

CITY OF LAFAYETTE, GEORGIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For The
Fiscal Year Ended September 30, 2011

Franklin T. Etheridge
City Manager

By Authority Of
Mayor and Council

City of LaFayette, Georgia
Comprehensive Annual Financial Report
September 30, 2011

TABLE OF CONTENTS

	<u>Page</u>
<u>INTRODUCTORY SECTION</u>	
Letter of Transmittal	3
GFOA Certificate of Achievement for Excellence in Financial Reporting	7
Organizational Chart and List of Elected and Appointed Officials	8
<u>FINANCIAL SECTION</u>	
Independent Auditor's Report	11
Management's Discussion and Analysis	13
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	27
Statement of Activities	28
Fund Financial Statements:	
Balance Sheet – Governmental Funds	30
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	31
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	32
Statement of Revenues, Expenditures, and Changes in Fund Balances – General Fund – Budget and Actual	33
Statement of Net Assets – Proprietary Funds	34
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	36
Statement of Cash Flows – Proprietary Fund Funds	37
Notes to the Financial Statements	39
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet – Nonmajor Governmental Funds	58
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	59
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Hotel/Motel Tax Special Revenue – Budget and Actual	60

City of LaFayette, Georgia
Comprehensive Annual Financial Report
September 30, 2011

TABLE OF CONTENTS

	<u>Page</u>
Schedule of Revenues, Expenditures and Changes in Fund Balances – Capital Projects Fund – 2003 SPLOST - Budget and Actual	61
Schedule of Revenues, Expenditures and Changes in Fund Balances – Capital Projects Fund – 2008 SPLOST - Budget and Actual	62
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Police Special Revenue – Budget and Actual.....	63
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Police Forfeiture Special Revenue – Budget and Actual.....	64
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Police Technology Special Revenue – Budget and Actual.....	65

STATISTICAL SECTION

Net Assets by Component	68
Changes in Net Assets.....	69
Fund Balances of Governmental Funds	71
Changes in Fund Balances of Governmental Funds	72
Assessed Value and Estimated Actual Value of Taxable Property	73
Direct and Overlapping Property Tax Rates	74
Principal Property Taxpayers	75
Property Tax Levies and Collections	76
Ratios of Outstanding Debt by Type	77
Direct and Overlapping Governmental Activities Debt	78
Pledged Revenue Coverage	79
Legal Debt Margin information	80
Demographic and Economic Statistics.....	81
Principal Employers	82
Number of City Employees by Function.....	83
Operating Indicators by Function/Program	84
Capital Asset Statistics by Function	85

City of LaFayette, Georgia
Comprehensive Annual Financial Report
September 30, 2011

TABLE OF CONTENTS

	<u>Page</u>
<u>COMPLIANCE SECTION</u>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based On An Audit Of Financial Statements Performed In Accordance With <i>Government</i> <i>Auditing Standards</i>	87
Schedule of Findings and Responses	89
Schedule of Special Local Option SalesTax.....	91

INTRODUCTORY SECTION

CITY OF LAFAYETTE
SOUTH DUKE STREET
P.O. BOX 89
LAFAYETTE, GEORGIA 30728

January 30, 2012

To the Honorable Mayor, Members of the City Council
And Citizens of the City of LaFayette

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) of the City of LaFayette, Georgia, for the fiscal year ended September 30, 2011. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various activities of the City. Disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

State law requires local governments to publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) as promulgated by the GASB. This report is presented in three sections and includes the following information.

Introductory section – Includes this letter of transmittal with comments on the operations of the City, the City's organizational chart, a list of principal elected and appointed officials, and the Government Finance Officers Association of the United States (GFOA) Certificate of Achievement for Excellence in Financial Reporting for the City's 2010 report.

Financial section – Includes management's discussion and analysis, government-wide financial statements, fund financial statements, notes to basic financial statements, and required supplementary information, as well as the report of independent public accounts on the financial statements and schedules. The City also includes an additional supplemental section that includes the combining fund financial statements for nonmajor funds, but it is not a required section of the report.

Statistical section – Includes selected financial and demographic information, generally presented on a multi-year basis, and various continuing disclosure information.

The new reporting model issued by the GASB requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of management's discussion and analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the independent auditor's report.

Profile of the Government

LaFayette, the county seat of Walker County, was incorporated on September 30, 1835. The City is located approximately 35 miles south of Chattanooga, Tennessee and has an incorporated area of approximately seven square miles.

The City is governed by a Mayor and a City Council comprised of five members. The Mayor is elected citywide every four years for a four-year term. Council members are elected from each of the five wards of the City for a four-year term. The City Manager is appointed by the Mayor and Council.

The Reporting Entity

The accompanying CAFR includes all governmental activities, organizations, and functions for which the City is financially accountable.

The City provides a full range of municipal government and utility services. Included in these services are traditional city functions such as police and fire protection, highway and street maintenance, culture and recreation, public improvements, planning and zoning, and general administrative services. In addition to general government activities, the City has several enterprise operations including electric, gas, solid waste, water and sewer, golf and a municipal airport.

A related organization not included as part of the reporting entity is the LaFayette Housing Authority, which provides low-income housing to eligible City residents. The reason for not including this entity is that the City is not financially accountable (does not impose will or have a financial benefit or burden relationship) for the organization.

Economic conditions and outlook

LaFayette remains in good financial condition, as is demonstrated by the financial statements and schedules included in this report. The assessed value of all taxable property (2009 digest) increased by 10.7% over the 2008 valuation. The business environment outlook for LaFayette continues to be favorable despite the economic downturn experienced by other regions of the country. The City's broadly diversified economic base supports several nationally known companies, including GE, Shaw and Syntec, as well as other smaller commercial and industrial companies. Some of the reasons that these enterprises chose LaFayette as a local or regional business center include: the City's strategic Southeast location, convenience to local and national highways, rail and air transportation, city owned utilities at low rates, abundant labor, educational and cultural resources, and overall quality of life.

As the Council was considering the fiscal year 2011 adopted budget, the City was still feeling the effects of the local and national slowdown in the economy. Department Heads were instructed to take a very conservative approach toward revenue and expenditure projections, but also to look at ways to make their department (and the City) safer and more secure. During the year, the budget was amended mostly to adjust for additional revenue and expenditures. The expected growth within the community should help to increase revenue so as to prevent the requirements to obtain additional funding through loans in the foreseeable future. As part of the City's long-term financial planning efforts, and also to take advantage of currently lower interest rates and to allow for additions and improvements of capital projects even in a downturn economy, the City issued bonds in October, 2008. While this budget has been one of the most challenging to manage in many years, all city employees helped by continuing to provide quality services and to meet the needs of our citizens.

FINANCIAL INFORMATION

Accounting Systems and Budgetary Control

In developing and evaluating the City's accounting control system, consideration is given to the adequacy of internal accounting controls. Accounting control comprises the plan of organization and the procedures and records that are concerned with the safeguarding of assets and the reliability of financial records and consequently are designed to provide reasonable assurance that:

Transactions are executed in accordance with management's general or specific authorization.

Transactions are recorded as necessary (1) to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria, such as finance-

related legal and contractual compliance requirements applicable to such statements, and (2) to maintain accountability for assets.

Access to assets is permitted only in accordance with management's authorization.

The recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

The City's internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. Reasonable assurance recognizes that the cost of a control should not exceed the expected benefit.

We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The official level of City budget control (the level on which expenditures may not legally exceed appropriations) for each legally adopted annual operating budget is the activity (department) level. The City Manager and all department heads are provided with monthly budget reports showing appropriations, expenditures to date, remaining balances and percentages. The City's budget procedures are more fully explained in the accompanying Notes to the Financial Statements.

Local Economy

Major industries located within the government's boundaries include a home appliance manufacturer, and several industrial component manufacturers supplying the automotive and textile industries. All have been ongoing business concerns for at least the last ten years, and their economic viability is expected to continue, in spite of the national economic downturn, which has had a fairly substantial impact on the local economy, mainly in the form of layoffs and reduced production shifts. None of the aforementioned industries currently anticipates total business closure.

The previous ten years' trend data indicates that an economic upswing at the national level would also have an effect at the local level, allowing these industries to return to production and employment levels previously enjoyed.

Major Initiatives

With the voters' approval of a proposed special purpose local option sales tax (SPLOST) referendum, City management decided to issue general obligation bonds equal to the City's share of the expected revenue from the one cent SPLOST tax over its five-year life. This bond issue allows the City to expedite completion of various projects and equipment acquisitions to better, and in a more timely fashion, serve the citizenry. The bonds will be repaid over five years with future SPLOST proceeds.

OTHER INFORMATION

Independent Audit

The City Charter requires an annual audit by independent certified public accountants. The accounting firm of Williamson & Company was selected by the City Council. Generally accepted auditing standards and the standards set forth in the General Accounting Office's *Government Auditing Standards* were used by the auditors in conducting the engagement. The auditor's report on the general-purpose financial statements and combining and individual fund statements is included in the financial section of this report. The auditor's report on internal controls and compliance with applicable laws and regulations can be found in the last section of this report.

Awards

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of LaFayette for its comprehensive annual financial report for

the year ended September 30, 2010. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

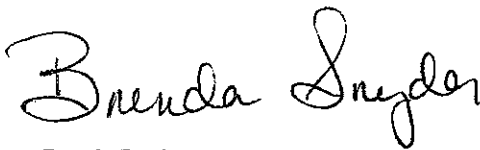
Acknowledgments

We wish to take this opportunity to thank the Mayor and Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner. The preparation of this report could not be accomplished without the efficient and dedicated service of the entire staff of the City Clerk's office. We would like to express our appreciation to all members of the staff who assisted and contributed to its preparation.

Respectfully submitted,



Franklin T. Etheridge
City Manager



Brenda Snyder
City Clerk

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Lafayette
Georgia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2010

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



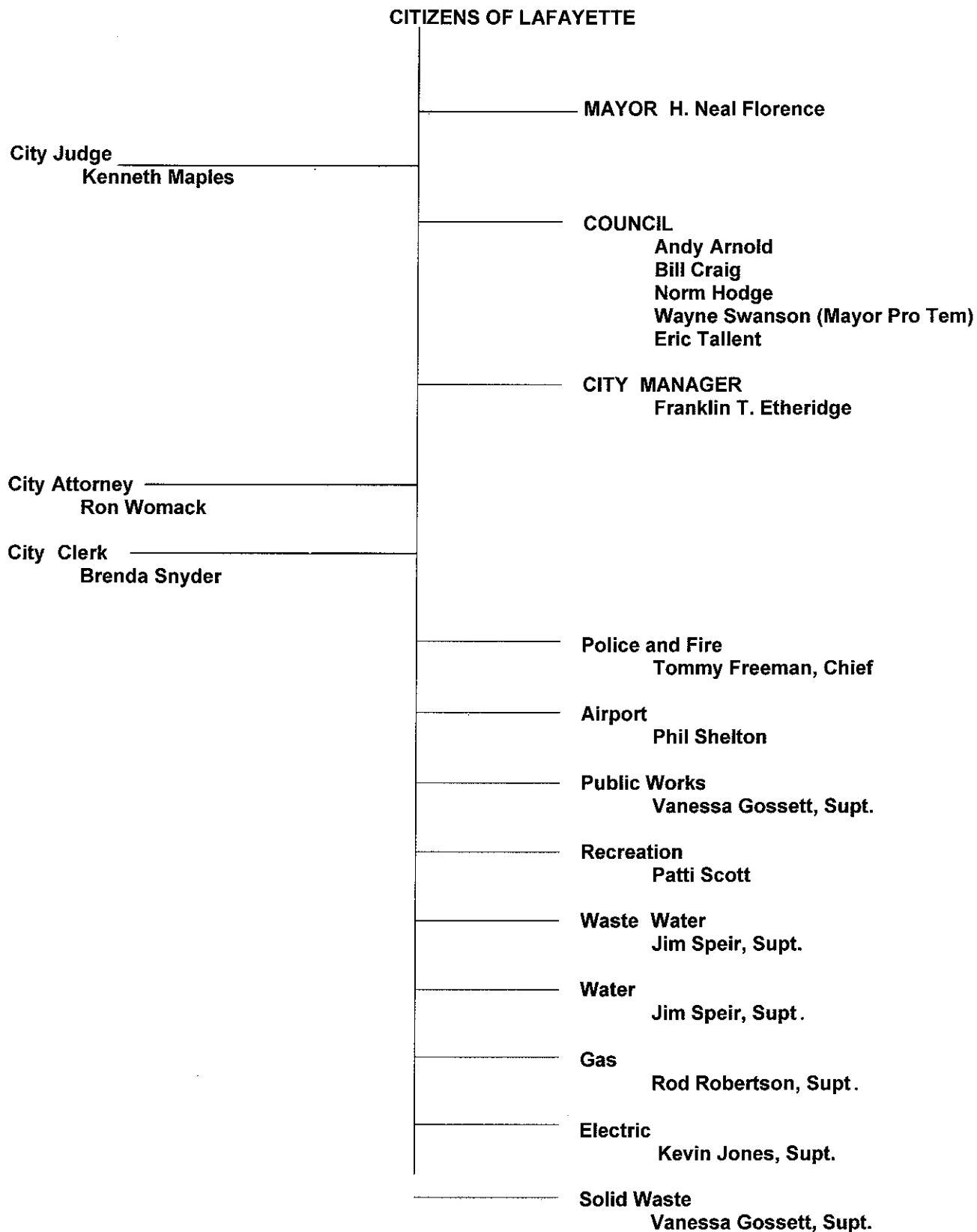
Linda C. Davidson

President

Jeffrey R. Emer

Executive Director

**CITY OF LAFAYETTE, GEORGIA
ORGANIZATIONAL CHART AND
LIST OF ELECTED AND APPOINTED OFFICIALS
SEPTEMBER 30, 2011**



FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Council
City of LaFayette
LaFayette, 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 LaFayette, Georgia, as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the City's nonmajor governmental funds presented as supplementary information in the accompanying combining financial statements as of and for the year ended September 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the City of LaFayette, Georgia's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material 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 LaFayette, Georgia as of September 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2012, on our consideration of City of LaFayette, Georgia's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contract and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis on pages 13 through 24 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of LaFayette's basic financial statements. The combining and individual fund statements and schedules, as well as the schedule of projects constructed with special local option sales tax proceeds, as required by the Georgia code section OCGA 48-8-121, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of LaFayette, Georgia. The information in these combining and individual fund statements and schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The accompanying information in the introductory section and the statistical tables has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Williamson & Company

Williamson & Company
Certified Public Accountants
January 30, 2012

Management's Discussion and Analysis

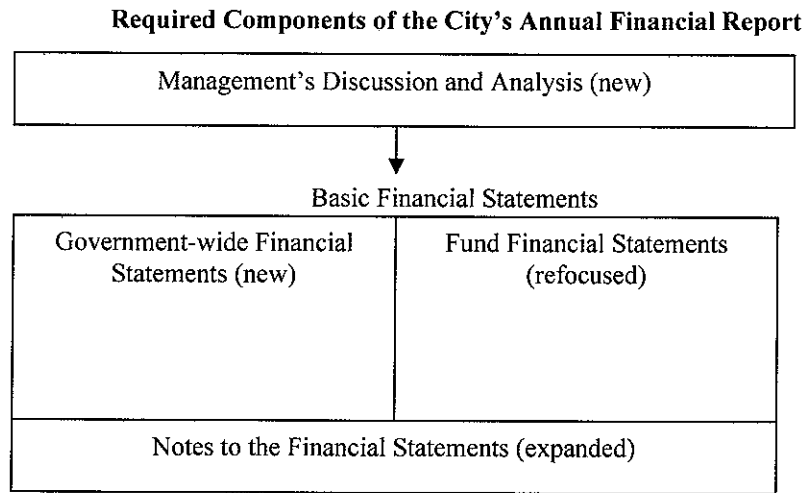
This section of the City Lafayette's annual financial report is designed to provide the reader a better understanding of the City's financial activity for the fiscal year that ended September 30, 2011. It should be read in conjunction with the Transmittal Letter at the front of this report and the City's financial statements, which follow this section. Notes mentioned below are Notes to the Financial Statements, which follow the statements.

Financial Highlights

- The City's total assets exceed liabilities by \$30,750,848 at the end of the year. This amount includes \$26,603,464 invested in capital assets net of accumulated depreciation and related debt, restricted net assets of \$1,958,814 and unrestricted net assets of \$2,188,570. Significant portions of restricted net assets include amounts for debt service and construction.
- The City's total net assets decreased by \$636,011, or 2.03% to \$30,750,848. The net assets for governmental activities decreased by \$221,708 or -4.76% and business-type net assets decreased by \$414,303 or -1.55%.
- The City's revenues for governmental activities were \$4,190,053, excluding transfers and bonds issued. Expenses, excluding transfers, were \$5,989,693.
- The City's business-type activities, excluding transfers, had revenues of \$15,487,525, while expenses, excluding transfers, were \$14,058,553.
- The General Fund, which is the City's primary operating fund, reported a decrease in fund balance of \$671,385 in fiscal year 2011.
- The City's governmental activities long-term debt balance (Note 8) had a net decrease of \$528,080. This change represents the payment of outstanding revenue bond principal of \$535,000. This change also reflects a compensated absences increase of \$6,920. The balance on the outstanding debt for business-type activities had a net increase of \$141,552. This change represents issuance of additional notes payable of \$1,332,165, payoff of outstanding revenue bonds of \$1,125,000 and notes payable principle of \$63,457. This change also reflects an additional compensated absences decrease of \$2,156.
- Total cash (Note 3) at September 30, 2011 was \$3,419,647.
- The capital assets (Note 6), net of accumulated depreciation, of the City at the end of the 2011 fiscal year totaled \$35,952,726. This includes net capital assets for governmental activities of \$7,015,389 and business-type activities of \$28,937,337.

An Overview of the Financial Statements

In light of the fact that this is a different presentation from the pre-GASB Statement 34 model, the following graph is provided to assist in understanding the component parts.



