

***CITY OF DAHLONEGA, GEORGIA***

***Annual Financial Report***

***For the fiscal year ended September 30, 2007***

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**CITY OF DAHLONEGA, GEORGIA**  
**FINANCIAL REPORT**  
**For the fiscal year ended September 30, 2007**

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## Independent Auditor's Report

Honorable Mayor and Members  
of the City Council  
City of Dahlonega, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Dahlonega, Georgia, as of and for the fiscal year ended September 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Dahlonega, 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 respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Dahlonega, Georgia, as of September 30, 2007, and the respective changes in the financial position and cash flows, where applicable, and the budgetary comparison of the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

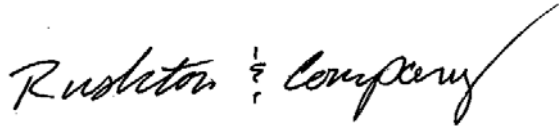
The management's discussion and analysis on pages 3 through 7 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods or measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2008 on our consideration of the City of Dahlonega, Georgia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and 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.

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dahlonega, Georgia's, basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information listed in this paragraph has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Rushton & Company". The signature is written in a cursive style with a large, sweeping flourish at the end.

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Certified Public Accountants

Gainesville, Georgia  
February 13, 2008

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## **CITY OF DAHLONEGA MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **USING THE AUDIT FOR 2007**

As management of the City of Dahlonega, we offer readers of the City of Dahlonega's financial statements this narrative overview and analysis of the financial activities of the City of Dahlonega for the fiscal year ended September 30, 2007. The audit is required by Georgia law. A Statement of Net Assets and the Statement of Activities will provide a picture about the activities of the City. The Fund Financial Statements will provide a more detailed view of the City's services and the revenue dedicated to provide them.

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different from a typical Statement of Revenues, Expenses, and Changes in Fund Balance. The expenses are listed in the first column with the revenues from that particular program reported to the right. The result is a Net (Expenses) Revenue report. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City's taxpayers. It also identifies how much each function draws from the general revenues and if it is self-financing through fees, insurance or grants.

### **REPORTING THE CITY AS A WHOLE**

The Statement of Net Assets begins on Page 8. The Statement of Activities begins on Page 10. These statements include all assets and liabilities using the accrual basis of accounting. All of the 2007 year revenues and expenses are taken into account regardless of when cash is received or paid. The difference between income received and liabilities incurred will paint a picture of the City's health.

During FY 2007 the City Council purchased property from the United Community Bank which was under foreclosure for a future City Hall building at a price of \$427,180. The council plans to restore the old funeral home building and it will replace the current Riley Road facility as the New City Hall.

The city continued preliminary work toward construction of a new water treatment plant. \$845,663 was spent on engineering for the new plant and \$41,247 was spent on geotechnical work.



The city has been working through its recently hired lobbyist with U.S. Representative Nathan Deal, Senators Saxby Chambliss and Johnny Isakson and others and has succeeded in getting Dahlonega on the Senate's list of 11 critical Georgia water infrastructure projects being considered for funding. The water resources funding would probably come out of the 2008 federal budget. It will most likely be toward the end of the year before we will learn whether Dahlonega will actually receive any federal funding for the new water treatment plant but \$5 million in funding has been authorized in a bill approved by the U.S. Senate under the Water Resources Development Act.

A total of \$14,200 was spent for new water lines and \$354,159 was spent for new sewer lines.

Three new vehicles were added to the city's fleet at a total cost of \$90,438.

The city was very aggressive in its road paving program for the past three years and many of the city's roads are in good shape. Due to the paving costs, which are about twice as much as they were a few years ago, the city did not pave any streets during FY 07. The Dahlonega City Council made a decision to assume ownership of the state roadways that feed into Dahlonega's Public Square. This will better control speeding and signage issues on and around the square. The city will also be able to clean up the sign clutter, make the area safer for pedestrians, better control truck traffic, add loading zones and make its own decisions about closing the square for festivals.

