General government	77,677	-
Highways and streets - sidewalks	29,912	144,485
Total expenditures	108,963	144,485
TOTAL REVENUES OVER EXPENDITURES	3,312	(70,123)
OTHER FINANCING SOURCES (USES)		
Contingencies, surplus reserves	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-
NET CHANGE IN FUND BALANCE	3,312	(70,123)
FUND BALANCES - beginning of year	153,220	223,343
FUND BALANCES - end of year	\$ 156,532	\$ 153,220

CITY OF DAWSONVILLE, GEORGIA
NONMAJOR GOVERNMENTAL FUNDS
BALANCE SHEET
SPECIAL REVENUE FUND
HOTEL-MOTEL FUND
June 30, 2011 and 2010

	Hotel-Motel Fund	Total Prior Year Hotel-Motel Fund
ASSETS		
Taxes receivable	\$ 220	178
Due from other funds	739	8,062
TOTAL ASSETS	959	8,240
LIABILITIES		
Current - accounts payable	959	-
TOTAL LIABILITIES	959	
NET ASSETS		
Restricted for tourism	-	8,240
TOTAL LIABILITIES AND NET ASSETS	\$ -	\$ 8,240

CITY OF DAWSONVILLE, GEORGIA
NONMAJOR GOVERNMENTAL FUNDS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
SPECIAL REVENUE FUND
HOTEL-MOTEL FUND
For the Years Ended June 30, 2011 and 2010

	<u>Hotel-Motel Fund</u>	<u>Total Prior Year Hotel-Motel Fund</u>
REVENUES		
Hotel-motel taxes	<u>\$ 2,048</u>	<u>\$ 8,006</u>
Total revenues	<u>2,048</u>	<u>8,006</u>
EXPENDITURES		
Current operating:		
Advertising	537	-
Housing and development - tourism	<u>9,751</u>	<u>1,361</u>
Total expenditures	<u>10,288</u>	<u>1,361</u>
TOTAL REVENUES OVER EXPENDITURES	<u>(8,240)</u>	<u>6,645</u>
NET CHANGE IN FUND BALANCE	<u>(8,240)</u>	<u>6,645</u>
FUND BALANCES - beginning of year	<u>8,240</u>	<u>1,595</u>
FUND BALANCES - end of year	<u>\$ -</u>	<u>\$ 8,240</u>

CITY OF DAWSONVILLE, GEORGIA
NONMAJOR GOVERNMENTAL FUND
SCHEDULE OF NET ASSETS
PERMANENT FUND
CEMETARY FUND
June 30, 2011 and 2010

	<u>Cemetery Fund</u>	<u>Total Prior Year Cemetery Fund</u>
ASSETS		
Cash, cash equivalents and investments	<u>\$ 185,394</u>	<u>\$ 169,918</u>
TOTAL ASSETS	<u>185,394</u>	<u>169,918</u>
LIABILITIES		
Current - accounts payable	<u>-</u>	<u>30</u>
TOTAL LIABILITIES	<u>-</u>	<u>30</u>
NET ASSETS		
Restricted for Cemetery Fund	<u>185,394</u>	<u>169,888</u>
TOTAL NET ASSETS	<u>\$ 185,394</u>	<u>\$ 169,918</u>

CITY OF DAWSONVILLE, GEORGIA
NONMAJOR GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES IN NET ASSETS
PERMANENT FUND
CEMETARY FUND
For the Years Ended June 30, 2011 and 2010

	<u>Cemetery Fund</u>	<u>Total Prior Year Cemetery Fund</u>
ADDITIONS		
Cemetery lot sales	\$ 20,260	\$ 15,000
Real estate fees	130	80
Interest income	<u>1,518</u>	<u>2,519</u>
TOTAL ADDITIONS	<u>21,908</u>	<u>17,599</u>
DEDUCTIONS		
Repairs and maintenance	5,207	6,011
Miscellaneous expenditures	<u>1,195</u>	<u>573</u>
TOTAL DEDUCTIONS	<u>6,402</u>	<u>6,584</u>
CHANGES IN NET ASSETS	15,506	11,015
NET ASSETS - beginning of year	<u>169,888</u>	<u>158,873</u>
NET ASSETS - end of year	<u><u>\$ 185,394</u></u>	<u><u>\$ 169,888</u></u>

SUPPLEMENTARY INFORMATION

October 3, 2011

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 governmental 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, 2011 and 2010, which collectively comprise the City of Dawsonville's basic financial statements and have issued our report thereon dated October 3, 2011. 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 for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompany schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting. We consider the deficiencies described in the accompanying schedule of findings and responses as item 2011-01 to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the City of Dawsonville are free of material misstatement, we performed tests of its 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We consider only one instance on noncompliance in the accompanying schedule of findings and responses as item 2011-02.