The focus of the financial statements is on both the City's overall financial status and the major individual funds. The following briefly describes the component parts.

GOVERNMENT-WIDE STATEMENTS

The government-wide financial statements are designed to report information about the City as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets combines all of the City's current financial resources with capital assets and long-term obligations. Net assets, the difference between the City's assets and liabilities, are one way to measure the City's financial health.

The government-wide financial statements of the City are divided into three categories:

- **Governmental activities** – These include the basic services provided by the City including police, fire, parks and recreation, public works and general administration.
- **Business-type activities** – These include services for which the City charges specific fees which are meant to cover the cost of providing the services. These include electric, gas, water and sewer services, solid waste collection, municipal airport and golf.

Governmental activities and business-type activities are consolidated and add to the total for the primary government.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the City's major funds rather than the City as a whole. 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 has two types of funds as described in the chart below.

Fund Financial Statements

	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Includes the City's basic services such as police, fire, traffic control, cultural activities, and parks	Services provided by the City that are operated similar to private businesses and for which the City charges a fee	Funds for which the City is the trustee or agent for someone else's resources
Examples	Police, fire, street and sidewalks, parks, and recreational activities	Electric, Gas, Water and Sewer and Solid Waste	City's revolving loan fund
Required financial statements	<ul style="list-style-type: none"> - Balance Sheet - Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> - Statement of net assets - Statement of revenues, expenses, and changes in net assets - Statement of cash flows 	<ul style="list-style-type: none"> - Statement of fiduciary net assets - Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset / liability information	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short and long-term	All assets and liabilities, both short and long-term; capital assets, if any, are included
Type of inflow / outflow information	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The following table reflects the condensed Statement of Net Assets for the current year. The City's net assets decreased by \$636,011, or -2.03% in fiscal year 2011. The net assets of the governmental activities include \$4,645,389 investment in capital assets. Capital assets of \$7,015,389 include land, buildings, park improvements, equipment and current year infrastructure additions. Related debt includes revenue bonds of \$2,370,000.

The net assets of the business-type activities include \$21,958,075 investment in capital assets. Capital assets of \$28,937,337 include land, utility system, building, other improvements, equipment, airport and golf course. Related debt includes notes of \$7,004,191.

For more detailed information, see the Statement of Net Assets on page 27 of the financial statements and the notes to the financial statements.

Table 1
Statement of Net Assets
As of September 30
(in thousands)

	Governmental Activities		Business-type Activities		Total		Total % Change
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011-10</u>
ASSETS							
Current and other assets	\$ 1,207	\$ 1,208	\$ 5,686	\$ 7,067	\$ 6,893	\$ 8,275	-16.70%
Capital assets	7,015	6,757	28,937	28,537	35,952	35,294	1.86%
Total Assets	<u>8,222</u>	<u>7,965</u>	<u>34,623</u>	<u>35,604</u>	<u>42,845</u>	<u>43,569</u>	-1.66%
LIABILITIES							
Current and other liabilities	1,278	271	905	1,888	2,183	2,159	1.11%
Long-term debt outstanding	2,511	3,039	7,400	6,985	9,911	10,024	-1.13%
Total Liabilities	<u>3,789</u>	<u>3,310</u>	<u>8,305</u>	<u>8,873</u>	<u>12,094</u>	<u>12,183</u>	-0.73%
NET ASSETS							
Invested in capital assets, net of related debt	4,645	5,215	21,958	21,723	26,603	26,938	-1.24%
Restricted	1,741	1,736	-	1,157	1,741	2,893	-39.82%
Unrestricted	(1,953)	(2,296)	4,360	3,852	2,407	1,556	54.69%
Total Net Assets	<u>\$ 4,433</u>	<u>\$ 4,655</u>	<u>\$ 26,318</u>	<u>\$ 26,732</u>	<u>\$ 30,751</u>	<u>\$ 31,387</u>	-2.03%

CHANGES IN NET ASSETS

The City's total revenues before transfers were \$19,677,578 in the 2011 fiscal year. Expenses before transfers were \$20,141,253 during that same period. Governmental and business-type activities combined provided a \$463,652 decrease in net assets.

Governmental activities revenues were \$4,190,053 and included \$1,313,526 charges for services, \$344,278 grant revenues, \$472,937 property taxes and \$1,149,233 sales taxes. The largest governmental activities expenses were for public safety of \$2,378,015 (police, fire and animal control), public works of \$1,122,605, general government of \$1,079,171 and recreation of \$872,255. Expenses include depreciation expense as explained in the notes to the financial statements (Note 6).

Business-type activity revenues were \$15,487,525 and included \$15,120,716 charges for services, \$355,939 intergovernmental revenues, and \$9,589 interest. The largest business-type activity expenses were for purchase of energy for resale to customers, electricity for \$5,435,782 and gas for \$1,565,492.

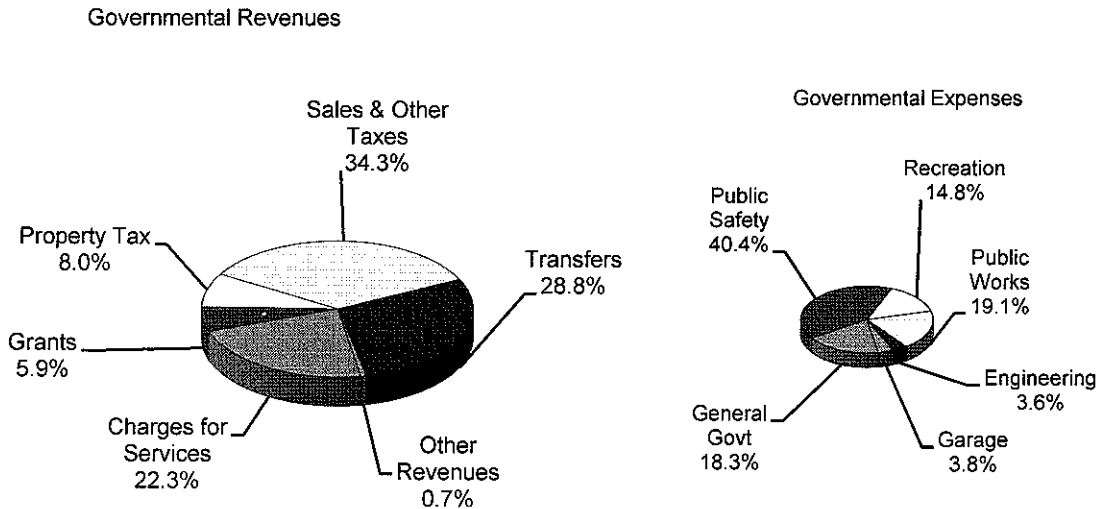
Table 2
Changes in Net Assets
(in thousands)

Program Revenues							
Charges for services	\$ 1,314	\$ 1,265	\$ 15,121	\$ 15,901	\$ 16,435	\$ 17,166	-4.3%
Operating grants and contributions	68	73	-	-	68	73	-6.8%
Capital grants and contributions	276	222	356	302	632	524	20.6%
General revenues							
Property taxes	473	464	-	-	473	464	1.9%
Local option sales tax	1,149	1,116	-	-	1,149	1,116	3.0%
Other taxes	868	863	-	-	868	863	0.6%
Investment income	6	25	10	10	16	35	-54.3%
Other general revenues	36	97	1	115	37	212	-82.5%
Total Revenues	<u>4,190</u>	<u>4,125</u>	<u>15,488</u>	<u>16,328</u>	<u>19,678</u>	<u>20,453</u>	<u>-3.8%</u>
EXPENSES							
General	1,079	984	-	-	1,079	984	9.7%
Police	1,904	1,848	-	-	1,904	1,848	3.0%
Fire	428	425	-	-	428	425	0.7%
Public Works	1,123	1,198	-	-	1,123	1,198	-6.3%
Engineering	211	242	-	-	211	242	-12.8%
Recreation	872	880	-	-	872	880	-0.9%
Garage	222	173	-	-	222	173	28.3%
Animal Control	46	58	-	-	46	58	-20.7%
Interest on long-term debt	187	125	-	-	187	125	49.6%
Electric	-	-	6,788	6,356	6,788	6,356	6.8%
Gas	-	-	2,251	2,326	2,251	2,326	-3.2%
Water/Sewer	-	-	3,272	3,167	3,272	3,167	3.3%
Solid Waste	-	-	578	548	578	548	5.5%
Golf	-	-	805	768	805	768	4.8%
Airport	-	-	375	349	375	349	7.4%
Total Expenses	<u>6,072</u>	<u>5,933</u>	<u>14,069</u>	<u>13,514</u>	<u>20,141</u>	<u>19,447</u>	<u>3.6%</u>
Excess (Deficiency) before transfers	(1,882)	(1,808)	1,419	2,814	(463)	1,006	-146.0%
Transfers	<u>1,691</u>	<u>1,617</u>	<u>(1,691)</u>	<u>(1,617)</u>	<u>-</u>	<u>-</u>	<u>0.0%</u>
Increase (Decrease) in Net Assets	<u>\$ (191)</u>	<u>\$ (191)</u>	<u>\$ (272)</u>	<u>\$ 1,197</u>	<u>\$ (463)</u>	<u>\$ 1,006</u>	<u>-146.0%</u>
Net assets - 10/1/10	<u>4,655</u>	<u>4,846</u>	<u>26,732</u>	<u>25,535</u>	<u>1,006</u>	<u>30,381</u>	
Net assets - 9/30/11	<u>\$ 4,433</u>	<u>\$ 4,655</u>	<u>\$ 26,318</u>	<u>\$ 26,732</u>	<u>(636)</u>	<u>\$ 30,751</u>	

GOVERNMENTAL ACTIVITIES

See pages 28-29 of the financial statements for the net cost (total cost less revenues generated by the activities) of these programs or functions. The following charts show the source of the City's governmental revenues and expenditures.

**Table 3 – Governmental Activities
Fiscal Year 2011**



Revenue Impacts:

- Property taxes of \$472,937 provided 18.7% of governmental revenues for general operations. The millage rate was set at 2.9 in the current year.
- Revenues from local option sales taxes were \$1,149,233. This represents an overall increase of 2.97% from the prior year.
- The transfers from proprietary funds were \$1,691,150, which was \$73,951 or a 4.57% increase from the prior year.
- Charges for services include amounts charged for providing utility billing and collection services to the enterprise funds of \$720,000. Municipal court fines were \$102,108.

Expense Impacts

- General Government expenditures increased by \$87,539 or 9.51% compared to the prior year. This increase is the result of overall increases in operating expenses such as fuel costs.
- Police, fire and animal control expenditures increased by \$33,626 or 1.79% over the prior year. This increase represents an increase in payroll and fringe benefits along with slight increases in overall operating expenses.
- Public Works expenditures decreased by \$39,777 or (2.77%) compared to the prior year. This amount represents a decrease in paving material costs, insurance costs, and sidewalk maintenance that were required.
- Culture and Recreation expenditures decreased by \$36,673 or (4.79%). This decrease is due to a very conservative approach to expenditures during a tight economy.

BUSINESS-TYPE ACTIVITIES

Table 4
Business-type Activities
(in thousands)

	<u>Operating Revenues</u>		<u>Operating Expenses</u>		<u>Operating Income</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Electric	\$ 7,454	\$ 8,083	\$ 6,788	\$ 6,356	\$ 666	\$ 1,727
Gas	2,727	2,978	2,251	2,326	476	652
Water/Sewer	3,754	3,689	3,175	3,022	579	667
Solid Waste	491	485	578	548	(87)	(63)
Golf	573	554	805	768	(232)	(214)
Airport	122	112	375	349	(253)	(237)
Total	<u>\$ 15,121</u>	<u>\$ 15,901</u>	<u>\$ 13,972</u>	<u>\$ 13,369</u>	<u>\$ 1,149</u>	<u>\$ 2,532</u>

Operating revenues for business-type activities for the fiscal year 2011 were \$15,120,716, a \$780,241 decrease compared to the prior year. Operating expenses were \$13,971,486 in 2011, \$602,080 more than the prior year. The operating income was \$1,159,264 in 2011 compared to \$2,531,551 in 2010. Activities for individual funds are summarized below.

- Electric program revenues decreased by \$628,295 from the prior year in addition to expenses increasing by \$431,862. The program revenue decrease is attributable to the closure/production slowdown of several industries while the increased expenses are attributable to an increase wholesale cost of electricity and increased line maintenance.
- Gas program revenues decreased by \$251,154 and expenses decreased by \$75,753. The decreases in both revenue and expenses were due to leveling natural gas prices and the completion of a portion of the in houses line extension projects.
- Water & Sewer program revenues increased by \$65,788, while expenses increased by \$152,773 from the prior year. The small increase in revenue is due to a focused effort to reduce the outstanding/past due utility bills. The expenses increase as part of an effort to pay off existing bond issues early in order to plan for additional system improvements.
- Solid Waste program revenues increased \$5,367 from the prior year and expenses increased \$30,045. The slight increase in revenue is due to a greater emphasis on reducing outstanding utility bills. The expense increased due to the addition of a supervisory employee position.
- Golf revenues increased by \$18,144 over the prior year, largely from hosting more tournaments during the year. Expenses were up by \$36,968 for fuel costs and golf cart batteries..
- Airport revenues increased by \$9,909 largely due to additional fuel and oil sales. Expenses increased by \$26,185 from prior year. The increased expenses were due to fuel costs and building maintenance costs.

**The City's Funds
Table 5
Financial Analysis of the City's Funds**

Fund	Fund Balances <u>09-30-10</u>	Revenues/ Sources	Expenditures / Uses	Revenues/Sources Over (Under) Expenditures/Uses	Fund Balances <u>09-30-11</u>
General Fund	\$ 196,308	\$ 5,044,769	\$ 5,716,154	\$ (671,385)	\$ (475,077)
Capital Projects Fund	<u>815,105</u>	<u>638,129</u>	<u>701,313</u>	<u>(63,184)</u>	<u>751,921</u>
Total City Funds	<u>\$ 1,011,413</u>	<u>\$ 5,682,898</u>	<u>\$ 6,417,467</u>	<u>\$ (734,569)</u>	<u>\$ 276,844</u>

At September 30, 2011, the City's governmental funds reported a combined fund balance of \$254,788 (see Statement on page 30), which is \$757,945 less than the previous year-end. The unreserved portion of fund balance was \$(662,269). The unreserved fund balance may serve as a useful indicator of the City's ability to operate without external financing. The reserved portion represents amounts reserved for debt service payments related to the issuance of revenue bonds to finance capital projects construction.

General Fund

The General Fund had a \$671,385 decrease in fund balance, to end the fiscal year at \$(475,077). More detailed information for the general fund is presented on page 31.

Operating revenues and other financing sources decreased \$48,215. Most of this decrease is attributable to lower sales tax collections as well as lower and slower property tax collections due to the continued economic down turn.

Overall expenditures and other uses increased \$560,854. Transfers out decreased \$490,626.

Capital Projects Fund

The capital projects fund accounts for the proceeds from special purpose local option sales tax that are used to construct various improvements which benefit City residents. In June 2008, voters approved continuation of the one-percent special purpose local option sales tax. The period during which this tax is collected begins October 2008 and ends September 2013. Capital outlay expenditures are to be primarily for street and road improvements, recreation, water and sewer improvements, solid waste and street equipment. The major sources of revenue were:

- Sales tax \$634,271
- Interest earned \$3,858

The Capital Projects Fund had a \$63,184 decrease in fund balance, to end the fiscal year at \$751,921. Debt service payments against the outstanding bond issue exceeded sales tax revenues for the current year, resulting in the fund balance decrease.

The revenue bond issue will be repaid with special purpose local option sales tax proceeds over the approved period of the tax. The bond issue allows the City to proceed at an accelerated pace with acquisition/improvements of equipment and infrastructure to better serve its citizens.

The fund balance is reserved for completion of SPLOST projects as identified in the Schedule of Special Purpose Local Option Sales Tax on page 90.

GENERAL FUND BUDGETARY HIGHLIGHTS

A statement comparing the original and final budgets and the variance from the final budget to the actual results is included on page 33 of the financial statements.

In September 2010, the City Council appropriated \$4,972,300 for general fund expenditures in the 2011 fiscal year budget.

Primary reasons for the differences between the final budget and actual results in the General Fund include:

Revenues:

- No additional revenues were identified through the year, coupled with a decrease in known revenues as a result of the continued downturn in the economy.

Expenditures:

- Increase in public works expenditures.
- Increase in expenditures for wages and capital outlays for general government and public works.
- Increase in general fund transfers to support the overall health care costs.
- The expenses incurred were seen as necessary to support the City's operations for the current year, and due to continued rising costs, this contributed to the gap between budgeted figures and actual year-end results.

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2011, amounted to \$35,952,726 (net of accumulated depreciation). Investment in capital assets includes land, buildings, infrastructure, improvements, and machinery and equipment. The total increase in the City's investment in capital assets for the current fiscal year was 1.87%. For more detailed information concerning capital assets see the notes to the financial statements.

Table 6
Capital Assets
(net of depreciation)

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Land and Improvements	\$ 3,336,429	\$ 2,272,084	\$ 5,608,513
Construction in progress	244,703	5,465,497	5,710,200
Buildings and structures	687,761	2,901,295	3,589,056
Park improvements	2,274,641	-	2,274,641
Infrastructure	99,388	-	99,388
Utility systems	-	13,686,866	13,686,866
Improvements other than buildings	-	3,547,759	3,547,759
Furniture, machinery and equipment	372,467	1,063,836	1,436,303
Total	<u>\$ 7,015,389</u>	<u>\$ 28,937,337</u>	<u>\$ 35,952,726</u>

This year's major capital asset additions included:

Governmental Activities:

- Police - Equipment - \$22,982
- Public Works - Equipment - \$24,488
- Public Works - Infrastructure - \$296,848
- Recreation - \$39,906

Business-type Activities:

- Water and Sewer Equipment - \$10,637
- Water and Sewer Improvements - \$5,490,832
- Gas Fund Equipment - \$59,153
- Airport Fund Equipment - \$14,500
- Solid Waste Equipment - \$21,636

LONG-TERM DEBT

At the end of the 2011 fiscal year, the City had \$9,349,262 in outstanding debt. This is a net decrease of \$391,293 compared to the prior year. More detailed information about the City's long-term liabilities is included in the notes to the financial statements.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10% of the total tax digest. The current debt limitation for the City is \$13,350,274 and the City has no outstanding general obligation debt.