## **REPORTING THE CITY'S FUNDS**

The Fund Financial statements begin on Page 11 and provide detailed information about the funds. Some funds are required to be established by State law and by bond covenants. However, the City establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

## **THE CITY AS A WHOLE**

The Statement of Net Assets and the Statement of Activities

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

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

## **Other Supplementary Information**

Other supplementary information includes combining financial statements for non-major governmental funds. These funds are added together and presented in single columns in the basic financial statements, but are not reported individually, as with major funds, on the government-wide financial statements.

This report includes two schedules (pages 12 and 14) which reconcile the amounts reported on the governmental fund financial statements (modified accrual basis of accounting) with the governmental activities reported on the government-wide financial statements (accrual basis of accounting). The following summarizes the impact of transitioning from modified accrual to accrual accounting:

- Capital assets used in governmental activities on the government-wide statements are not reported on fund financial statements.
- Certain tax revenues that are earned, but not available, are reported as revenue on the government-wide statement, but are not reported as deferred revenue on the fund statements.

- Unless due and payable, long-term liabilities, such as lease obligations and compensated absences only appear as liabilities in the government-wide statements.
- Capital outlay spending results in capital assets on the government-wide statements, but is reported as expenditures on the governmental fund financial statements.
- Debt proceeds result in liabilities on the government-wide statements, but are recorded as other financing sources on the government fund financial statements.
- Certain other outflows represent either increases or decreases in liabilities on the government-wide statements, but are reported as expenditures on the governmental fund financial statements.

### Condensed Statements of Net Assets

Table 1 below presents the City's condensed Statement of Net Assets as of September 30, 2007.

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Current and other assets	\$ 3,918,529	\$ 2,937,652	\$ 1,307,694	\$ 2,108,173	\$ 5,226,223	\$ 5,045,825
Capital assets	4,168,665	3,814,970	25,180,078	22,637,015	29,348,743	26,451,985
<b>Total assets</b>	<b>8,087,194</b>	<b>6,752,622</b>	<b>26,487,772</b>	<b>24,745,188</b>	<b>34,574,966</b>	<b>31,497,810</b>
Current liabilities	1,185,162	527,723	1,005,311	800,986	2,190,473	1,328,709
Noncurrent liabilities	8,081	47,771	12,330,374	12,863,782	12,338,455	12,911,553
<b>Total liabilities</b>	<b>1,193,243</b>	<b>575,494</b>	<b>13,335,685</b>	<b>13,664,768</b>	<b>14,528,928</b>	<b>14,240,262</b>
<b>Net assets:</b>						
Invested in capital assets, net of related debt	4,158,131	3,414,970	12,188,032	9,230,170	16,346,163	12,645,140
Restricted	278,314	0	86,896	74,330	365,210	74,330
Unrestricted	2,457,506	2,762,158	877,159	1,775,920	3,334,665	4,538,078
<b>Total net assets</b>	<b>\$ 6,893,951</b>	<b>\$ 6,177,128</b>	<b>\$ 13,152,087</b>	<b>\$ 11,080,420</b>	<b>\$ 20,046,038</b>	<b>\$ 17,257,548</b>

The largest component of the City's net assets is its investment in capital assets (e.g. land, infrastructure, buildings, equipment, and other), less any related debt outstanding that was needed to acquire or construct the assets. The City uses these capital assets to provide services to the citizens and the businesses in the City; consequently, these net assets are not available for future spending. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The remaining portion of net assets is unrestricted, which can be used to finance government operations.

## Condensed Statement of Activities

Table 2 below presents the City's Condensed Statement of Activities for the year ended September 30, 2007. Over time, increases and decreases in net assets measure whether the City's financial position is improving or deteriorating.