We noted certain other matters that we reported to management of the City of Dawsonville in a separated letter dated October 3, 2011.

The City of Dawsonville's response to the findings identified in our audit is described in a separate response letter as referenced in the accompanying schedule of findings and responses. We did not audit the City of Dawsonville's response and, accordingly, we express no opinion on it.

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

Alexander, Almand & Bangs, LLP

Alexander, Almand & Bangs, LLP
Gainesville, Georgia

CITY OF DAWSONVILLE, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2011

ACROSS FUNDS

2011-01 FINDING

CONDITION – The accounting transactions were all recorded; however, reclassifications and adjustments had to be made to the accounting records for them to be a fair financial presentation in according with generally accepted accounting principles.

CRITERIA – Accounting records should be materially accurately presented throughout the year.

CAUSE – Staff is diligent but there is inadequate expertise and training among the staff.

EFFECT – Financial information submitted to the City Council monthly to assist in the decision making process may not be totally reliable.

RECOMMENDATION – Design and implement a financial policy manual and for the classification errors, we recommend the City Clerk and/or Accounts Payable Clerk attend government training programs offered by the Carl Vinson Institute of Government at the University of Georgia.

CLIENT RESPONSE – Management agrees with the finding due to change in staff and a need of proper governmental accounting training for the staff and a need for a financial policy manual. The City has taken an action plan and the City Clerk and Accounts Payroll Clerk have enrolled in the Introductory Governmental Accounting I class at the Carl Vinson Institute. The City Clerk has inquired with other cities/municipalities of their financial policies to use as a basis toll for writing the City of Dawsonville's financial policy manual.

PROPRIETARY FUNDS

2011-02 FINDING

CONDITION – The Georgia Environmental Finance Authority (“GEFA”) requires a Fixed Charges Coverage Ratio of 105%. This ratio is net income of the Water & Sewer fund plus depreciation, amortization, and interest expense divided by the annual debt service cost. The City was not in compliance with this debt covenant.

CRITERIA - The City has (2) municipal loans with GEFA.

CAUSE – At the current level of operations the net income is not enough to meet this requirement. The current economic condition of the local community has reduced the revenue for tap fees and water usage. The system has been in slow growth mode for the past years.

EFFECT – Although, the City has never missed a GEFA loan payment, the City may be put on the GEFA WATCH List and may not be able to get future loans and grants from GEFA.

RECOMMENDATION - The City needs to increase operating revenues and decrease operating expenses in the Water & Sewer Fund to be in compliance with the loan.

CLIENT RESPONSE – Management agrees with the finding that the City needs to be in compliance with the debt covenant with the (2) municipal loans with GEFA. The City will address ways to increase the operating revenues in the Water and Sewer fund. The City will make every effort to decrease the operating expenses in the Water and Sewer fund. Re-allocation of staff from Water and Sewer department to the Roads department has been implemented for the 2011-2012 year.

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, 2011

<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	\$ 354,121	\$ 14,165	\$ 368,286	73.66%

Reconciliation to Capital Projects Fund:

Total Expenditures - Capital Projects Fund	\$ 108,963
TE Grant Expenditures	(15,746)
GEFA - ARRA Grant Expenditures	<u>(79,052)</u>
SPLOST Expenditures - current year	<u>14,165</u>

CITY OF DAWSONVILLE
 USDA COMPLIANCE SCHEDULE OF FUNCTIONAL ALLOCATIONS
 WATER-SEWER PROPRIETARY FUND
 BALANCE SHEET
 June 30, 2011

	<u>Water</u>	<u>Sewer</u>	<u>Garbage</u>	<u>Total</u>
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 639,599	\$ 526,568	40,911	\$ 1,207,078
Receivables (net of allowance for uncollectible):				
Accounts	25,550	35,321	5,572	66,443
Internal balances	(24,703)	(20,737)	25,608	(19,832)
Prepaid expense	9,755	9,754	-	19,509
Total Current Assets	<u>650,201</u>	<u>550,906</u>	<u>72,091</u>	<u>1,273,198</u>
Noncurrent Assets:				
Deferred charges	<u>6,180</u>	<u>10,363</u>	<u>-</u>	<u>16,543</u>
Capital assets:				
Land	453,660	2,479,527	-	2,933,187
Nondepreciable capital assets	110,447	49,048	-	159,495
Depreciable capital assets, net	<u>2,837,749</u>	<u>5,590,241</u>	<u>-</u>	<u>8,427,990</u>
Total Capital Assets	<u>3,401,856</u>	<u>8,118,816</u>	<u>-</u>	<u>11,520,672</u>
Total Noncurrent Assets	<u>3,408,036</u>	<u>8,129,179</u>	<u>-</u>	<u>11,537,215</u>
Restricted Assets:				
Cash and investments	<u>81,659</u>	<u>202,750</u>	<u>-</u>	<u>284,409</u>
TOTAL ASSETS	<u><u>\$ 4,139,896</u></u>	<u><u>\$ 8,882,835</u></u>	<u><u>\$ 72,091</u></u>	<u><u>\$ 13,094,822</u></u>