Table 7
Outstanding Debt at September 30, 2011

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>
Revenue Bonds	\$ 2,370,000	\$ -
Notes Payable	-	6,979,262
Capital Leases	-	214,392
Total	<u>\$ 2,370,000</u>	<u>\$ 7,193,654</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The overall continued decline in the economy, as well as high energy costs have negatively impacted the City. In addition to the loss of industries and businesses the current economic decline has been worsened by the mortgage crisis which has caused a decline in property values with a net loss in tax revenues. The sluggish economy has also caused a negative impact on the City's business – type activities. With unemployment still above 9.0 %, there are many who can not afford to pay their utility bills.

Funding for the City's governmental activities comes from Property Taxes, Local Option Sales Tax, other taxes and fees such as Franchise Taxes, Occupational Taxes, permit fees, grants and transfers from the Enterprise Funds. During the 2011 Budget process, the City considered projections on the state and local economy to estimate tax revenues for the proposed budget.

Revenues for the business-type activities and certain governmental activities come from user fees and/or service charges. A significant portion of the revenues generated by the cities utility systems come from industrial customers. These revenues have been affected by the down turn in the economy. Also unusual weather patterns can affect utility consumption, such as the high energy prices, and a colder than normal winter.

The City continued to work on the new softball complex. A Streetscape Project funded by a TE Grant of \$250,000 is continuing. The local match will come from SPLOST Funds and the general fund. The improvements to side walks, landscaping and other beautification projects should help the Downtown Business District.

The City continued to resurface its own streets under the Georgia Department of Transportation LMIG Program. The Georgia Department of Transportation furnishes the asphalt and the city employees perform the work utilizing city equipment. This allows the City to complete twice as much resurfacing as would normally be done.

The City's General Fund Operating Budget totals \$5,362,750 for the 2012 year. Personnel costs, including salaries and benefits, amount to \$3,929,700 or 73.3% of the operating budget. The City employs 130 full time employees.

In the Fiscal Year 2012 Budget, the General Fund Revenues are budgeted to decrease by \$276,300 or 4.9% over the previous year. Transfers to the General Fund are budgeted to decrease by \$52,250 or 1.8% from the 2011 Budget. General property taxes make up 12.8% of the General Fund Budgeted Revenues. Sales tax receipts, which represent 9.7% of the budgeted revenues, are not projected to have any significant growth due to the continued down turn in the economy. The 2012 Millage Rate for property taxes is 2.99 mills which is the same as the 2011 millage.

Financial Contact

This financial report is designed to provide the citizens, taxpayers, customers and creditors of the City with a general overview of the City of LaFayette finances and demonstrate the City's accountability for the money it receives. If you have questions about the report or need additional financial information, contact the City of LaFayette at P.O. Box 89, LaFayette, Georgia 30728.

BASIC FINANCIAL STATEMENTS

CITY OF LAFAYETTE, GEORGIA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash	\$ 345,818	\$ 524,924	\$ 870,742
Receivables - net	178,014	1,882,158	2,060,172
Prepays	15,505	-	15,505
Internal balances	-	-	-
Notes Receivable	-	-	-
Inventory	19,685	782,021	801,706
Restricted assets:			
Restricted cash	542,121	2,496,376	3,038,497
Capital assets:			
Land and construction in progress	3,581,132	7,737,581	11,318,713
Other capital assets - net	3,434,257	21,199,756	24,634,013
Total capital assets	<u>7,015,389</u>	<u>28,937,337</u>	<u>35,952,726</u>
Unamortized bond issue costs	<u>105,807</u>	<u>-</u>	<u>105,807</u>
Total assets	<u>8,222,339</u>	<u>34,622,816</u>	<u>42,845,155</u>
LIABILITIES			
Cash overdraft	489,592	-	489,592
Internal balances	543,296	(543,296)	-
Accounts payable	70,917	828,028	898,945
Accrued wages payable and withholdings	91,572	26,482	118,054
Customer deposits	-	581,687	581,687
Accrued Interest payable	82,973	12,490	95,463
Noncurrent liabilities:			
Due within one year	599,125	418,136	1,017,261
Due in more than one year - net	<u>1,911,837</u>	<u>6,981,468</u>	<u>8,893,305</u>
Total liabilities	<u>3,789,312</u>	<u>8,304,995</u>	<u>12,094,307</u>
NET ASSETS			
Invested in capital assets, net of related debt	4,645,389	21,958,075	26,603,464
Restricted for:			
Capital projects	1,301,714	214,415	1,516,129
Debt service reserve	425,845	3,170	429,015
Law enforcement activities	13,670	-	13,670
Unrestricted	<u>(1,953,591)</u>	<u>4,142,161</u>	<u>2,188,570</u>
Total net assets	<u>\$ 4,433,027</u>	<u>\$ 26,317,821</u>	<u>\$ 30,750,848</u>

The accompanying notes are an integral part of this financial statement.

CITY OF LAFAYETTE, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General Government	\$ 1,079,171	\$ 789,344	\$ -	\$ 3,779
Police	1,904,292	343,163	68,212	-
Fire	427,647	-	-	-
Public Works	1,122,605	38,750	-	272,287
Engineering	211,138	15,955	-	-
Recreation	872,255	126,270	-	-
Garage	221,800	-	-	-
Animal Control	46,076	44	-	-
Interest on Long-term Debt	187,682	-	-	-
Total governmental activities	<u>6,072,666</u>	<u>1,313,526</u>	<u>68,212</u>	<u>276,066</u>
Business-type activities:				
Airport	375,148	122,131	-	8,588
Electric	6,787,899	7,454,354	-	-
Gas	2,250,743	2,726,493	-	-
Golf	805,176	572,607	-	-
Water/Sewer	3,271,779	3,754,331	-	347,351
Solid Waste	577,842	490,800	-	-
Total business-type activities	<u>14,068,587</u>	<u>15,120,716</u>	<u>-</u>	<u>355,939</u>
Total primary government	<u>\$ 20,141,253</u>	<u>\$ 16,434,242</u>	<u>\$ 68,212</u>	<u>\$ 632,005</u>

The accompanying notes are an integral part of this financial statement.

CITY OF LAFAYETTE, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Net (Expense) Revenue and Changes in Net Assets		
	Primary Government		
Functions/Programs	Governmental Activities	Business-type Activities	Totals
Primary government:			
Governmental activities:			
General Government	\$ (286,048)		\$ (286,048)
Police	(1,492,917)		(1,492,917)
Fire	(427,647)		(427,647)
Public Works	(811,568)		(811,568)
Engineering	(195,183)		(195,183)
Recreation	(745,985)		(745,985)
Garage	(221,800)		(221,800)
Animal Control	(46,032)		(46,032)
Interest on Long-term Debt	(187,682)		(187,682)
Total governmental activities	<u>(4,414,862)</u>		<u>(4,414,862)</u>
Business-type activities:			
Airport		\$ (244,429)	(244,429)
Electric		666,455	666,455
Gas		475,750	475,750
Golf		(232,569)	(232,569)
Water/Sewer		829,903	829,903
Solid Waste		(87,042)	(87,042)
Total business-type activities		<u>1,408,068</u>	<u>1,408,068</u>
Total primary government	<u>(4,414,862)</u>	<u>1,408,068</u>	<u>(3,006,794)</u>
General revenues:			
Taxes:			
Property	472,937	-	472,937
Sales	1,149,233	-	1,149,233
Hotel/Motel	22,972	-	22,972
Insurance premium	360,781	-	360,781
Malt beverage	122,097	-	122,097
Franchise	291,322	-	291,322
Occupation	71,226	-	71,226
Other	11,882	-	11,882
Investment earnings	6,048	9,589	15,637
Gain on Sale of Capital Assets	-	1,304	1,304
Miscellaneous	23,751	-	23,751
Transfers	1,691,150	(1,691,150)	-
Total general revenues and transfers	<u>4,223,399</u>	<u>(1,680,257)</u>	<u>2,543,142</u>
Change in net assets	(191,463)	(272,189)	(463,652)
Net assets - beginning	4,654,735	26,732,124	31,386,859
Prior Period adjustment	(30,245)	(142,114)	(172,359)
Net assets - ending	<u>\$ 4,433,027</u>	<u>\$ 26,317,821</u>	<u>\$ 30,750,848</u>

The accompanying notes are an integral part of this financial statement.

**CITY OF LAFAYETTE, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011**

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 902	\$ 362,864	\$ 37,743	\$ 401,509
Receivables (Net of Allowance for Uncollectibles):				
Accounts	103,093	-	-	103,093
Taxes	17,954	56,967	-	74,921
Prepays	15,505	-	-	15,505
Inventory	19,685	-	-	19,685
Due from Other Funds	-	-	-	-
Cash - Restricted	116,276	425,845	-	542,121
Total Assets	<u>\$ 273,415</u>	<u>\$ 845,676</u>	<u>\$ 37,743</u>	<u>\$ 1,156,834</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Cash Overdraft	\$ 489,592	\$ -	\$ -	\$ 489,592
Accounts Payable	70,917	-	-	70,917
Accrued Payables & Withholdings	91,572	-	-	91,572
Due to Other Funds	81,648	93,755	59,799	235,202
Deferred Revenue	14,763	-	-	14,763
Total Liabilities	<u>748,492</u>	<u>93,755</u>	<u>59,799</u>	<u>902,046</u>
Fund Balances:				
Nonspendable:				
Prepays	15,505	-	-	15,505
Inventory	19,685	-	-	19,685
Restricted for:				
Acquisition and construction of capital assets	-	326,076	-	326,076
Debt service reserve	-	425,845	-	425,845
Law enforcement activities	-	-	13,670	13,670
Committed to:				
Cemetery care	116,276	-	-	116,276
Tourism	-	-	-	-
Unassigned	(626,543)	-	(35,726)	(662,269)
Total Fund Balances	<u>(475,077)</u>	<u>751,921</u>	<u>(22,056)</u>	<u>254,788</u>
Total Liabilities and Fund Balances	<u>\$ 273,415</u>	<u>\$ 845,676</u>	<u>\$ 37,743</u>	<u>\$ 1,156,834</u>
Reconciliation of the Balance Sheet to the Statement of Net Assets				
Fund Balances - Total governmental funds				\$ 254,788
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 are therefore not reported in the governmental funds.				7,015,389
An internal service fund is used by management to charge the costs of self-insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.				(363,786)
A portion of deferred revenue in the general fund represents property tax billed but uncollected and is eliminated in the statement of net assets.				14,763
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds. Other related amounts include deferred issue costs.				
		(2,370,000)		
Bonds Payable		(82,973)		
Accrued Interest Payable		105,807		
Unamortized Bond Issuance Costs		(140,962)		
Compensated Absences				(2,488,128)
Effects of rounding				<u>1</u>
Net assets of governmental activities				<u>\$ 4,433,027</u>

The accompanying notes are an integral part of this financial statement.

CITY OF LAFAYETTE, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 1,796,793	\$ -	\$ 22,972	\$ 1,819,765
Grant Revenue	265,329	-	-	265,329
Licenses and Permits	20,259	-	-	20,259
Intergovernmental	44,015	634,271	-	678,286
Payments in lieu of taxes	12,212	-	-	12,212
Fines and Forfeitures	136,556	-	240,556	377,112
Charges for Services	221,676	-	-	221,676
Contributions and donations	3,779	-	-	3,779
Miscellaneous Income	786,787	-	-	786,787
Interest Income	2,036	3,858	154	6,048
Total Revenues	<u>3,289,442</u>	<u>638,129</u>	<u>263,682</u>	<u>4,191,253</u>
EXPENDITURES				
Current:				
General Government	1,008,303	45	11,226	1,019,574
Police	1,540,817	-	111,416	1,652,233
Fire	323,770	-	-	323,770
Public Works	1,017,074	-	-	1,017,074
Engineering	205,498	-	-	205,498
Recreation	765,844	-	-	765,844
Garage	211,514	-	-	211,514
Animal Control	44,564	-	-	44,564
Intergovernmental Expenditures	-	-	100,239	100,239
Debt Service:				
Principal	-	535,000	-	535,000
Interest	-	104,709	-	104,709
Bond Issuance Costs	-	-	-	-
Capital Outlay:				
General Government	-	-	-	-
Police	22,982	-	-	22,982
Fire	-	-	-	-
Public Works	508,882	-	-	508,882
Recreation	39,906	61,559	-	101,465
Garage	-	-	-	-
Total Expenditures	<u>5,689,154</u>	<u>701,313</u>	<u>222,881</u>	<u>6,613,348</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,399,712)</u>	<u>(63,184)</u>	<u>40,801</u>	<u>(2,422,095)</u>
OTHER FINANCING SOURCES (USES)				
Transfers - Out	(27,000)	-	(64,177)	(91,177)
Transfers - In	1,755,327	-	-	1,755,327
Sale of capital assets	-	-	-	-
Total Other Financing Sources (Uses)	<u>1,728,327</u>	<u>-</u>	<u>(64,177)</u>	<u>1,664,150</u>
Net Change in Fund Balances	(671,385)	(63,184)	(23,376)	(757,945)
Fund Balance (Deficit) - Beginning of Year	<u>196,308</u>	<u>815,105</u>	<u>1,320</u>	<u>1,012,733</u>
Fund Balance - End of Year	<u>\$ (475,077)</u>	<u>\$ 751,921</u>	<u>\$ (22,056)</u>	<u>\$ 254,788</u>

The accompanying notes are an integral part of this financial statement.

**CITY OF LAFAYETTE, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

Net Change in Fund Balances - Total Governmental Funds \$ (757,945)

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which capital outlays exceeded depreciation in the current period.

Expenditures for capital assets	633,329	
Less current year depreciation	<u>(344,643)</u>	
		288,686

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.

Unavailable deferred property tax revenues	(1,200)
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Issuance of long-term debt (bonds, leases) provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of principal of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Principal Payments on Bonds	535,000
-----------------------------	---------

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Change in accrued interest payable	(82,973)	
Net change in long-term compensated absences	<u>(6,920)</u>	
		(89,893)

Internal service funds are used by management to charge the costs of self-insurance to individual funds.

The net loss of certain activities of internal service funds is reported with governmental activities.	<u>(166,111)</u>
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Change in Net Assets of Governmental Activities	<u>\$ (191,463)</u>
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The accompanying notes are an integral part of this financial statement.

CITY OF LAFAYETTE, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GENERAL FUND
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 1,779,800	\$ 1,779,800	\$ 1,796,793	\$ 16,993
Grant Revenue	220,000	220,000	265,329	45,329
Licenses and Permits	13,800	13,800	20,259	6,459
Intergovernmental	-	-	44,015	44,015
Payments in lieu of taxes	12,200	12,200	12,212	12
Fines and Forfeitures	132,600	132,600	136,556	3,956
Charges for Services	228,100	228,100	221,676	(6,424)
Contributions and donations	-	-	3,779	3,779
Miscellaneous Income	843,050	843,050	786,787	(56,263)
Interest Income	6,000	6,000	2,036	(3,964)
Total Revenues	3,235,550	3,235,550	3,289,442	53,892
EXPENDITURES				
Current:				
General Government	919,100	919,100	1,008,303	(89,203)
Police	1,424,350	1,424,350	1,540,817	(116,467)
Fire	323,050	323,050	323,770	(720)
Public Works	929,950	929,950	1,017,074	(87,124)
Engineering	229,050	229,050	205,498	23,552
Recreation	773,000	773,000	765,844	7,156
Garage	168,850	168,850	211,514	(42,664)
Animal Control	60,650	60,650	44,564	16,086
Capital Outlays:				
General Government	16,500	16,500	-	16,500
Police	37,500	37,500	22,982	14,518
Fire	8,500	8,500	-	8,500
Public Works	38,000	38,000	508,882	(470,882)
Recreation	12,000	12,000	39,906	(27,906)
Garage	-	-	-	-
Total Expenditures	4,940,500	4,940,500	5,689,154	(748,654)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,704,950)	(1,704,950)	(2,399,712)	(694,762)
OTHER FINANCING SOURCES (USES)				
Transfers - Out	(31,800)	(31,800)	(27,000)	(58,800)
Transfers - In	1,715,650	1,715,650	1,755,327	39,677
Sale of capital assets	21,100	21,100	-	(21,100)
Total Other Financing Sources (Uses)	1,704,950	1,704,950	1,728,327	(40,223)
Net Change in Fund Balance	-	-	(671,385)	(734,985)
Fund Balance (Deficit) - Beginning of Year	-	-	196,308	196,308
Fund Balance (Deficit) - End of Year	\$ -	\$ -	\$ (475,077)	\$ (538,677)

The accompanying notes are an integral part of this financial statement.