**Table 2: Condensed Statement of Activities**

Revenues	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Program revenues:						
Charges for services	\$ 410,961	\$ 373,237	\$ 3,844,152	\$ 3,258,662	\$ 4,255,113	\$ 3,631,899
Operating grants and contributions	18,959	1,069	0	0	18,959	1,069
Capital grants and contributions	0	280,349	1,389,610	0	1,389,610	280,349
General revenues:						
Property taxes	839,600	663,441	0	0	839,600	663,441
Sales tax	837,951	1,014,191	0	0	837,951	1,014,191
Other taxes	1,047,608	864,798	0	0	1,047,608	864,798
Grants and contributions not restricted to specific programs	0	0	0	1,056,641	0	1,056,641
Interest and investment earnings	121,675	123,885	70,758	57,244	192,433	181,129
Gain on sale of asset	0	0	1,123	0	1,123	0
Miscellaneous revenue	10,510	0	0	1,175	10,510	1,175
<b>Total revenues</b>	<b>3,287,264</b>	<b>3,320,970</b>	<b>5,305,643</b>	<b>4,373,722</b>	<b>8,592,907</b>	<b>7,694,692</b>
<b>Expenses</b>						
General government	853,427	770,403	0	0	853,427	770,403
Judicial	208,731	178,877	0	0	208,731	178,877
Public Safety	0	3,705	0	0	0	3,705
Public Works	684,195	624,272	0	0	684,195	624,272
Culture and Recreation	83,646	183,599	0	0	83,646	183,599
Housing and Development	534,461	250,683	0	0	534,461	250,683
Interest on long-term debt	5,770	0	0	0	5,770	0
Water and sewerage	0	0	3,017,628	2,959,190	3,017,628	2,959,190
Solid Waste	0	0	472,945	418,636	472,945	418,636
<b>Total expenses</b>	<b>2,370,230</b>	<b>2,011,539</b>	<b>3,490,573</b>	<b>3,377,826</b>	<b>5,860,803</b>	<b>5,389,365</b>
<b>Increase (decrease) in net assets before transfers</b>	<b>917,034</b>	<b>1,309,431</b>	<b>1,815,070</b>	<b>995,896</b>	<b>2,732,104</b>	<b>2,305,327</b>
Transfers	(215,647)	(233,841)	215,647	233,841	0	0
<b>Increase (decrease) in net assets</b>	<b>701,387</b>	<b>1,075,590</b>	<b>2,030,717</b>	<b>1,229,737</b>	<b>2,732,104</b>	<b>2,305,327</b>
<b>Net assets - beginning (original)</b>	<b>6,177,128</b>	<b>5,101,538</b>	<b>11,080,420</b>	<b>9,705,848</b>	<b>17,257,548</b>	<b>14,807,386</b>
<b>Prior period adjustments</b>	<b>15,436</b>	<b>0</b>	<b>40,950</b>	<b>144,835</b>	<b>56,386</b>	<b>144,835</b>
<b>Net assets - beginning (restated)</b>	<b>6,192,564</b>	<b>5,101,538</b>	<b>11,121,370</b>	<b>9,850,683</b>	<b>17,313,934</b>	<b>14,952,221</b>
<b>Net assets - ending</b>	<b>\$ 6,893,951</b>	<b>\$ 6,177,128</b>	<b>\$ 13,152,087</b>	<b>\$ 11,080,420</b>	<b>\$ 20,046,038</b>	<b>\$ 17,257,548</b>

During the year ending September 30, 2007 the net assets of the government activities increased \$701,387 or 11.35%. Net assets of business-type activities increased by \$2,030,717 or 18.32%. Approximately 29.38% of the City's governmental activities revenues came from property taxes and approximately 65.98% came from other taxes.

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The focus of the City's governmental funds is to provide information on near-term inflows and outflows and the balance of resources available for spending. Such information is useful in assessing the City's financing requirements. In particular, unreserved, undesignated fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the close of the year, the City's governmental funds reported a combined ending fund balance of \$2,772,010 with \$2,456,217 reported as unreserved fund balance and the remaining amount of \$37,479 reserved for prepaid expenses and \$278,314 reserved for restricted assets.

The General Fund is the operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$2,459,781. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance to total fund expenditures for Fiscal Year 2007. Unreserved fund balance represents 95% of total General Fund expenditures. The net change in the General Fund's fund balance for the year ended September 30, 2007 was an increase of \$364,336.