CITY OF DAWSONVILLE
 USDA COMPLIANCE SCHEDULE OF FUNCTIONAL ALLOCATIONS
 WATER-SEWER PROPRIETARY FUND
 BALANCE SHEET
 June 30, 2011

	Water	Sewer	Garbage	Total
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ -	\$ 33,810	\$ 5,428	\$ 39,238
Accrued expenses	5,273	5,273	-	10,546
Accrued interest payable	8,692	8,691	-	17,383
Current portion of long-term debt	<u>62,560</u>	<u>50,421</u>	<u>-</u>	<u>112,981</u>
Total Current Liabilities	<u>76,525</u>	<u>98,195</u>	<u>5,428</u>	<u>180,148</u>
Current Liabilities Payable from Restricted Assets:				
Customer deposits	<u>44,602</u>	<u>29,735</u>	<u>-</u>	<u>74,337</u>
Long-Term Liabilities:				
Deferred revenue	-	16,500	-	16,500
Long-term debt (net of current portion)	1,390,297	3,572,115	-	4,962,412
Compensated absences payable (net of current portion)	<u>8,281</u>	<u>8,280</u>	<u>-</u>	<u>16,561</u>
Total Long-Term Liabilities	<u>1,398,578</u>	<u>3,596,895</u>	<u>-</u>	<u>4,995,473</u>
TOTAL LIABILITIES	<u>1,519,705</u>	<u>3,724,825</u>	<u>5,428</u>	<u>5,249,958</u>
NET ASSETS				
Invested in capital assets, net of related debt	1,948,999	4,496,280	-	6,445,279
Restricted for debt service	15,882	199,339	-	215,221
Unrestricted	<u>655,310</u>	<u>462,391</u>	<u>66,663</u>	<u>1,184,364</u>
TOTAL NET ASSETS	<u>2,620,191</u>	<u>5,158,010</u>	<u>66,663</u>	<u>7,844,864</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,139,896</u>	<u>\$ 8,882,835</u>	<u>\$ 72,091</u>	<u>\$ 13,094,822</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, 2011

	<u>Water</u>	<u>Sewer</u>	<u>Garbage</u>	<u>Total</u>
OPERATING REVENUES				
Charges for services	\$ 390,110	\$ 471,292	\$ 85,009	\$ 946,411
Miscellaneous	8,198	16,659	984	25,841
Total Operating Revenues	<u>398,308</u>	<u>487,951</u>	<u>85,993</u>	<u>972,252</u>
OPERATING EXPENSES				
Personal services and benefits	153,297	140,390	-	293,687
Purchased and contractual services	130,415	227,382	65,653	423,450
Bad debts	3,495	1,405	588	5,488
Supplies	84,243	29,227	-	113,470
Depreciation and amortization	103,393	333,092	-	436,485
Total Operating Expenses	<u>474,843</u>	<u>731,496</u>	<u>66,241</u>	<u>1,272,580</u>
OPERATING INCOME (LOSS)	<u>(76,535)</u>	<u>(243,545)</u>	<u>19,752</u>	<u>(300,328)</u>
NON-OPERATING INCOME (LOSS)				
Gain (loss) on disposal of fixed assets	(750)	(750)	-	(1,500)
Interest and fiscal charges	(71,649)	(145,264)	-	(216,913)
Interest earned	4,282	3,328	23	7,633
TOTAL NON-OPERATING INCOME (LOSS)	<u>(68,117)</u>	<u>(142,686)</u>	<u>23</u>	<u>(210,780)</u>
NET INCOME BEFORE TRANSFERS	<u>(144,652)</u>	<u>(386,231)</u>	<u>19,775</u>	<u>(511,108)</u>
Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	(144,652)	(386,231)	19,775	(511,108)
NET ASSETS - beginning of year	<u>2,764,843</u>	<u>5,544,241</u>	<u>46,888</u>	<u>8,355,972</u>
NET ASSETS - end of year	<u>\$ 2,620,191</u>	<u>\$ 5,158,010</u>	<u>\$ 66,663</u>	<u>\$ 7,844,864</u>