CITY OF LAFAYETTE, GEORGIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2011

Assets	Airport	Electric	Gas	Golf	Water and Sewer	Solid Waste	Total	Governmental Activities - Internal Service Fund
Current Assets:								
Cash and Cash Equivalents	\$ -	\$ -	\$ 13,859	\$ -	\$ 511,065	\$ -	\$ 524,924	\$ -
Restricted Cash - MEAG	-	1,337,611	-	-	-	-	1,337,611	-
Restricted Cash - GEFA	-	-	-	-	916,613	-	916,613	-
Restricted Cash - Capital lease	-	-	-	-	-	214,415	214,415	-
Accounts Receivable - Net	-	1,053,988	167,732	-	599,113	61,325	1,882,158	-
Due From Other Funds	6,338	2,500,984	748,058	-	371,567	-	3,626,947	-
Inventory	14,939	508,542	98,746	8,821	150,973	-	782,021	-
Total Current Assets	21,277	5,401,125	1,028,395	8,821	2,549,331	275,740	9,284,689	-
Non-Current Assets:								
Restricted Assets:								
Construction Cash	-	-	-	-	8,025	-	8,025	-
Renewal and Replacement Cash	-	-	-	-	3,170	-	3,170	-
Compliance Account	-	-	-	-	16,542	-	16,542	-
Capital Assets:								
Land	10,000	9,000	7,000	1,340,395	838,241	67,448	2,272,084	-
Equipment	227,154	1,153,729	340,025	541,247	1,383,217	904,139	4,549,511	-
Buildings	750,192	567,437	38,454	2,333,326	433,279	2,748	4,125,436	-
Improvements Other Than Buildings	2,963,944	-	-	-	583,815	-	3,547,759	-
Utility Systems	-	4,321,831	532,747	-	25,016,744	-	29,871,322	-
Construction in Progress	-	-	-	-	5,465,497	-	5,465,497	-
Less Accumulated Depreciation	(1,293,987)	(4,258,394)	(479,985)	(696,373)	(13,510,709)	(654,824)	(20,894,272)	-
Unamortized Bond Issue Costs	-	-	-	-	-	-	-	-
Total Non-Current Assets	2,657,303	1,793,603	438,241	3,518,595	20,237,821	319,511	28,965,074	-
Total Assets	\$ 2,678,580	\$ 7,194,728	\$ 1,466,636	\$ 3,527,416	\$ 22,787,152	\$ 595,251	\$ 38,249,763	\$ -

The accompanying notes are an integral part of this financial statement.

CITY OF LAFAYETTE, GEORGIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2011

	Airport	Electric	Gas	Golf	Water and Sewer	Solid Waste	Total	Governmental Activities - Internal Service Fund
Liabilities								
Current Liabilities:								
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 55,691
Accounts Payable	-	447,498	127,937	23,043	221,697	7,853	828,028	-
Accrued Wages and Withholdings Payable	260	4,409	3,008	3,846	12,180	2,779	26,482	-
Compensated Absences Payable	1,556	10,855	8,601	8,503	24,384	3,462	57,362	-
Due to Other Funds	438,317	-	5,730	1,467,594	1,059,590	112,420	3,083,651	308,095
Customer Deposits	-	330,417	98,926	-	152,344	-	581,687	-
Notes Payable - current	-	-	-	-	335,304	-	335,304	-
Accrued Interest Payable	-	-	-	-	12,490	-	12,490	-
Capital leases payable - current	-	-	-	-	-	25,470	25,470	-
Revenue Bonds Payable	-	-	-	-	-	-	-	-
Total Current Liabilities	440,133	793,179	244,202	1,502,986	1,817,989	151,984	4,950,474	363,786
Noncurrent Liabilities:								
Compensated Absences	1,754	12,241	9,700	9,589	27,497	3,905	64,685	-
Accrued Landfill Closure/Postclosure Costs	-	-	-	-	-	83,903	83,903	-
Notes Payable	-	-	-	-	6,643,958	-	6,643,958	-
Capital leases payable	-	-	-	-	-	188,922	188,922	-
Revenue Bonds Payable (Net)	-	-	-	-	-	-	-	-
Total Noncurrent Liabilities	1,754	12,241	9,700	9,589	6,671,455	276,730	6,981,468	-
Total Liabilities	441,887	805,420	253,902	1,512,575	8,489,444	428,714	11,931,942	363,786
Net Assets								
Invested in Capital Assets, net of related debt	2,657,303	1,793,603	438,241	3,518,595	13,230,822	319,511	21,958,075	-
Restricted	-	-	-	-	-	-	-	-
Acquisition and construction of capital assets	-	-	-	-	-	214,415	214,415	-
Debt Service	-	-	-	-	-	-	-	-
Renewal and Replacement	-	-	-	-	3,170	-	3,170	-
Unrestricted	(420,610)	4,595,705	774,493	(1,503,754)	1,063,716	(367,389)	4,142,161	-
Total Net Assets	\$ 2,236,693	\$ 6,389,308	\$ 1,212,734	\$ 2,014,841	\$ 14,297,708	\$ 166,537	\$ 26,317,821	\$ (363,786)

The accompanying notes are an integral part of this financial statement.

CITY OF LAFAYETTE, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Airport	Electric	Gas	Golf	Water and Sewer	Solid Waste	Total	Governmental Activities - Internal Service Fund
Operating Revenues								
Charges for Services	\$ 84,752	\$ 7,348,935	\$ 2,572,719	\$ 498,905	\$ 3,416,458	\$ 487,254	\$ 14,409,023	\$ -
Fees	37,367	-	-	73,702	213,563	-	324,632	-
Other Revenues	12	105,419	153,774	-	124,310	3,546	387,061	1,439,528
Total Operating Revenues	122,131	7,454,354	2,726,493	572,607	3,754,331	490,800	15,120,716	1,439,528
Operating Expenses								
Costs of Sales and Services	188,816	986,382	436,257	741,931	1,877,039	477,535	4,707,960	1,632,682
Administrative Expense	-	210,000	210,000	-	264,000	36,000	720,000	-
Cost of Water	-	-	-	-	268,762	-	268,762	-
Cost of Gas	-	-	1,565,492	-	-	-	1,565,492	-
Cost of Electricity	-	5,435,782	-	-	-	-	5,435,782	-
Depreciation Expense	186,332	155,735	38,994	63,245	764,877	64,307	1,273,490	-
Total Operating Expenses	375,148	6,787,899	2,250,743	805,176	3,174,678	577,842	13,971,486	1,632,682
Operating Income (Loss)	(253,017)	666,455	475,750	(232,569)	579,653	(87,042)	1,149,230	(193,154)
Nonoperating Revenues (Expenses)								
Intergovernmental	8,588	-	-	-	-	-	8,588	-
Interest Revenue	-	1,844	105	-	7,617	23	9,589	43
Interest Expense	-	-	-	-	(91,156)	-	(91,156)	-
Gain (Loss) on Sale of Capital Assets	-	-	-	-	1,304	-	1,304	-
Bond Issue Cost Amortization	-	-	-	-	(5,945)	-	(5,945)	-
Total Nonoperating Revenues (Expenses)	8,588	1,844	105	-	(88,180)	23	(77,620)	43
Income Before Contributions, Special Items and Transfers	(244,429)	668,299	475,855	(232,569)	491,473	(87,019)	1,071,610	(193,111)
Capital Contributions Transfers	-	(1,125,200)	(565,950)	-	347,351	-	347,351	-
	-	(1,125,200)	(565,950)	-	347,351	-	(1,691,150)	27,000
Change in Net Assets	(244,429)	(456,901)	(90,095)	(232,569)	838,824	(87,019)	(272,189)	(166,111)
Net Assets - Beginning	2,481,122	6,846,209	1,302,829	2,247,410	13,552,058	302,496	26,732,124	(197,675)
Prior Period Adjustment	-	-	-	-	(93,174)	(48,940)	(142,114)	-
Net Assets - Ending	\$ 2,236,693	\$ 6,389,308	\$ 1,212,734	\$ 2,014,841	\$ 14,297,708	\$ 166,537	\$ 26,317,821	\$ (363,786)

The accompanying notes are an integral part of this financial statement.

CITY OF LAFAYETTE, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Airport	Electric	Gas	Golf	Water and Sewer	Solid Waste	Total	Governmental Activities - Internal Service Fund
Cash Flows From Operations								
Receipts from Customers and Users	\$ 122,131	\$ 7,641,470	\$ 2,855,291	\$ 572,607	\$ 4,068,986	\$ 493,824	\$ 15,754,309	\$ 1,439,528
Payments to Suppliers	(57,053)	(6,013,237)	(1,938,416)	(150,004)	(2,262,881)	(241,388)	(10,662,979)	(1,517,682)
Payments to/for Employees	(59,166)	(503,033)	(289,772)	(422,603)	(1,318,961)	(230,799)	(2,824,334)	-
Net cash Provided by (Used in) Operating Activities	5,912	1,125,200	627,103	-	487,144	21,637	2,266,996	(78,154)
Cash Flows from Noncapital Financing Activities								
Borrowing to Cover Negative Cash Balance	-	-	-	-	-	-	-	55,691
Transfers to Other Funds	-	(1,125,200)	(565,950)	-	-	-	(1,691,150)	-
Transfers from Other Funds	-	-	-	-	-	-	-	27,000
Net Cash from Noncapital Financing Activities	-	(1,125,200)	(565,950)	-	-	-	(1,691,150)	82,691
Cash Flows from Capital and Related Financing Activities								
Principal Payments - Bonds	-	-	-	-	(1,125,000)	-	(1,125,000)	-
Principal Payments - Notes	-	-	-	-	(163,845)	-	(163,845)	-
Capital Lease Proceeds	-	-	-	-	-	214,392	214,392	-
Capital Contributions	8,588	-	-	-	347,351	-	355,939	-
Notes Payable Proceeds	-	-	-	-	1,258,563	-	1,258,563	-
Proceeds from Sales of Capital Assets	-	-	-	-	1,304	-	1,304	-
Acquisition and Construction of Capital Assets	(14,500)	-	(59,153)	-	(1,491,910)	(21,637)	(1,587,200)	-
Interest Paid	-	-	-	-	(97,101)	-	(97,101)	-
Net Cash from Capital and Related Financing Activities	(5,912)	-	(59,153)	-	(1,270,638)	192,755	(1,142,948)	-
Cash Flows from Investing Activities								
Interest Received	-	1,844	105	-	7,617	23	9,589	43
Net Increase(Decrease) in Cash	-	1,844	2,105	-	(775,877)	214,415	(557,513)	4,580
Cash (Overdraft) - October 1 (including restricted cash)	-	1,335,767	11,754	-	2,231,292	-	3,578,813	(4,580)
Cash (Overdraft) - September 30 (including restricted cash)	\$ -	\$ 1,337,611	\$ 13,859	\$ -	\$ 1,455,415	\$ 214,415	\$ 3,021,300	\$ -

The accompanying notes are an integral part of this financial statement.

CITY OF LAFAYETTE, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Airport	Electric	Gas	Golf	Water and Sewer	Solid Waste	Total	Governmental Activities - Internal Service Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:								
Operating Income (Loss)	\$ (253,017)	\$ 666,455	\$ 475,750	\$ (232,569)	\$ 579,653	\$ (87,042)	\$ 1,149,230	\$ (193,154)
Adjustments to Reconcile to Operating Income to Net Cash Provided (Used) by Operating Activities								
Depreciation	186,332	155,735	38,994	63,245	764,877	64,307	1,273,490	-
(Increase) Decrease in Assets:								
Accounts Receivable	-	179,223	134,417	-	314,040	3,023	630,703	-
Inventory	-	110,275	(21,934)	-	(23,194)	-	65,147	-
Increase (Decrease) in Liabilities:								
Accounts Payable	72,776	6,004	4,857	171,244	(1,149,044)	25,918	(868,245)	115,000
Accrued Wages and Withholdings Payable	(179)	780	561	889	2,546	1,308	5,905	-
Accrued Landfill Closure/Postclosure Costs	-	-	-	-	-	10,034	10,034	-
Compensated Absences Payable	-	(1,164)	76	(2,809)	(2,349)	4,089	(2,157)	-
Customer Deposits	-	7,892	(5,618)	-	615	-	2,889	-
Net Cash Provided by (Used in) Operating Activities	\$ 5,912	\$ 1,125,200	\$ 627,103	\$ -	\$ 487,144	\$ 21,637	\$ 2,266,996	\$ (78,154)
Noncash Investing, Capital and Financing Activities								
Acquisition of Capital Assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Cash from Noncash Activities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
For purposes of reporting cash flows, cash includes the following amounts as presented in the Statement of Net Assets:								
Cash and cash equivalents	\$ -	\$ -	\$ 13,859	\$ -	\$ 511,065	\$ -	\$ 524,924	\$ -
Restricted Cash:								
MEAG	-	1,337,611	-	-	-	-	1,337,611	-
GEFA	-	-	-	-	916,613	-	916,613	-
Capital Lease Proceeds	-	-	-	-	-	214,415	214,415	-
Construction Cash	-	-	-	-	8,025	-	8,025	-
Bond Debt Service and Reserve Cash	-	-	-	-	16,542	-	16,542	-
Renewal and Replacement Cash	-	-	-	-	3,170	-	3,170	-
	\$ -	\$ 1,337,611	\$ 13,859	\$ -	\$ 1,455,415	\$ 214,415	\$ 3,021,300	\$ -

The accompanying notes are an integral part of this financial statement.

City of LaFayette, Georgia
Notes to Financial Statements
September 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of LaFayette was incorporated September 30, 1835. The City operates under an elected mayor and council who appoint a city manager. The City provides the following services as authorized by its charter or statutes: culture and recreation, streets and roads, public utilities (electric, gas, water/sewer, sanitation), public safety (police and fire), community development, cemetery, garage, airport, golf and general and administrative services.

A. Reporting Entity

As required by generally accepted accounting principles, the financial statements would present the primary government and its component units. Certain potential component units might be considered for inclusion in the financial report because of the significance of the City's influence over their operation or finances. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships). In accordance with the above criteria, the City does not include any component units in its financial report.

Related organization:

The LaFayette Housing Authority is a related organization that has not been included in the reporting entity. The Authority provides low-income housing to eligible families in the City. The Authority's Board consists of five members that are appointed by the Mayor of LaFayette. The City is not financially accountable (does not impose will or have a financial benefit or burden relationship) for the Authority.

The Downtown Development Authority is a related organization that has not been included in the reporting entity. The Authority's current year cash balance was less than \$10,688, with no activity for the year. Based upon the materiality level of the city the Authority was not included with the City's financial statements.

B. Government-wide and Fund Financial Statements

The basic financial statements include both government-wide and fund financial statements, each of which present different views of the City. The government-wide and fund financial statements categorize primary activities as either governmental or business type.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, permits and fines, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

Fund financial statements emphasize major funds in either the governmental or proprietary funds. Non-major funds (if any) are reported as a separate column in the fund financial statements

City of LaFayette, Georgia
Notes to Financial Statements
September 30, 2011

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

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City applies all relevant FASB pronouncements and APB opinions issued on or prior to December 1, 1989 to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The City does not apply FASB pronouncements and APB opinions issued after November 30, 1989.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Taxes, licenses, and interest associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the government receives the cash. In applying the susceptible to accrual concept, nonexchange transactions are recognized in accordance with GASB Statement 33.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and unrestricted as needed.

D. Fund Types and Major Funds

Governmental Funds

The general and capital project funds are the major governmental funds that the City reports. The general fund is the primary fund of the City and accounts for all financial resources not reported in other funds. The hotel/motel tax special revenue fund accounts for the proceeds of the hotel/motel tax. The capital projects fund accounts for the acquisition and construction of major capital assets other than those accounted for by proprietary funds.

Proprietary Funds

Proprietary funds are used to account for operations for which a fee is charged to external users for goods or services and the activity is intended to be self-supporting. The City reports the airport, electric, gas, golf, water and sewer, and solid waste funds as major funds. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. These funds recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for

City of LaFayette, Georgia
Notes to Financial Statements
September 30, 2011

enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Internal Service Funds

The Self Insurance internal service fund accounts for risk management activities of the City on a cost reimbursement basis. The internal service fund is a proprietary fund reported with governmental activities in the government-wide statements.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's proprietary funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions.

Amounts reported as program revenues include charges to customers for good, services or privileges provided, operating grants and contributions, and capital grants and contributions, including special assessments. General revenues include all taxes.

E. Assets, Liabilities, Net Assets or Equity

- 1. Cash.** Cash includes amounts in demand and time deposits that by law must be insured or collateralized. Investments, if any, are limited by law and bond ordinances to federal and state securities.
- 2. Receivables.** All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Estimated unbilled revenues from the enterprise funds are recognized at the end of each year on a pro rata basis. The estimated amount is based on billings during the month following the close of the fiscal year.
- 3. Due To and Due From Other Funds/Internal Balances.** During the course of operations, numerous transactions occur between individual funds for goods provided, services rendered or interfund loans. Interfund transactions are recorded by all funds affected in the period in which transactions are executed. In the government-wide financial statements, these balances are reported as internal balances.
- 4. Interest Receivable.** Interest on investments and certain receivables is recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period.
- 5. Inventories.** Inventories for all governmental funds are recorded as expenditures when purchased; however, material amounts of inventories are reported as assets of the respective fund and accounted for using the purchases method. Reported inventories in these funds are equally offset by a fund balance reserve, which indicates they are unavailable for appropriation even though they are a component of reported assets. Inventories of proprietary funds are valued at the lower of cost (first-in, first-out) or market.
- 6. Prepaids.** Prepaids represent the amount paid in advance for Georgia sales tax on sales of electricity and gas.
- 7. Other Assets.** Other assets held are recorded and accounted for at cost.
- 8. Restricted Assets.** The Water and Sewer Fund, based on certain bond covenants, are required to establish and maintain prescribed amounts of resources that can be used only to service outstanding debt or for construction. The "bond debt service and reserve cash" accounts are used to segregate resources accumulated for debt service payments and to report resources set aside to cover the highest

City of LaFayette, Georgia
Notes to Financial Statements
September 30, 2011

debt service requirement in any subsequent year. The "renewal and replacement cash" account is used to report resources set aside to meet unexpected contingencies or for asset replacement. The "construction cash" account is used to report resources set aside to fund construction projects.

9. **Capital Assets.** The City's property, buildings, equipment and infrastructure (streets, bridges, curbs, sidewalks, drainage systems, lighting system, etc) with useful lives of more than one year and a cost greater than two thousand dollars are capitalized and depreciated. These assets are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Assets acquired by gift or bequest are recorded at their fair market value at the date of transfer. Interest expense (net of related income) incurred during the construction phase of business-type capital assets is capitalized as part of the assets' cost.