The Enterprise Funds are composed of the Water and Sewage Fund and the Solid Waste Fund. The net change in the total Enterprise Fund's fund balance for the year ended September 30, 2007 was an increase before transfers of \$1,815,070 and after transfers \$2,030,717. The total net assets for the Enterprise Funds at the beginning of the fiscal year was \$11,080,420 and net assets at the end of the fiscal year was \$13,152,087.

### GENERAL FUND BUDGETARY HIGHLIGHTS

The City revised the General Fund Budget at the end of the fiscal year to reflect actual revenues and expenditures. Total amendment to the General Fund increased revenues by \$205,832 and decreased expenditures by \$57,524. The overrun in expenditures in the General Administration Department was due to the unbudgeted purchase of the property in the amount of \$427,180. This was funded by fund balance from previous years. Also the Municipal Court Department was over budget by \$12,514. This was due to unexpected fees for professional services.

### CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

At September 30, 2007, the City reported \$29,348,743 in capital assets. At September 30, 2007, the City reported long-term debt of \$12,338,455. Refer to the note 8 on page 35 and note 11 on page 39 of the financial statements for additional information.

In conclusion, the City of Dahlonega finished the year with an increase in fund balance and net assets. The property tax digest increased and tax millage rate increased from 3.62 mils to 4.37 mils. The only other rate increase during FY 07 was a reduction in the number of gallons of water for a minimum water bill of \$17.50. This was reduced from 1,000 gallons to 0 gallons. Fiscal management has been sound while providing the services that the citizens expect and deserve.

This financial report is designed to provide a general overview of the City of Dahlonega's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to City of Dahlonega, 465 Riley Road, Dahlonega, Georgia 30533.

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***BASIC FINANCIAL STATEMENTS***

**CITY OF DAHLONEGA, GEORGIA**  
**STATEMENT OF NET ASSETS**  
**September 30, 2007**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
<b>ASSETS</b>				
<b>Current assets</b>				
Cash	\$ 5,360	\$ 0	\$ 5,360	\$ 0
Equity in pooled cash	2,262,388	1,557,520	3,819,908	1,738
Certificates of deposit	0	14,567	14,567	0
Restricted assets				
Cash	278,314	86,896	365,210	0
Equity in pooled cash	0	0	0	104,271
Certificates of deposit	0	60,433	60,433	0
Receivables (net)				
Accounts	12,703	472,403	485,106	0
Taxes	19,461	0	19,461	0
Fines	61,856	0	61,856	0
Intergovernmental	171,716	1,990	173,706	0
Inventories	14,738	120,434	135,172	0
Prepaid items	37,479	32,696	70,175	0
Internal balances	1,054,514	(1,054,514)	0	0
Total current assets	<u>3,918,529</u>	<u>1,292,425</u>	<u>5,210,954</u>	<u>106,009</u>
<b>Noncurrent assets</b>				
Investment in joint venture	0	15,269	15,269	0
Capital assets				
Non-depreciable	2,253,641	5,105,017	7,358,658	0
Depreciable (net)	1,915,024	20,075,061	21,990,085	0
Total noncurrent assets	<u>4,168,665</u>	<u>25,195,347</u>	<u>29,364,012</u>	<u>0</u>
<b>Total assets</b>	<u>8,087,194</u>	<u>26,487,772</u>	<u>34,574,966</u>	<u>106,009</u>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Payables				
Accounts	54,783	206,042	260,825	17,530
Interest	6,413	39,134	45,547	0
Tax anticipation note	1,048,081	0	1,048,081	0
Unearned revenue	17,049	0	17,049	0
Accrued payroll liabilities	5,974	7,255	13,229	529
Compensated absences	50,409	69,909	120,318	0
Notes payable	0	541,050	541,050	0
Capital lease payable	2,453	14,619	17,072	0
Liabilities payable from restricted assets				
Customer deposits payable	0	60,433	60,433	0
Revenue bonds payable	0	65,000	65,000	0
Interest payable	0	1,869	1,869	0
Total current liabilities	<u>1,185,162</u>	<u>1,005,311</u>	<u>2,190,473</u>	<u>18,059</u>
<b>Noncurrent liabilities</b>				
Capital leases payable	8,081	48,278	56,359	0
Notes payable	0	12,282,096	12,282,096	0
Total noncurrent liabilities	<u>8,081</u>	<u>12,330,374</u>	<u>12,338,455</u>	<u>0</u>
<b>Total liabilities</b>	<u>1,193,243</u>	<u>13,335,685</u>	<u>14,528,928</u>	<u>18,059</u>

See accompanying notes to the financial statements.