Capital assets are depreciated using the straight-line method. When these assets are disposed, the cost and related accumulated depreciation are removed from the accounts and the resulting gain/loss is recorded.

10. **Long-term Debt, Bond Discounts and Issuance Costs.** Outstanding debt and other obligations are reported as a liability in the government-wide and proprietary financial statements. Bond discounts/premiums and issuance costs for proprietary funds are capitalized and amortized over the term of the respective bonds using a method that approximates the effective interest method. Bond discounts are presented as a reduction in the face amount of bonds payable, premiums are presented as an increase of the face amount of bonds payable and issuance costs are recorded as deferred charges.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as an other financing source. Premiums received on debt issuances are reported as other financial sources while discounts on debt issuances are reported as an other financing use.

11. **Pensions.** The provision for pension cost is recorded on the accrual basis, and the City's policy is to fund pension costs as they accrue.
12. **Compensated Absences.** Full-time, permanent employees are granted vacation and sick leave benefits. Vested or accumulated vacation leave is accrued in the government-wide and proprietary financial statements and governmental funds report only the portion expected to be liquidated within the current year. Governmental funds report compensated absences only when employees are no longer employed with the City. For governmental activities, compensated absences are liquidated by the general fund. No liability is reported for non-vesting accumulating rights to receive sick leave.
13. **Fund Equity/Net Assets.** The governmental fund financial statements reports reserved fund balance for amounts not available for appropriation or legally segregated for a specific use.

Unrestricted net assets for proprietary funds represent the net assets available for future operations or distribution. Restricted net assets represent the net assets that have been legally identified for specific purposes.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Data. Formal budgetary accounting is employed as management control for all governmental funds of the City. Department heads submit their annual budget requests to the City Manager, who in turn compiles and submits the budget to the City Council. Public hearings are conducted to obtain taxpayer comments. By September 1, an annual operating budget is adopted for the general fund through passage of an annual budget ordinance and amended as required. The budget uses the same basis of accounting to

City of LaFayette, Georgia
Notes to Financial Statements
September 30, 2011

reflect actual revenues and expenditures/expenses recognized on a generally accepted accounting basis. The appropriated budget is prepared by fund, function and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the governing council. The legal level of budgeting control is the department level. The governing council made several supplemental budgetary appropriations throughout the year but they were not considered material. All appropriations lapse at the end of each fiscal year.

The capital projects fund has a project length budget which was adopted when voters approved the SPLOST referendum. This budget is prepared for the projected total SPLOST revenues and capital outlays.

Compliance with Bond Covenants. The City complied with its bond covenants in all material respects.

Deposits with Financial Institutions. State statutes require that the City's deposits be collateralized by securities held in the name of the City by the trust department of a bank that does not hold the collateralized deposits.

Deficit Fund Equity. The General Fund had a deficit fund balance of \$475,077 as of September 30, 2011. Additional funding transfers from the City's enterprise funds in the next fiscal year should correct the imbalance. The Lab Technology Fund had a deficit fund balance of \$3,945 as of September 30, 2011, which is the effect of timing differences in outlays and revenues. This is expected to reverse itself in the next fiscal year. The Hotel Motel Fund had a deficit fund balance of \$35,726 as of September 30, 2011, which is the effect of timing differences in outlays and revenues. This is expected to reverse itself in the next fiscal year.

NOTE 3. CASH AND INVESTMENTS

Cash and investments as of September 30, 2011 are classified in the financial statements as follows:

Statement of Net Assets:

Cash	\$ 381,151
Restricted Cash	3,038,496
Total Cash	<u>\$ 3,419,647</u>

All deposits with financial institutions are fully insured or collateralized by securities held in the City's name. The City's cash and cash equivalents are considered to be cash on hand, demand deposits and certificates of deposit. Investments are stated at fair value (the City has no investments other than cash.)

Cash and investments consist of the following:

Cash on hand	\$ 900
Cash deposits in financial institutions	2,081,136
Investments	1,337,611
Total Cash and Investments	<u>\$ 3,419,647</u>

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This can be measured by the assignment of a rating by a rating organization. The City does not have a formal policy that addresses credit risk.

City of LaFayette, Georgia
Notes to Financial Statements
September 30, 2011

Concentration of Credit Risk

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of an investment in a single issuer. The City has no investments that meet the criteria for concentration of credit risk disclosure. The City does not have a formal policy that addresses concentration of credit risk.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of the custodian, the City may not be able to recover the value of its investments. There is no custodial credit risk exposure for the City's investments because they are either insured or held in the City's name by the custodian. The City does not have a formal policy that addresses custodial credit risk.

NOTE 4. RECEIVABLES

Accounts receivable consists of amounts due from customers for charges related to providing electric, gas, water/sewer and sanitation services. Taxes due consist of property tax and LOST. Amounts due as of September 30, 2011, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Capital Projects</u>	<u>Enterprise</u>	<u>Total</u>
Receivables				
Accounts	\$ 19,913	\$ -	\$ 3,440,757	\$ 3,460,670
Taxes	117,190	56,967	-	174,157
Total	137,103	56,967	3,440,757	3,634,827
Less: Allowance for Uncollectible	(16,056)	-	(1,558,599)	(1,574,655)
Net Total Receivables	<u>\$ 121,047</u>	<u>\$ 56,967</u>	<u>\$ 1,882,158</u>	<u>\$ 2,060,172</u>

Property Tax

Property tax is levied upon receipt of the digest from Walker County and based upon the assessed value at January 1. Taxes were levied October 15, 2010 and due by December 20, 2010. The billings are considered past due 60 days after the tax billing date, at which time the applicable property is subject to lien and penalties and interest begins to accrue. Assessed values are established by the Walker County Board of Tax Assessors and are currently calculated at 40% of market value. The gross assessed value of property at January 1, 2010 was \$147,197,256. Based on the 2010 millage levy of 2.99, a property owner would pay \$2.99 per \$1,000 of assessed valuation. Current tax collections of \$381,666 were 96 percent of the tax levy.

All property taxes are recognized in compliance with NCGAI-3 (Revenue Recognition-Property Taxes) which states that such revenue is recorded when it becomes measurable and available. Available means due, or past due, and receivable within the current period and collected no longer than 60 days after the close of the current period.

City of LaFayette, Georgia
Notes to Financial Statements
September 30, 2011

NOTE 5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

As of September 30, 2011, interfund receivables and payables that resulted from various interfund transactions were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Water/Sewer	\$ 1,041,360
	Capital Projects	18,598
	Golf	1,467,292
	Airport	438,317
	Solid Waste	109,766
Electric	General	2,489,524
	Water/Sewer	5,730
	Gas	5,730
Gas	General	727,558
	Capital Projects	7,999
	Water/Sewer	12,500
Water/Sewer	Healthcare	308,095
	Solid Waste	2,652
Airport	Capital Projects	6,337

The interfund balances related to working capital loans between funds. No significant portion of the outstanding balances is expected to be repaid in the subsequent year.

As of September 30, 2011, interfund transfers were as follows:

<u>RECEIVING FUND</u>	<u>TRANSFERRING FUND</u>					
	<u>General</u>	<u>Police</u>	<u>Hotel Motel</u>	<u>Electric</u>	<u>Gas</u>	<u>Total</u>
General	\$ -	\$ 16,705	\$ 47,472	\$ 1,125,200	\$ 565,950	\$ 1,755,327
Airport	-	-	-	-	-	-
Self-Ins.	27,000	-	-	-	-	27,000
Solid Waste	-	-	-	-	-	-
Total	<u>\$ 27,000</u>	<u>\$ 16,705</u>	<u>\$ 47,472</u>	<u>\$ 1,125,200</u>	<u>\$ 565,950</u>	<u>\$ 1,782,327</u>

Routine transfers and payments between funds are to subsidize operations, fund capital projects and asset acquisition. SPLOST funds are accumulated in the capital project fund to complete various projects identified in the SPLOST referendum.

City of LaFayette, Georgia
Notes to Financial Statements
September 30, 2011

NOTE 6. CAPITAL ASSETS

The following table provides a summary of the City's capital asset activity:

Primary Government

	Balance October 1, 2010	Additions	Deletions & Transfers	Balance September 30, 2011
<u>Governmental activities:</u>				
<i>Capital assets, not being depreciated</i>				
Land and improvements	\$ 3,336,429	\$ -	\$ -	\$ 3,336,429
Construction in progress	89,700	244,703	(89,700)	244,703
Total capital assets, not being depreciated	<u>3,426,129</u>	<u>244,703</u>	<u>(89,700)</u>	<u>3,581,132</u>
<i>Capital assets, being depreciated</i>				
Infrastructure	826,637	296,848	89,700	1,213,185
Buildings and improvements	1,975,494	40,308	-	2,015,802
Park improvements	2,278,710	-	-	2,278,710
Equipment	<u>2,635,055</u>	<u>51,470</u>	<u>-</u>	<u>2,686,525</u>
Total capital assets, being depreciated	7,715,896	388,626	89,700	8,194,222
Less accumulated depreciation for:				
Infrastructure	(96,149)	(46,320)	-	(142,469)
Buildings and improvements	(1,921,427)	(44,223)	-	(1,965,650)
Park improvements	(960,240)	(11,090)	-	(971,330)
Equipment	<u>(1,407,261)</u>	<u>(273,255)</u>	<u>-</u>	<u>(1,680,516)</u>
Total accumulated depreciation	<u>(4,385,077)</u>	<u>(374,888)</u>	<u>-</u>	<u>(4,759,965)</u>
Total capital assets, being depreciated, net	<u>3,330,819</u>	<u>13,738</u>	<u>-</u>	<u>3,434,257</u>
Governmental activities capital assets, net	<u>\$ 6,756,948</u>	<u>\$ 258,441</u>	<u>\$ -</u>	<u>\$ 7,015,389</u>

Additions to capital assets consist of general fund additions of \$633,329.

City of LaFayette, Georgia
Notes to Financial Statements
September 30, 2011

	Balance October 1, 2010	Additions	Deletions & Transfers	Balance September 30, 2011
<u>Business-type activities:</u>				
<i>Capital assets, not being depreciated</i>				
Land	\$ 2,233,918	\$ -	\$ 38,166	\$ 2,272,084
Construction in progress	5,672,223	1,636,819	(1,843,545)	5,465,497
Total capital assets, not being depreciated	<u>7,906,141</u>	<u>1,636,819</u>	<u>(1,805,379)</u>	<u>7,737,581</u>
 <i>Capital assets, being depreciated</i>				
Utility systems	29,870,319	24,388	-	29,894,707
Buildings	2,320,056	-	1,805,379	4,125,435
Improvements other than buildings	3,524,376	-	-	3,524,376
Equipment	4,443,583	105,927	-	4,549,510
Total capital assets, being depreciated	<u>40,158,334</u>	<u>130,315</u>	<u>1,805,379</u>	<u>42,094,028</u>
 Less accumulated depreciation for:				
Utility systems	(15,589,072)	(938,790)	-	(16,527,862)
Buildings	(1,196,550)	(177,691)	-	(1,374,241)
Improvements other than buildings	(370,292)	(33,659)	-	(403,951)
Equipment	(2,371,692)	(216,526)	-	(2,588,218)
Total accumulated depreciation	<u>(19,527,606)</u>	<u>(1,366,666)</u>	<u>-</u>	<u>(20,894,272)</u>
 Total capital assets, being depreciated, net	<u>20,630,728</u>	<u>(1,236,351)</u>	<u>1,805,379</u>	<u>21,199,756</u>
 Business-type activities capital assets, net	<u>\$ 28,536,869</u>	<u>\$ 400,468</u>	<u>\$ -</u>	<u>\$ 28,937,337</u>

City of LaFayette, Georgia
Notes to Financial Statements
September 30, 2011

Depreciation expense was charged to functions/programs of the government as follows:

Governmental activities:

General government	\$	21,840
Police		92,106
Fire		89,230
Public works		87,832
Recreation		<u>83,880</u>
Total depreciation expense	\$	<u>374,888</u>

Business-type activities:

Electric	\$	155,735
Gas		38,994
Water and Sewer		858,054
Solid Waste		64,306
Golf		63,245
Airport		<u>186,332</u>
Total depreciation expense	\$	<u>1,366,666</u>

Estimated useful lives used to compute depreciation are:

Infrastructure	30 years
Improvements	5-20 years
Equipment	3-10 years
Buildings	20-50 years
Utility Systems	20-75 years

NOTE 7. LEASES

Capital Leases

The City has entered into a lease agreement with BB&T Governmental Finance as lessee for financing the acquisition of a 2011 Peterbilt garbage truck for \$214,393.

This lease agreement with BB&T Governmental Finance qualifies as a capital lease for accounting purposes (title transfers at the end of the lease term) and, therefore, has been recorded at the present value of the future minimum lease payments as of the date the equipment is acquired.

The City's equipment under lease has a cost of \$214,393 and no accumulated depreciation as of September 30, 2011. The following is a schedule of the future minimum lease payments under this capital lease, and the present value of the net minimum lease payments at September 30, 2011. The effective interest rate at September 30, 2011 is 2.39%.

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2011, are as follows:

City of LaFayette, Georgia
Notes to Financial Statements
September 30, 2011

<u>Year Ending September 30</u>	<u>Business-Type Activities</u>
2012	\$ 30,624
2013	45,935
2014	45,935
2015	45,935
2016	45,936
2017	<u>15,312</u>
Total Minimum Lease Payments	229,677
Less Amount Representing Interest	<u>(15,284)</u>
Present Value of Future Minimum Lease Payments	<u>\$ 214,393</u>

NOTE 8. LONG-TERM DEBT

Debt outstanding as of September 30, 2011 is composed of the following:

General Obligation Bonds

	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Date of Last Payment</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Governmental Activities:					
SPLOST Bonds	3.97%	11/06/08	6/1/2015	\$ 3,400,000	<u>\$ 2,370,000</u>

The following schedule presents debt service requirements to maturity for general obligation bonds:

	<u>Governmental Activities</u>	
<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 560,000	\$ 82,973
2013	580,000	60,344
2014	605,000	36,822
2015	625,000	12,406
Total	<u>\$ 2,370,000</u>	<u>\$ 192,545</u>

Revenue Bonds

During the year the City retired the remaining \$1,125,000 of a 2001 Water Sewer Fund bond issue, originally scheduled to be fully paid by June 1, 2012.

City of LaFayette, Georgia
Notes to Financial Statements
September 30, 2011

Notes Payable

	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Date of Last Payment</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Business-type Activities:					
Water/Sewer - System	2.0%	08/01/01	08/01/18	\$ 1,062,522	\$ 481,484
Water/Sewer - System	4.3%	02/01/03	02/01/23	2,020,945	1,365,321
Water/Sewer - System	4.1%	04/15/09	07/01/30	4,658,847	4,658,847
Water/Sewer - System	3.0%	11/01/10	07/01/32	470,630	470,630
				<u>\$ 8,212,944</u>	<u>\$ 6,976,282</u>

Notes payable debt service requirements to maturity are presented below:

<u>Year Ending September 30</u>	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 330,735	\$ 268,381
2013	343,132	255,984
2014	356,023	243,094
2015	369,426	229,691
2016	383,361	215,757
2017-2021	1,918,202	855,733
2022-2026	1,608,519	488,153
2027-2031	<u>1,666,884</u>	<u>172,315</u>
Total	<u>\$ 6,976,282</u>	<u>\$ 2,729,108</u>

The following is a summary of the City's long-term debt transactions for the year ended September 30, 2011:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within one year</u>
Governmental activities:					
Compensated Absences	\$ 134,042	\$ 89,714	\$ 82,794	\$ 140,962	\$ 64,125
General Obligation Bonds	2,905,000	-	535,000	2,370,000	535,000
Total Governmental Funds	<u>\$ 3,039,042</u>	<u>\$ 89,714</u>	<u>\$ 617,794</u>	<u>\$ 2,510,962</u>	<u>\$ 599,125</u>
Business-type activities:					
Compensated Absences	\$ 124,203	\$ 70,103	\$ 72,259	\$ 122,047	\$ 57,362
Revenue Bonds	1,125,000	-	1,125,000	-	-
Notes Payable	5,710,554	1,424,573	155,865	6,979,262	335,304
Landfill Closure/Post Closure	73,869	10,034	-	83,903	-
	<u>\$ 7,033,626</u>	<u>\$ 1,504,710</u>	<u>\$ 1,353,124</u>	<u>\$ 7,185,212</u>	<u>\$ 392,666</u>

City of LaFayette, Georgia
Notes to Financial Statements
September 30, 2011

Note 9. OTHER COMMITMENTS

Under the terms of a power sales contract dated October 1, 1975 and for a period not to exceed 50 years, the City agrees to purchase its electric power and energy through the Municipal Electric Authority of Georgia (MEAG). This energy is priced to cover MEAG's cost of operating the system and to retire any debt incurred by MEAG. In return, MEAG agrees to purchase or provide the generating capacity necessary for reliable and economical power output for the City to operate its electric system. In the event that the operating revenues of the City's electric system are insufficient to cover its obligation to MEAG, or the City does not purchase the required amount of electric power and energy as specified in the contract (calculated annually), the City has agreed to assess and collect property tax sufficient to make all remaining payments due under this contract. At September 30, 2011, the outstanding debt of MEAG was \$5,565,801,816. The City's guarantee varies by individual project and totals \$61,282,437.

NOTE 10. PENSION PLAN

Plan Description. The City has a non-contributory defined benefit plan covering all full time employees. The plan was established by the City and the authority to amend or discontinue the plan is assigned to the City. The plan, the City of LaFayette Retirement Plan, is administered by the Georgia Municipal Employees Benefit System (GMEBS) a statewide, agent multiple employer defined benefit plan. GMEBS policy direction and oversight for the fund is provided by a 15 member board comprised of elected and appointed municipal officials from among the fund's membership. GMEBS handles all administrative and investment functions relative to the plan. The plan provides pension benefits and death and disability benefits for all employees that have been employed full time for one year and employees are vested after 5 years. Members may retire at age 65 with 5 years of service or at age 55 with 10 years of service. Benefits are calculated at 1% to 1.75% of the average monthly earnings for the period of the five highest years prior to retirement.