**CITY OF DAHLONEGA, GEORGIA**  
**STATEMENT OF NET ASSETS**  
**September 30, 2007**

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>	<u>Downtown</u> <u>Development</u> <u>Authority</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	\$ 4,158,131	\$ 12,188,032	\$ 16,346,163	\$ 0
Restricted for:				
Debt service	0	86,896	86,896	0
Public works	278,314	0	278,314	0
Unrestricted	2,457,506	877,159	3,334,665	87,950
<b>Total net assets</b>	<u>\$ 6,893,951</u>	<u>\$ 13,152,087</u>	<u>\$ 20,046,038</u>	<u>\$ 87,950</u>

See accompanying notes to the financial statements.

**CITY OF DAHLONEGA, GEORGIA**  
**STATEMENT OF ACTIVITIES**  
For the fiscal year ended September 30, 2007

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary government</b>					
Governmental activities					
General Government	\$ 853,427	\$ 56,644	\$ 3,000	\$ 0	\$ (793,783)
Judicial	208,731	171,700	0	0	(37,031)
Public Works	684,195	52,940	15,827	0	(615,428)
Culture and Recreation	83,646	0	0	0	(83,646)
Housing and Development	534,461	129,677	132	0	(404,652)
Interest on long-term debt	5,770	0	0	0	(5,770)
Total governmental activities	<u>2,370,230</u>	<u>410,961</u>	<u>18,959</u>	<u>0</u>	<u>(1,940,310)</u>
Business-type activities					
Water and Sewage	3,017,628	3,368,076	0	1,389,610	1,740,058
Solid Waste	472,945	476,076	0	0	3,131
Total business-type activities	<u>3,490,573</u>	<u>3,844,152</u>	<u>0</u>	<u>1,389,610</u>	<u>1,743,189</u>
Total primary government	<u>5,860,803</u>	<u>4,255,113</u>	<u>18,959</u>	<u>1,389,610</u>	<u>(197,121)</u>
<b>Component Unit</b>					
Downtown Development Authority					
Housing and Development	136,824	39,891	0	0	(96,933)
<b>Change in net assets</b>					
Net (expense) revenue	\$ (1,940,310)	\$ 1,743,189	\$ (197,121)	\$ (96,933)	
<b>General revenues</b>					
Taxes					
Property	839,600	0	839,600	0	
Sales	837,951	0	837,951	0	
Franchise	454,128	0	454,128	0	
Insurance premium	190,631	0	190,631	0	
Intangibles	23,432	0	23,432	0	
Alcoholic beverage	147,210	0	147,210	0	
Occupational	117,176	0	117,176	0	
Hotel/Motel	115,031	0	115,031	0	
Payments from City of Dahlonega	0	0	0	118,619	
Interest and investment earnings	121,675	70,758	192,433	0	
Gain on sale of assets	0	1,123	1,123	0	
Miscellaneous	10,510	0	10,510	0	
Transfers	(215,647)	215,647	0	0	
Total general revenues, special items, and transfers	<u>2,641,697</u>	<u>287,528</u>	<u>2,929,225</u>	<u>118,619</u>	
Change in net assets	<u>701,387</u>	<u>2,030,717</u>	<u>2,732,104</u>	<u>21,686</u>	
Net assets - beginning (original)	6,177,128	11,080,420	17,257,548	66,264	
Prior period adjustments	15,436	40,950	56,386	0	
Net assets - beginning (restated)	<u>6,192,564</u>	<u>11,121,370</u>	<u>17,313,934</u>	<u>66,264</u>	
Net assets - ending	<u>\$ 6,893,951</u>	<u>\$ 13,152,087</u>	<u>\$ 20,046,038</u>	<u>\$ 87,950</u>	

See accompanying notes to the financial statements.