The Georgia Municipal Employees Benefit System issues a publicly available annual financial report that includes financial statements and required supplementary information. This report may be obtained by contacting the Georgia Municipal Employees Benefit System, C/O Georgia Municipal Association – Risk Management and Employee Benefit Services, 201 Pryor Street, SW, Atlanta, Georgia 30303.

Funding Policy and Pension Cost.

The funding policy for the plan is to contribute an amount equal to the recommended contribution in each year. The recommended contribution meets the guidelines for calculating an annual required contribution as set forth in GASB Statement No. 27. The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from May 1, 1982, and the 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 year. On the basis of the current valuation, it was determined that the current contribution rate is 10.65% of annual covered payroll.

The Plan is subject to the minimum funding standards of the Public Retirement Systems Standards Law (Georgia Code Section 47-20-10). The estimated minimum annual contribution under these funding standards is \$401,437. The employer contributes the recommended contribution developed under the actuarial funding policy each year, so it meets or exceeds the requirements of this law.

The recommended contribution to the plan from the actuarial report dated January 1, 2010, was \$425,394 (\$0 employee and \$425,394 employer; 0% and 10.48% of covered payroll respectively). The City's covered payroll for eligible employees was \$3,953,883. Based upon the actuarial valuation of January 1, 2011, the recommended contribution for the coming year is \$438,991, which is 10.65% of estimated payroll of \$4,016,372.

City of LaFayette, Georgia
Notes to Financial Statements
September 30, 2011

Funded Status

GASB No. 27 requires disclosure of the City's annual pension cost, percentage of annual percentage cost contributed and net pension obligation for the most recent three years.

Three-Year Trend Information

<u>Plan Year Ending</u>	<u>Employer Annual Pension Cost (APC)</u>	<u>Percentage Of APC Contributed</u>	<u>Net (EOY) Pension Obligation</u>
January 1, 2011	\$ 298,314	100%	\$ 0
January 1, 2010	283,050	100%	0
May 1, 2009	273,856	100%	0

Schedule of Funding Progress

<u>Actuarial Valuation For Plan Year Ending 1/1</u>	<u>(1) Actuarial Value of Assets</u>	<u>(2) Actuarial Accrued Liability</u>	<u>(3) Unfunded Actuarial Accrued Liability (Excess) (2) - (1)</u>	<u>(4) Funded Ratio (1) / (2)</u>	<u>(5) Covered Payroll</u>	<u>(6) Unfunded Actuarial Accrued Liability as % Of Covered Payroll (3) / (5)</u>
2011	\$ 7,905,296	\$ 9,296,670	\$ 1,391,374	85.03%	\$ 4,016,372	34.64%
2010	7,347,268	8,773,552	1,426,284	83.74%	3,953,883	36.07%
2009	5,720,324	8,601,622	2,881,298	66.50%	4,156,934	69.31%

Significant Actuarial Assumptions

The significant actuarial assumptions used to compute the actuarial accrued liability and the annual recommended contribution of the plan meet the Actuarial Standard of Practice No. 4, Measuring Pension Obligations, establishing generally accepted actuarial principles and practices.

The significant actuarial assumptions used in the current valuation are:

Rate of Return on Investment 7.75% per year

Projected Salary Increase for
Inflation 3.5% per year

Postretirement Benefit Increases Not Applicable

Economic Assumptions

Annual Rates of increase in
Salaries Per rate tables
Future Social Security Wage Bases 3.5%
Inflation Rate 3.5%

Cost of Living Adjustment N/A

City of LaFayette, Georgia
Notes to Financial Statements
September 30, 2011

Actuarial Methods

Normal Cost and Actuarial Accrued Liability	Projected Unit Credit
Amortization method	Level dollar
Actuarial Value of Assets	Roll forward prior year's actuarial value with contributions, disbursements, and expected return on investments, plus (minus) 10% of the amount that Market Value of Assets exceeds (is less than) Expected Actuarial Value of Assets

The plan provisions and actuarial assumptions and cost methods are the same as those used to determine the contribution requirement for the preceding year.

As of January 1, 2011, the plan membership includes the following categories of participants:

Retirees and beneficiaries currently receiving benefits	69
Terminated employees entitled to benefits but not yet receiving them	49
Vested active participants	102
Nonvested participants	<u>19</u>
Total	<u>239</u>

NOTE 11. SPECIAL LOCAL OPTION SALES TAX

In June 1998, voters approved a referendum to continue collection of a 1% Special Local Option Sales Tax. Collection of the tax began on October 1, 1998 with the first payment received in December 1998. The proceeds from this sales tax are to be used to pay principal and interest installments on the 1998 Public Facilities Revenue Bonds and to construct various water/sewer, airport, recreation, street and sidewalk improvements.

In June 2003, voters approved a referendum to continue collection of a 1% Special Local Option Sales Tax. Collection is schedule to begin on October 1, 2003 and end September 2008. The City's distributive share of this tax is projected to be \$3,209,250 or 11.67%. The proceeds from this sales tax are to be used for acquisition and construction of improvements and the purchase of equipment for public safety, solid waste, recreation and water and sewer, the acquisition of public works equipment, the acquisition, construction and equipping of new streetscapes, new buildings and improvements for public works and equipment, building and improvements for the municipal airport.

In June 2008, voters approved a referendum to continue collection of a 1% Special Local Option Sales Tax. Collection is schedule to begin on October 1, 2008 and end September 2014. The City's distributive share of this tax is projected to be \$4,434,600, or 11.67%. The proceeds from this sales tax are to be used for acquisition and construction of improvements and the purchase of equipment for public safety, solid waste, recreation and water and sewer, the acquisition of public works equipment, the acquisition, construction and equipping of new streetscapes, new buildings and improvements for public works and equipment.

City of LaFayette, Georgia
Notes to Financial Statements
September 30, 2011

NOTE 12. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Expenditures exceeded appropriations in the following General Fund departments as follows:

General Government	\$ 72,703
Police	101,949
Public Works	558,006
Recreation	20,750
Garage	42,664

Expenditures exceeded appropriations in the Drug Task Force and Lab Technology Special Revenue Funds.

In order to prevent excess expenditures in the following years, the City's management will monitor monthly budget reports and make adjustments or amendments when necessary, with approval from the City Council.

The fund balance in the City of LaFayette General Fund was a negative \$475,077 for the year ended September 30, 2011.

NOTE 13. RISK MANAGEMENT

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's attorney the resolution of these matters will not have a material adverse effect on the financial condition of the City.

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees and natural disasters. The City has joined with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency (GIRMA) for its property and liability insurance, and the Worker's Compensation Self-Insurance Fund (WCSIF) for injuries to employees. Both are public entity risk pools currently operating as common risk management and insurance programs for member local governments. The Georgia Municipal Association (GMA) administers both risk pools.

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

The funds are to defend and protect its members against liability or loss as prescribed in the member governments' contracts and in accordance with the workers' compensation laws of Georgia. The funds are to pay all cost taxed against members in any legal proceedings defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

During the past three fiscal years the cost of any settlements have not exceeded insurance coverage.

City of LaFayette, Georgia
Notes to Financial Statements
September 30, 2011

NOTE 14. UNEARNED/DEFERRED REVENUES

Governmental fund unearned/deferred revenue at year-end is current year property tax revenues of \$14,763.

NOTE 15. RESTRICTED ASSETS

At September 30, 2011, the restricted assets account balances are comprised of the following:

Governmental activities:

	<u>General</u>
Restricted assets:	
Cash-Perpetual care	\$ 116,276
Cash-Bond Debt Service	425,845
Total restricted assets	<u>\$ 542,121</u>

Business-type activities

	<u>Water/Sewer</u>	<u>Electric</u>	<u>Solid Waste</u>
Restricted assets:			
Cash-MEAG	\$ -	\$ 1,337,611	\$ -
Cash-construction cash	8,025	-	-
Cash-Renewal and replacement	3,170	-	-
Cash-Capital lease	-	-	214,415
Cash-GEFA loan account	873,722	-	-
Total restricted assets	<u>\$ 884,917</u>	<u>\$ 1,337,611</u>	<u>\$ 214,415</u>

NOTE 16. FUND BALANCE/NET ASSETS

Reserves are used to indicate that a portion of the fund balance/net assets is not available for appropriation or is legally segregated for specific future use. The following reserves are used by the City:

General and Capital Projects Funds:

Reserved for capital projects-Reserved for completion of construction projects financed by SPLOST proceeds.

Water & Sewer Fund:

Reserved for Debt Service and Renewals and Replacement. These reserves were created in conjunction with the issuance of revenue bonds and are funded by initial deposits from the proceeds of such bonds and by transfers from the revenue accounts to accounts that are restricted to debt service and payments for system renewals and extensions.

Fiduciary Fund:

Held in trust for revolving loans-This reserve was created to segregate a portion of the net assets as required by grant agreement.

City of LaFayette, Georgia
Notes to Financial Statements
September 30, 2011

NOTE 17. LANDFILL CLOSURE/POSTCLOSURE COSTS

The City of LaFayette operates a municipal solid waste landfill for City use only and does not accept waste from any outside parties. State and federal laws and regulations require that the City place a final cover on its landfill when closed and perform certain maintenance and monitoring functions for a period of 30 years after closure. While the City has immaterial operating costs related to the current activity at the landfill, an expense provision and related liability are being recognized based on projected future closure and postclosure care costs that will be incurred.

The recognition of these costs is based on the amount of landfill space used to date. The liability for landfill closure and postclosure costs at September 30, 2011 is \$83,903. Estimated total current cost of closure and postclosure care remaining to be recognized is \$408,016. However, the actual cost of closure and postclosure care may be higher due to the effects of inflation, changes in technology, or changes in landfill laws and regulations. The City currently meets applicable financial assurance requirements.

The landfill capacity used to date is approximately 17.0%. According to the most recent study, at the current usage rate, the estimated remaining life of the landfill is 58 years.

NOTE 18. HOTEL/MOTEL TAX REVENUES AND TOURISM EXPENDITURES

The City of LaFayette levies a 5% hotel/motel tax in accordance with provisions of the Official Code of Georgia section 48-13-51. This code section requires that the City expend an amount equal to the amount by which the total taxes collected under this section exceed the taxes that would be collected at a rate of 3 percent. For the year ended September 30, 2011, the amount the City collected was \$22,972. In accordance with a contractual agreement, 100% of the 2% difference in collections had been paid to the Walker County Chamber of Commerce and was to be used for promotion of tourism.

NOTE 19. JOINT VENTURE

The City of LaFayette is a member of the Coosa Valley Regional Development Center (RDC). The RDC was created under the laws of the State of Georgia and cities and counties in the area served by the RDC are required to be members. The membership of the RDC includes 10 counties and 35 municipalities. The City has no equity interest in the RDC nor does the City materially contribute to the continued existence of the RDC. The Official Code of Georgia Annotated Section 50-8-39.1 states that in the event the RDC ceases operation, the membership can be assessed for any debt or obligation of the RDC. Separate financial statements may be obtained from: Coosa Valley Regional Development Center, P. O. Box 1793, Rome, Georgia 30162.

Note 20. PRIOR PERIOD ADJUSTMENT

The City had a prior period adjustment of \$93,174 in the Water/Sewer fund to correct prior year depreciation computation errors for existing assets. There was a \$48,940 prior period adjustment in the Solid Waste fund to adjust for prior year landfill closure/postclosure liability accruals.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF LAFAYETTE, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

	Special Revenue				Total Nonmajor Governmental Funds
	Police Technology	Police	Police Forfeiture	Hotel Motel	
ASSETS					
Cash	\$ 20,128	\$ 15,759	\$ 1,856	\$ -	\$ 37,743
Receivables (Net of Allowance for Uncollectibles):					
Accounts	-	-	-	-	-
Taxes	-	-	-	-	-
Prepays	-	-	-	-	-
Inventory	-	-	-	-	-
Due from Other Funds	-	-	-	-	-
Notes Receivable	-	-	-	-	-
Cash - Restricted	-	-	-	-	-
Total Assets	<u>\$ 20,128</u>	<u>\$ 15,759</u>	<u>\$ 1,856</u>	<u>\$ -</u>	<u>\$ 37,743</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Cash Overdraft	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	-	-	-	-	-
Accrued Payable & Withholdings	-	-	-	-	-
Due to Other Funds	24,073	-	-	35,726	59,799
Compensated Absences	-	-	-	-	-
Customer Deposits	-	-	-	-	-
Deferred Revenue	-	-	-	-	-
Total Liabilities	<u>24,073</u>	<u>-</u>	<u>-</u>	<u>35,726</u>	<u>59,799</u>
Fund Balance:					
Reserved for:					
Capital Projects	-	-	-	-	-
Unreserved	(3,945)	15,759	1,856	(35,726)	(22,056)
Total Fund Balances	<u>(3,945)</u>	<u>15,759</u>	<u>1,856</u>	<u>(35,726)</u>	<u>(22,056)</u>
Total Liabilities and Fund Balances	<u>\$ 20,128</u>	<u>\$ 15,759</u>	<u>\$ 1,856</u>	<u>\$ -</u>	<u>\$ 37,743</u>

The accompanying notes are an integral part of this financial statement.

CITY OF LAFAYETTE, GEORGIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Special Revenue				Total Nonmajor Governmental Funds
	Police Technology	Police	Police Forfeiture	Hotel Motel	
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ 22,972	\$ 22,972
Grant Revenue	-	-	-	-	-
Licenses and Permits	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Payments in lieu of taxes	-	-	-	-	-
Fines and Forfeitures	-	240,556	-	-	240,556
Charges for Services	-	-	-	-	-
Contributions and donations	-	-	-	-	-
Miscellaneous Income	-	-	-	-	-
Interest Income	36	114	4	-	154
Total Revenues	36	240,670	4	22,972	263,682
EXPENDITURES					
Current:					
General Government	-	-	-	-	-
Police	4,028	107,388	-	-	111,416
Fire	-	-	-	-	-
Public Works	-	-	-	-	-
Engineering	-	-	-	-	-
Recreation	-	-	-	11,226	11,226
Garage	-	-	-	-	-
Animal Control	-	-	-	-	-
Intergovernmental Expenditures	-	100,239	-	-	100,239
Capital Outlay:					
General Government	-	-	-	-	-
Streets and Roads	-	-	-	-	-
Public Safety	-	-	-	-	-
Recreation	-	-	-	-	-
Total Expenditures	4,028	207,627	-	11,226	222,881
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,992)	33,043	4	11,746	40,801
OTHER FINANCING SOURCES (USES)					
Transfers - Out	-	(16,705)	-	(47,472)	(64,177)
Transfers - In	-	-	-	-	-
Sale of capital assets	-	-	-	-	-
Total Other Financing Sources (Uses)	-	(16,705)	-	(47,472)	(64,177)
Net Change in Fund Balances	(3,992)	16,338	4	(35,726)	(23,376)
Fund Balance (Deficit) - Beginning of Year	47	(580)	1,853	-	1,320
Fund Balance - End of Year	\$ (3,945)	\$ 15,758	\$ 1,857	\$ (35,726)	\$ (22,056)

The accompanying notes are an integral part of this financial statement.

CITY OF LAFAYETTE, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
HOTEL/MOTEL TAX SPECIAL REVENUE
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 29,500	\$ 29,500	\$ 22,972	\$ (6,528)
Total Revenues	29,500	29,500	22,972	(6,528)
EXPENDITURES				
Tourism Promotion	5,000	5,000	11,226	(6,226)
Total Expenditures	5,000	5,000	11,226	(6,226)
Excess (Deficiency) of Revenues Over (Under) Expenditures	24,500	24,500	11,746	(12,754)
OTHER FINANCING SOURCES (USES)				
Transfers - Out	(24,500)	(24,500)	(47,472)	(22,972)
Total Other Financing Sources (Uses)	(24,500)	(24,500)	(47,472)	(22,972)
Net Change in Fund Balance	-	-	(35,726)	(35,726)
Fund Balance (Deficit) - Beginning of Year	-	-	-	-
Fund Balance (Deficit) - End of Year	\$ -	\$ -	\$ (35,726)	\$ (35,726)

The accompanying notes are an integral part of this financial statement.

CITY OF LAFAYETTE, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
CAPITAL PROJECTS FUND
2008 SPLOST
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Project Length Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 4,434,600	\$ 4,434,600	\$ 634,271	\$ (3,800,329)
Intergovernmental	-	-	-	-
Interest Income	-	-	3,858	3,858
Total Revenues	<u>4,434,600</u>	<u>4,434,600</u>	<u>638,129</u>	<u>(3,796,471)</u>
EXPENDITURES				
Current:				
General Government	-	-	45	(45)
Debt Service:				
Principal	-	-	535,000	(535,000)
Interest	-	-	104,709	(104,709)
Bond Issuance Costs	-	-	-	-
Capital Outlays	<u>4,434,600</u>	<u>4,434,600</u>	<u>61,559</u>	<u>4,373,041</u>
Total Expenditures	<u>4,434,600</u>	<u>4,434,600</u>	<u>701,313</u>	<u>3,733,287</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>(63,184)</u>	<u>(63,184)</u>
OTHER FINANCING SOURCES (USES)				
2008 Bonds Issued	-	-	-	-
Transfers - In	-	-	-	-
Transfers - Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	-	(63,184)	(63,184)
Fund Balance (Deficit) - Beginning of Year	-	-	815,105	815,105
Fund Balance (Deficit) - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 751,921</u>	<u>\$ 751,921</u>

The accompanying notes are an integral part of this financial statement.

CITY OF LAFAYETTE, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
POLICE SPECIAL REVENUE
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Fines and Forfeitures	\$ 216,500	\$ 216,500	\$ 240,556	\$ 24,056
Interest	150	150	114	(36)
Total Revenues	<u>216,650</u>	<u>216,650</u>	<u>240,670</u>	<u>24,020</u>
EXPENDITURES				
Current:				
Police	<u>216,650</u>	<u>216,650</u>	<u>107,388</u>	<u>109,262</u>
Total Expenditures	<u>216,650</u>	<u>216,650</u>	<u>107,388</u>	<u>109,262</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>133,282</u>	<u>133,282</u>
OTHER FINANCING SOURCES (USES)				
Payments to Other Governments	-	-	(100,239)	(100,239)
Transfers - Out	<u>-</u>	<u>-</u>	<u>(16,704)</u>	<u>(16,704)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(116,943)</u>	<u>(116,943)</u>
Net Change in Fund Balance	-	-	16,339	16,339
Fund Balance (Deficit) - Beginning of Year	<u>-</u>	<u>-</u>	<u>(580)</u>	<u>(580)</u>
Fund Balance (Deficit) - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,759</u>	<u>\$ 15,759</u>

The accompanying notes are an integral part of this financial statement.

CITY OF LAFAYETTE, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
POLICE FORFEITURE SPECIAL REVENUE
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Fines and Forfeitures	\$ 2,590	\$ 2,590	\$ -	\$ (2,590)
Interest	10	10	3	(7)
Total Revenues	<u>2,600</u>	<u>2,600</u>	<u>3</u>	<u>(2,597)</u>
EXPENDITURES				
Current:				
Police	<u>2,600</u>	<u>2,600</u>	<u>-</u>	<u>2,600</u>
Total Expenditures	<u>2,600</u>	<u>2,600</u>	<u>-</u>	<u>2,600</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>3</u>	<u>3</u>
OTHER FINANCING SOURCES (USES)				
Transfers - Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	-	3	3
Fund Balance (Deficit) - Beginning of Year	<u>-</u>	<u>-</u>	<u>1,853</u>	<u>1,853</u>
Fund Balance (Deficit) - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,856</u>	<u>\$ 1,856</u>

The accompanying notes are an integral part of this financial statement.

CITY OF LAFAYETTE, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
POLICE TECHNOLOGY SPECIAL REVENUE
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Fine Add-Ons	\$ 10	\$ 10	\$ -	\$ (10)
Interest	10	10	36	26
Total Revenues	20	20	36	26
EXPENDITURES				
Current:				
Police	20	20	4,028	(4,008)
Total Expenditures	20	20	4,028	(4,008)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(3,992)	(3,982)
OTHER FINANCING SOURCES (USES)				
Transfers - Out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	-	-	(3,992)	(3,982)
Fund Balance (Deficit) - Beginning of Year	-	-	47	47
Fund Balance (Deficit) - End of Year	\$ -	\$ -	\$ (3,945)	\$ (3,935)

The accompanying notes are an integral part of this financial statement.

STATISTICAL SECTION

**CITY OF LAFAYETTE, GEORGIA
STATISTICAL SECTION
SEPTEMBER 30, 2011**

This part of the City's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

CONTENTS	<u>PAGES</u>
Financial Trends	
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	67-71
Revenue Capacity	
These schedules contain information to help the reader assess the City's most significant revenue source, the property tax.	72-75
Debt Capacity	
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the Agency's ability to issue additional debt in the future.	76-79
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	80-81
Operating Information	
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	82-84

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

City of Lafayette, Georgia
Net Assets By Component
Last Five Fiscal Years
(accrual basis of accounting)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Governmental activities					
Invested in capital assets, net of related debt	\$ 6,925,052	\$ 5,415,144	\$ 2,587,120	\$ 3,851,948	\$ 4,645,389
Restricted	655,142	159,095	370,207	372,480	1,741,229
Unrestricted	<u>817,772</u>	<u>(478,789)</u>	<u>1,888,574</u>	<u>430,307</u>	<u>(1,953,591)</u>
Total governmental activities net assets	<u>\$ 8,397,966</u>	<u>\$ 5,095,450</u>	<u>\$ 4,845,901</u>	<u>\$ 4,654,735</u>	<u>\$ 4,433,027</u>
Business-type activities					
Invested in capital assets, net of related debt	\$ 18,053,148	\$ 21,967,815	\$ 21,644,406	\$ 21,723,541	\$ 21,958,075
Restricted	1,202,647	1,229,047	1,230,702	1,156,598	217,585
Unrestricted	<u>2,626,272</u>	<u>1,538,196</u>	<u>2,666,153</u>	<u>3,851,985</u>	<u>4,142,161</u>
Total business-type activities net assets	<u>\$ 21,882,067</u>	<u>\$ 24,735,058</u>	<u>\$ 25,541,261</u>	<u>\$ 26,732,124</u>	<u>\$ 26,317,821</u>
Primary government					
Invested in capital assets, net of related debt	\$ 24,978,200	\$ 27,382,959	\$ 24,231,526	\$ 25,575,489	\$ 26,603,464
Restricted	1,857,789	1,388,142	1,600,909	1,529,078	1,958,814
Unrestricted	<u>3,444,044</u>	<u>1,059,407</u>	<u>4,554,727</u>	<u>4,282,292</u>	<u>2,188,570</u>
Total primary government net assets	<u>\$ 30,280,033</u>	<u>\$ 29,830,508</u>	<u>\$ 30,387,162</u>	<u>\$ 31,386,859</u>	<u>\$ 30,750,848</u>

⁽¹⁾ The City implemented GASB 34, the new reporting standard, in fiscal year 2007. Therefore, ten years of data is not available, but will be accumulated over time.

City of Lafayette, Georgia
Changes in Net Assets
Last Five Fiscal Years
(accrual basis of accounting)

	2007	2008	2009	2010	2011
Expenses					
Governmental activities:					
General Government	\$ 936,752	\$ 984,479	\$ 1,071,282	\$ 984,125	\$ 1,079,171
Police	1,354,576	1,596,423	1,616,848	1,731,578	1,804,053
Fire	273,813	381,843	411,645	424,828	427,647
Public Works	949,226	959,681	952,337	1,198,003	1,122,605
Engineering	313,863	371,007	313,018	241,806	211,138
Recreation	845,284	990,485	836,134	880,389	872,255
Garage	171,259	239,752	170,778	172,978	221,800
Animal Control	45,876	49,090	49,073	57,768	46,076
Interest on Long-term Debt	-	-	88,112	125,154	187,682
Total governmental activities expenses	<u>4,890,649</u>	<u>5,572,760</u>	<u>5,509,227</u>	<u>5,816,629</u>	<u>5,972,427</u>
Business-type activities:					
Electric	7,476,015	6,415,012	5,941,777	6,356,037	6,787,899
Gas	3,173,016	3,195,382	2,524,138	2,326,496	2,250,743
Water & Sewer	3,050,299	3,092,514	3,062,970	3,166,961	3,271,779
Solid Waste	566,598	571,896	468,771	547,797	577,842
Golf	663,517	720,431	729,031	768,208	805,176
Airport	203,707	288,331	338,773	348,963	375,148
Total business-type activities expenses	<u>15,133,152</u>	<u>14,283,566</u>	<u>13,065,460</u>	<u>13,514,462</u>	<u>14,068,587</u>
Total primary government expenses	<u>\$ 20,023,801</u>	<u>\$ 19,856,326</u>	<u>\$ 18,574,687</u>	<u>\$ 19,331,091</u>	<u>\$ 20,041,014</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General Government	\$ 744,994	\$ 727,865	\$ 741,448	\$ 762,271	\$ 789,344
Police	234,411	265,671	226,688	331,889	343,163
Fire	-	-	-	-	-
Public Works	36,705	62,065	63,480	39,650	38,750
Engineering	-	-	10,619	7,041	15,955
Recreation	121,526	114,843	106,635	124,327	126,270
Garage	-	-	-	-	-
Animal Control	78	48	124	59	44
Operating grants and contributions	84,164	73,729	37,162	72,571	68,212
Capital grants and contributions	262,651	41,474	279,448	222,297	276,066
Total governmental activities program revenues	<u>1,484,529</u>	<u>1,285,695</u>	<u>1,465,604</u>	<u>1,560,105</u>	<u>1,657,804</u>
Business-type activities:					
Charges for services:					
Electric	6,952,011	7,150,710	7,313,826	8,082,649	7,454,354
Gas	3,698,030	3,692,304	3,079,206	2,977,647	2,726,493
Water & Sewer	3,276,325	3,170,295	3,322,222	3,688,544	3,754,331
Solid Waste	422,076	470,525	504,938	485,433	490,800
Golf	539,918	527,709	598,882	554,463	572,607
Airport	118,819	114,928	99,184	112,222	122,131
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	-	1,391,617	75,211	301,847	355,939
Total business-type activities program revenues	<u>15,007,179</u>	<u>16,518,088</u>	<u>14,993,469</u>	<u>16,202,805</u>	<u>15,476,655</u>
Total primary government program revenues	<u>16,491,708</u>	<u>17,803,783</u>	<u>16,459,073</u>	<u>17,762,910</u>	<u>17,134,459</u>
Net (expense) revenue					
Governmental activities	(3,406,120)	(4,287,065)	(4,043,623)	(4,256,524)	(4,314,623)
Business-type activities	(125,973)	2,234,522	1,928,009	2,688,343	1,408,068
Total primary government net (expense)	<u>(3,532,093)</u>	<u>(2,052,543)</u>	<u>(2,115,614)</u>	<u>(1,568,181)</u>	<u>(2,906,555)</u>

City of Lafayette, Georgia
Changes in Net Assets
Last Five Fiscal Years
(accrual basis of accounting)

(continued)

	2007	2008	2009	2010	2011
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Taxes:					
Property	438,279	507,138	533,775	464,412	472,937
Sales	1,006,545	545,066	1,380,487	1,116,086	1,149,233
Hotel/Motel	29,975	29,153	27,889	28,065	22,972
Insurance Premium	351,184	366,324	375,099	371,580	360,781
Business/Occupation	76,763	74,973	75,158	76,521	71,226
Beverage	129,065	123,495	132,496	117,584	122,097
Franchise	216,981	266,226	279,595	268,837	291,322
Other	30,846	625,632	375,690	16,166	11,882
Investment Earnings	40,547	22,316	45,862	25,067	6,048
Miscellaneous	304,805	126,193	41,230	62,563	23,751
Payments to Other Governments	(165,148)	(200,471)	(87,013)	(116,103)	(100,239)
Gain on Sale of Capital Assets	-	(1,378,995)	44,200	17,381	-
Transfers	1,974,000	(122,501)	989,519	1,617,199	1,691,150
Total governmental activities	4,433,842	984,549	4,213,987	4,065,358	4,123,160
Business-type activities:					
Investment earnings	209,097	108,671	39,503	10,104	9,589
Gain on Sale of Capital Assets	-	(258,915)	745	115,561	1,304
Transfers	(1,974,000)	122,501	(989,519)	(1,617,199)	(1,691,150)
Total business-type activities	(1,764,903)	(27,743)	(949,271)	(1,491,534)	(1,680,257)
Total primary government	\$ 2,668,939	\$ 956,806	\$ 3,264,716	\$ 2,573,824	\$ 2,442,903
Change in Net Assets					
Governmental activities	\$ 1,027,722	\$ (3,302,516)	\$ 170,364	\$ (191,166)	\$ (191,463)
Business-type activities	(1,890,876)	2,206,779	978,738	1,196,809	(272,189)
Total primary government	\$ (863,154)	\$ (1,095,737)	\$ 1,149,102	\$ 1,005,643	\$ (463,652)

⁽¹⁾ The City implemented GASB 34, the new reporting standard, in fiscal year 2007. Therefore, ten years of data is not available, but will be accumulated over time.

City of Lafayette, Georgia
Fund Balances of Governmental Funds
Last Five Fiscal Years
(modified accrual basis of accounting)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General Fund					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ 35,190
Restricted	-	-	-	-	-
Committed	-	-	-	-	116,276
Unassigned	<u>835,558</u>	<u>702,378</u>	<u>749,250</u>	<u>196,308</u>	<u>(626,543)</u>
Total general fund	<u>\$ 835,558</u>	<u>\$ 702,378</u>	<u>\$ 749,250</u>	<u>\$ 196,308</u>	<u>\$ (475,077)</u>
All other governmental funds					
Nonspendable	\$ 655,142	\$ (338,635)	\$ 370,207	\$ 372,480	\$ -
Restricted	-	-	-	-	765,591
Committed	-	-	-	-	-
Unassigned	<u>38,099</u>	<u>(583,994)</u>	<u>1,349,121</u>	<u>443,945</u>	<u>(35,726)</u>
Total all other governmental funds	<u>\$ 693,241</u>	<u>\$ (922,629)</u>	<u>\$ 1,719,328</u>	<u>\$ 816,425</u>	<u>\$ 729,865</u>

⁽¹⁾ The City implemented GASB 34, the new reporting standard, in fiscal year 2007. Therefore, ten years of data is not available, but will be accumulated over time.

City of Lafayette, Georgia
Changes in Fund Balances of Governmental Funds
Last Five Fiscal Years
(modified accrual basis of accounting)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Revenues					
Taxes	\$ 2,279,636	\$ 1,856,607	\$ 2,708,982	\$ 2,401,737	\$ 1,819,765
Grant Revenue	262,651	53,551	129,917	249,387	265,329
Licenses and Permits	29,521	17,011	11,519	8,191	20,259
Intergovernmental	64,133	39,624	180,545	340	678,286
Payments in lieu of taxes	-	17,811	30,907	12,212	12,212
Fines and Forfeitures	234,411	278,683	273,686	365,015	377,112
Charges for Services	907,498	232,636	223,217	227,744	221,676
Contributions and donations	-	3,281	7,015	8	3,779
Miscellaneous Income	271,796	1,448,638	1,127,298	813,863	786,787
Interest Income	40,547	22,293	45,848	25,000	6,048
Total revenues	<u>4,090,193</u>	<u>3,970,135</u>	<u>4,738,934</u>	<u>4,103,497</u>	<u>4,191,253</u>
Expenditures					
General Government	874,087	885,421	927,908	931,920	1,019,574
Police	1,288,673	1,494,251	1,406,363	1,595,702	1,652,233
Fire	252,814	322,461	294,913	325,242	323,770
Public Works	888,993	862,912	787,221	1,073,030	1,017,074
Engineering	313,303	331,100	278,499	232,890	205,498
Recreation	739,367	850,184	740,019	802,517	765,844
Garage	170,945	200,080	152,250	167,943	211,514
Animal Control	45,876	49,090	43,749	55,980	44,564
Intergovernmental Expenditures	165,148	125,869	87,013	116,103	100,239
Principal	-	-	-	495,000	535,000
Interest	-	-	88,112	125,154	104,709
Bond Issuance Costs	-	-	105,807	-	-
Capital Outlay	705,815	1,995,556	1,122,077	1,113,142	633,329
Total expenditures	<u>5,445,021</u>	<u>7,116,924</u>	<u>6,033,931</u>	<u>7,034,623</u>	<u>6,613,348</u>
Excess of revenues over (under) expenditures	(1,354,828)	(3,146,789)	(1,294,997)	(2,931,126)	(2,422,095)
Other financing sources (uses)					
2008 Bonds Issued	-	-	3,400,000	-	-
Transfers out	(187,275)	(566,635)	(984,700)	(974,461)	(91,177)
Transfers in	2,161,275	1,941,100	1,524,326	2,432,361	1,755,327
Sale of capital assets	-	23,273	44,200	17,381	-
Total other financing sources (uses)	<u>1,974,000</u>	<u>1,397,738</u>	<u>3,983,826</u>	<u>1,475,281</u>	<u>1,664,150</u>
Net change in fund balances	<u>\$ 619,172</u>	<u>\$ (1,749,051)</u>	<u>\$ 2,688,829</u>	<u>\$ (1,455,845)</u>	<u>\$ (757,945)</u>
Debt service as a percentage of non capital expenditures	0.0%	0.0%	3.9%	10.5%	10.7%

⁽¹⁾ The City implemented GASB 34, the new reporting standard, in fiscal year 2007. Therefore, ten years of data is not available, but will be accumulated over time.

City of Lafayette, Georgia
Assessed Value and Estimated Actual Value of Taxable Property
Last Eight Fiscal Years

Fiscal Year Ended September 30	Real Property			Personal Property		Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value ⁽¹⁾ as a Percentage of Actual Value
	Residential Property	Industrial Property	Commercial Property	Motor Vehicles	Other					
2004	\$ 55,338,599	\$ 54,650,805	\$ 39,305,084	\$ -	\$ 3,094,031	\$ 18,087,874	\$ 134,300,645	3.31	\$ 335,751,613	40%
2005	56,169,149	54,590,950	37,214,445	-	3,068,048	19,205,764	131,836,828	3.20	329,592,070	40%
2006	68,346,204	48,118,166	37,757,322	-	3,392,759	12,732,550	144,881,901	3.00	362,204,753	40%
2007	70,343,584	48,454,969	38,307,577	-	3,687,189	12,781,998	148,011,321	2.99	370,028,303	40%
2008	70,343,584	48,454,469	38,307,577	-	3,687,189	12,781,998	148,010,821	2.99	370,027,053	40%
2009	71,519,493	43,460,692	39,974,969	-	3,704,303	15,266,054	143,393,403	2.99	358,483,508	40%
2010	71,988,686	39,362,080	41,235,497	-	3,308,916	17,039,910	138,855,269	2.99	347,138,173	40%
2011	71,984,905	33,188,102	41,860,053	-	2,979,759	13,694,518	136,318,301	2.99	340,795,753	40%

Source: Property in Walker County is reassessed annually. The county assesses property at approximately 40 percent of actual value for all types of real and personal property. Estimated actual value is calculated by dividing the assessed value by this percentage. Tax rates are per \$1,000 of assessed value.

⁽¹⁾ Includes tax-exempt property.

⁽²⁾ Data not currently available earlier than 2004. As it becomes available, and as future years' data accrue, ten years' worth of trend data will be presented.

City of Lafayette, Georgia
Direct and Overlapping Governments Property Tax Rates
Last Ten Fiscal Years

Fiscal Year	Direct Rates	Overlapping Rates		Total Direct and Overlapping Rates
	City of Lafayette Operating Millage	Walker County (A)	State of Georgia	
2002	3.60	20.59	0.25	24.44
2003	3.34	20.57	0.25	24.16
2004	3.31	20.57	0.25	24.13
2005	3.20	22.56	0.25	26.01
2006	3.00	22.33	0.25	25.58
2007	2.99	22.29	0.25	25.53
2008	2.99	22.29	0.25	25.53
2009	2.99	22.07	0.25	25.31
2010	2.99	22.07	0.25	25.31
2011	2.99	22.07	0.25	25.31

(A) Includes levy for Walker County Board of Education

(B) This statewide levy is collected for the State by the County on the basis of the County's assessed value (40% of fair market value)

City of Lafayette, Georgia
Principal Property Taxpayers
Current Year and Ten Years Ago
September 30, 2011

Taxpayer	2011			2001		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Ropcor LP	\$ 16,352,010	1	12.0%	\$ 28,095,393	1	19.89%
Georgia Windstream, Inc.	2,566,523	2	1.9%	-	-	-
Zorn, Eric, As Trustee	2,423,322	3	1.8%	-	-	-
Walmart	2,333,637	4	1.7%	2,284,134	4	1.62%
Blue Bird of N. Georgia	1,438,405	5	1.1%	7,036,492	2	4.98%
Syntec Industries	1,430,816	6	1.0%	-	-	-
LaFayette Station	1,274,826	7	0.9%	-	-	-
Lucky Pointe LP	971,183	8	0.7%	-	-	-
NorthEast Enterprises	945,136	9	0.7%	-	-	-
Unique Fabricating South	920,289	10	0.7%	-	-	-
Georgia Alltel Telecom	-	-	-	2,578,956	3	1.83%
Bretlin, Inc	-	-	-	2,034,680	5	1.44%
Colorspectrum	-	-	-	1,682,732	6	1.19%
William J. Wade, Trustee	-	-	-	1,548,092	7	1.10%
Ronile of Georgia	-	-	-	1,358,553	8	0.96%
Kmart Corporation	-	-	-	1,194,819	9	0.85%
JDN Enterprises	-	-	-	1,177,229	10	0.83%
Totals	\$ 30,656,147		22.5%	\$ 48,991,080		34.69%

Source: Walker County Tax Commissioner

Total Taxable Assessed Value 136,318,301

City of Lafayette, Georgia
Property Tax Levies and Collections
September 30, 2011

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal year	Collected within the Fiscal year of the Levy		Collections In Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2002	\$ 431,995	\$ 422,586	97.8%	\$ 8,775	\$ 431,361	99.9%
2003	419,595	400,824	95.5%	5,552	406,376	96.8%
2004	393,199	381,394	97.0%	10,500	391,894	99.7%
2005	410,943	395,902	96.3%	13,700	409,602	99.7%
2006	386,687	382,371	98.9%	3,746	386,117	99.9%
2007	403,693	387,906	96.1%	8,350	396,256	98.2%
2008	442,552	361,551	81.7%	39,939	401,490	90.7%
2009	454,485	370,025	81.4%	10,444	380,469	83.7%
2010	401,490	378,712	94.3%	19,167	397,879	99.1%
2011	399,173	381,666	95.6%	-	381,666	95.6%

Source: Walker County Tax Commissioner

City of Lafayette, Georgia
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities				Business-type Activities						
	General Obligation Bonds	Notes Payable	Capitalized Leases	Water/Sewer Revenue Bonds	Capitalized Leases		Total Primary Government	Percentage of Personal Income	Per Capita	Per Capita Income	Population Per Capita Income
					Notes Payable						
2002	\$ 215,000	\$ 235,500	\$ -	\$ 4,685,000	\$ 2,359,531	\$ 143,527	\$ 7,638,558	7.18%	1,140	\$ 15,867	\$ 106,340,634
2003	-	89,121	-	4,325,000	2,943,927	-	7,358,048	5.12%	1,102	21,542	143,814,392
2004	-	-	-	3,940,000	2,822,026	-	6,762,026	4.38%	1,010	23,093	154,538,356
2005	-	-	-	3,535,000	2,695,988	-	6,230,988	5.77%	916	15,867	107,911,467
2006	-	-	-	3,105,000	2,739,607	-	5,844,607	3.66%	841	22,979	159,612,134
2007	-	-	-	2,670,000	2,562,113	-	5,232,113	3.15%	753	23,942	166,301,132
2008	-	-	-	2,185,000	2,377,656	-	4,562,656	5.10%	661	12,967	89,472,300
2009	3,400,000	-	-	1,680,000	3,574,017	-	8,654,017	9.67%	1,254	12,967	89,472,300
2010	2,905,000	-	-	1,125,000	5,710,556	-	9,740,556	10.89%	1,412	12,967	89,472,300
2011	2,370,000	-	-	-	6,979,262	214,393	9,563,655	10.88%	1,386	12,743	87,926,700

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
See the Schedule of Demographic and Economic Statistics on page 76 for person income and population data.

City of Lafayette, Georgia
Direct and Overlapping Governmental Activities Debt
As of September 30, 2011

<u>Governmental unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable⁽¹⁾</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes: Walker County	\$ 4,428,377	12%	\$ 531,405
City of Lafayette direct debt	<u>2,370,000</u>	100%	<u>2,370,000</u>
Total direct and overlapping debt	<u>\$ 6,798,377</u>		<u>\$ 2,901,405</u>

Sources: Assessed value data used to estimate applicable percentages provided by the Walker County Tax Commissioner. Debt outstanding data provided by Walker County and the City.

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

⁽¹⁾ The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the County's taxable assessed value that is within the government's boundaries and dividing it by the County's total taxable assessed value.

**City of Lafayette, Georgia
Pledged-Revenue Coverage
Last Nine Fiscal Years**

Revenue Bonds						
Fiscal Year	Utility Service Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2003	\$ 2,925,570	\$ 1,775,367	\$ 1,150,203	\$ 550,000	\$ 132,995	1.7
2004	3,120,287	1,916,832	1,203,455	575,000	104,413	1.8
2005	3,024,137	1,918,945	1,105,192	405,000	192,375	1.9
2006	3,213,657	1,926,659	1,286,998	430,000	167,385	2.2
2007	3,047,748	2,819,078	228,670	510,000	111,090	0.4
2008	3,032,877	2,917,010	115,867	530,000	90,720	0.2
2009	3,253,674	2,258,290	995,384	505,000	84,461	1.7
2010	3,697,314	2,292,818	1,404,496	555,000	133,166	2.0
2011	3,763,252	2,409,801	1,353,451	1,125,000	97,101	1.1

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
Utility service charges and other includes water/sewer charges and investment earnings but not tap fees.
Operating expenses do not include depreciation or interest.

City of Lafayette, Georgia
Legal Debt Margin Information
Last Ten Fiscal Years

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Debt limit	\$ 14,128,178	\$ 15,115,796	\$ 16,859,233	\$ 16,155,761	\$ 14,488,190	\$ 14,801,132	\$ 14,801,082	\$ 14,339,340	\$ 15,275,046	\$ 14,719,726
Total net debt applicable to limit	<u>215,000</u>							<u>3,400,000</u>	<u>2,905,000</u>	<u>2,370,000</u>
Legal debt margin	\$ 13,913,178	\$ 15,115,796	\$ 16,859,233	\$ 16,155,761	\$ 14,488,190	\$ 14,801,132	\$ 14,801,082	\$ 10,939,340	\$ 12,370,046	\$ 12,349,726

Total net debt applicable to the limit as a percentage of debt limit	1.52%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	23.71%	19.02%	16.10%
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Legal Debt Margin Calculation for Fiscal Year 2011

Total taxable assessed value	\$ 147,197,256
Debt limit (10% of assessed taxable value)	14,719,726
Debt applicable to limit:	
General obligation bonds	<u>2,370,000</u>
Legal debt margin	<u>\$ 12,349,726</u>

Note: The Constitution of the State of Georgia Article IX, Section V limits outstanding general obligation debt to 10 percent of the assessed value of all taxable property.

**City of LaFayette, Georgia
Demographic Statistics
Last Ten Fiscal Years**

Fiscal Year	Population	Per Capita Income ⁽¹⁾	Median Age ⁽¹⁾	Education Level in Years of Formal Schooling	School Enrollment	Unemployment Rate/Percent
2002	6,702	15,867	37.1	12	8,509	3.5
2003	6,676	21,542	37.1	12	8,500	3.0
2004	6,692	23,093	38.0	12	8,930	2.5
2005	6,801	15,867	37.1	12	9,000	4.7
2006	6,946	22,979	37.0	12	9,290	4.5
2007	6,946	23,942	37.0	12	9,143	6.4
2008	6,900	12,967	37.0	12	9,337	5.8
2009	6,900	12,967	38.0	12	9,279	10.4
2010	7,121	12,967	38.0	12	9,198	9.8
2011	7,121	13,849	38.0	12	9,064	9.4

Sources: NW Georgia Joint Development Authority, Georgia Department of Education, and the most recent U.S. Census

⁽¹⁾ Estimated

CITY OF LAFAYETTE, GEORGIA
PRINCIPLE EMPLOYERS
CURRENT AND ONE YEAR AGO

	2011			2010	
	Employees	Rank	Percentage Of Total	Employees	Rank
Walker Co Bd of Education	1,444	1	38.49%	1,250	2
Roper Corp	1,250	2	33.32%	1,444	1
Walker Co Government	380	3	10.13%	251	4
Walmart	251	4	6.69%	380	3
City of LaFayette	136	5	3.62%	92	6
Walker co Sheriff Dept	120	6	3.20%	136	7
Symtac Ind	92	7	2.45%	120	5
Bank of LaFayette	53	8	1.41%	53	9
Quality Cpt Cushion	26	9	0.69%	26	10
Totals	3,752		100.0%	3,752	

Source: Georgia Department of Labor

City of Lafayette, Georgia
Number of City Employees By Function/Program
Last Ten Fiscal Years

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General government	7	7	7	7	7	7	7	7	7	11
Police	17	18	19	19	19	19	19	21	23	23
Fire	4	4	4	4	4	5	5	5	5	5
Garage	3	3	3	3	3	3	3	3	4	3
Culture and recreation	15	15	15	15	15	13	12	9	10	10
Public works	13	15	17	16	16	16	16	14	14	15
Sanitation	<u>11</u>	<u>7</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>4</u>	<u>4</u>	<u>6</u>
Total	<u>70</u>	<u>69</u>	<u>71</u>	<u>70</u>	<u>70</u>	<u>69</u>	<u>68</u>	<u>63</u>	<u>67</u>	<u>73</u>

City of Lafayette, Georgia
Operating Indicators by Function/Program
Last Ten Fiscal Years

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Police										
Physical arrests	386	414	467	430	411	363	507	462	423	485
Parking violations	136	145	75	98	125	9	25	11	20	21
Traffic violations	1,317	1,367	1,552	1,449	878	980	1,129	763	1,434	1,088
Fire										
Emergency responses	187	166	215	231	206	360	326	553	655	751
Fires extinguished	45	34	65	60	45	92	55	78	64	64
Culture and recreation										
Participation fees	\$ 82,987	\$ 94,201	\$ 86,839	\$ 98,467	\$ 111,150	\$ 129,808	\$ 118,484	\$ 117,482	\$ 116,762	\$ 130,937
Library volumes	76,000	76,000	76,000	101,257	69,002	70,000	69,297	71,203	76,985	75,847
Public works										
Street resurfacing miles	1.40	1.40	1.02	1.00	1.13	1.37	1.15	1.09	0.53	1.01
Housing and development										
Building permits issued	310	221	230	147	149	113	73	59	60	46
Sanitation										
Number customers	2,711	2,702	2,692	2,695	2,685	2,763	2,773	2,704	2,686	2,858

City of Lafayette, Georgia
Capital Asset Statistics by Function
Last Ten Fiscal Years

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicles	17	18	19	19	19	19	20	20	23	23
Culture and recreation										
Acreage	147.5	147.5	147.5	147.5	147.5	147.5	147.5	147.5	147.5	147.5
Baseball/softball fields	9	9	9	9	9	9	6	6	10	9
Soccer/football fields	2	2	2	2	2	2	3	3	5	5
Public works										
Miles of streets	82.1	82.1	82.1	82.1	82.1	82.1	82.1	82.1	82.1	82.1
Housing and development										
Building permits issued	310	221	230	147	149	113	113	59	60	46
Sanitation										
Collection vehicles	3	3	3	3	3	3	3	3	3	3

COMPLIANCE SECTION

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

To the Honorable Mayor and
Members of the City Council
City of LaFayette, 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 LaFayette, Georgia, as of and for the year ended September 30, 2010, which collectively comprise the City of LaFayette, Georgia's basic financial statements and have issued our report thereon dated January 30, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of LaFayette, Georgia's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of LaFayette, Georgia's financial statements that is more than inconsequential will not be prevented or detected by the City of LaFayette, Georgia's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. These deficiencies are listed as findings 09-2 and 10-1 in the Schedule of Findings and Questioned Costs.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiencies described above are not material weaknesses.

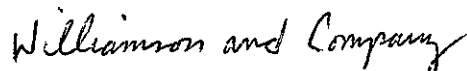
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of LaFayette, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did disclose instances of noncompliance that are required to be reported under *Government Auditing Standards*, and which are described in the Schedule of Findings and Responses as items 09-2 and 10-1.

We noted certain matters that we reported to management of the City of LaFayette, Georgia, in a separate letter dated January 30, 2012.

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

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



Williamson and Company
Certified Public Accountants
January 30, 2012

CITY OF LAFAYETTE, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
SEPTEMBER 30, 2011

Finding 09-2 Monthly and Year-End Adjusting Entries

Continues from previous year, some improvements have been made but it continues to be a finding and a problem for statements at year end.

Condition: The City required numerous adjusting and reclassifying entries at year-end. This results in the monthly statements being unreliable for the City Manager and council to use for planning and decision-making, in addition to contributing to budget overruns as items are correctly reclassified, sometimes resulting in departmental overruns.

Criteria: The monthly general ledger should be reviewed and adjusted as needed. The general ledger should be reconciled to subsidiary ledgers or other supporting documents.

Recommendation: The monthly working trial balance should be printed each month and the "month-end" balances compared to the following:

- Reconciled cash
- Outstanding billing reports
- Accounts payable reports
- Unpaid property tax reports
- Others as needed

Management's response: As part of the change in City Managers there is a renewed emphasis on Department Heads paying close attention to the monthly reports, prepared by the Finance Department, and verifying expenses and resolving discrepancies with Finance as they occur. Additionally, the city will enforce an earlier purchasing close out for the fiscal year; more than likely to be set between September 10 and September 15, 2012. This should help ensure the vast majority of invoices are received and processed in the fiscal year in which they are incurred. We are also looking into an opportunity to having the Walker County Tax Commissioner bill and collect the City taxes, for a fee, and converting/reallocating the existing Tax Clerk's position to handle additional financial issues.

Finding 10-1 Budget Reports

Condition: The City's actual expenditures exceeded the general fund budget as follows:

General Government	\$ 72,703
Police	101,949
Public Works	558,006
Recreation	20,750
Garage	42,664

Criteria: The budget should control the expenditures for the City.

Recommendation: As the actual expenditures start to exceed the budget an amendment to the budget should be made or the expense should not be incurred. The City Manager and City Council should review the "budget vs. actual" expenditure report each month to make certain the City does not exceed approved spending levels.

CITY OF LAFAYETTE, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
SEPTEMBER 30, 2011

Management's response: As mentioned in the previous Finding, with a new City Manager comes policy changes to address day to day operational activities. We will implement a mid-year budget review with City Council to make needed/required revenue and expenditure changes to the budget. Additionally, this will provide an additional opportunity to remind staff and the Department Heads that they must live within their approved budgets. Additional finance staff or reallocation of positions should also help us better track expenditures and keep the departments within their approved budgets.

City of LaFayette, Georgia
Schedule of Special Purpose Local Option Sales Tax
For the Fiscal Year Ended September 30, 2011

Project	Estimated Cost		Expenditures		
	Original	Current	Prior Years	Current Year	Total
SPLOST V					
Roads & Streets	\$ 200,000	\$ 200,000	\$ 367,405	\$ -	\$ 367,405
Other Projects					
Admin					
Equipment	-	-	33,613	-	33,613
Public Safety					
Equipment	-	-	244,253	-	244,253
Solid Waste					
Equipment	-	-	306,442	-	306,442
Public Works					
Equipment	-	-	153,805	-	153,805
Streetscapes	-	-	317,371	-	317,371
Recreation					
Equipment	-	-	21,436	61,157	82,593
Site Improvements	-	-	920,279	402	920,681
Airport					
Buildings	-	-	-	-	-
Site Improvements	-	-	34,457	-	34,457
Water and Sewer					
Equipment	-	-	-	-	-
Improvements	-	-	121,937	-	121,937
Gas					
Equipment	-	-	29,711	-	29,711
Improvements	-	-	-	-	-
Electric					
Equipment	-	-	3,046	-	3,046
Improvements	-	-	-	-	-
Golf					
Equipment	-	-	-	-	-
Improvements	-	-	59,416	-	59,416
Total other projects	<u>4,234,600</u>	<u>4,234,600</u>	<u>2,245,766</u>	<u>61,559</u>	<u>2,307,325</u>
Total for all projects	<u>\$ 4,434,600</u>	<u>\$ 4,434,600</u>	<u>\$ 2,613,171</u>	<u>\$ 61,559</u>	<u>\$ 2,674,730</u>

Note: This schedule has been prepared on the accrual basis of accounting.