**CITY OF DAHLONEGA, GEORGIA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**September 30, 2007**

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals</u>
<b>ASSETS</b>			
Cash	\$ 5,360	\$ 0	\$ 5,360
Equity in pooled cash	2,250,219	12,169	2,262,388
Restricted assets			
Cash	278,314	0	278,314
Receivables (net)			
Accounts	1,601	11,102	12,703
Taxes	19,461	0	19,461
Fines	61,856	0	61,856
Intergovernmental	171,716	0	171,716
Inventory	14,738	0	14,738
Prepaid items	37,479	0	37,479
Due from other funds	1,054,514	0	1,054,514
<b>Total assets</b>	<b>\$ 3,895,258</b>	<b>\$ 23,271</b>	<b>\$ 3,918,529</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Payables			
Accounts	\$ 35,448	\$ 19,335	\$ 54,783
Interest	6,413	0	6,413
Accrued salaries and payroll expenses	5,974	0	5,974
Tax anticipation note payable	1,048,081	0	1,048,081
Deferred revenue	23,768	7,500	31,268
<b>Total liabilities</b>	<b>1,119,684</b>	<b>26,835</b>	<b>1,146,519</b>
<b>Fund balances</b>			
Reserved for restricted assets	278,314	0	278,314
Reserved for prepaid items	37,479	0	37,479
Unreserved, undesignated	2,459,781	0	2,459,781
Special Revenue Funds	0	(3,564)	(3,564)
<b>Total fund balances</b>	<b>2,775,574</b>	<b>(3,564)</b>	<b>2,772,010</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,895,258</b>	<b>\$ 23,271</b>	<b>\$ 3,918,529</b>

See accompanying notes to the financial statements.

**CITY OF DAHLONEGA, GEORGIA**  
**RECONCILIATION OF THE BALANCE SHEET OF**  
**GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF NET ASSETS**  
**September 30, 2007**

<b>Total fund balance - total governmental funds</b>	\$	2,772,010
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets of \$5,300,482, net of accumulated depreciation of (\$1,131,817), are not financial resources and, therefore, are not reported in the funds.		4,168,665
Long-term assets (receivables) are not available to pay current period expenditures and, therefore, are deferred in the funds. These include deferred property taxes of \$14,219.		14,219
Long-term liabilities are not due and payable in the current period and are not reported in the funds. These are capital leases of (\$10,534) and compensated absences of (\$50,409).		<u>(60,943)</u>
Net assets of governmental activities	\$	<u><u>6,893,951</u></u>

See accompanying notes to the financial statements.

**CITY OF DAHLONEGA, GEORGIA**  
**STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
*For the fiscal year ended September 30, 2007*

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals</u>
<b>REVENUES</b>			
Taxes	\$ 2,606,457	\$ 115,031	\$ 2,721,488
Licenses and permits	186,291	0	186,291
Fines, fees and forfeitures	171,700	0	171,700
Charges for services	52,970	0	52,970
Intergovernmental	15,827	3,000	18,827
Interest	121,675	0	121,675
Contributions	132	0	132
Other	10,510	0	10,510
<b>Total revenues</b>	<u>3,165,562</u>	<u>118,031</u>	<u>3,283,593</u>
<b>EXPENDITURES</b>			
Current			
General Government	1,243,109	0	1,243,109
Judicial	208,740	0	208,740
Public Works	649,540	0	649,540
Culture and Recreation	70,198	5,643	75,841
Housing and Development	424,980	121,531	546,511
<b>Total expenditures</b>	<u>2,596,567</u>	<u>127,174</u>	<u>2,723,741</u>
Excess (deficiency) of revenues over (under) expenditures	<u>568,995</u>	<u>(9,143)</u>	<u>559,852</u>
Other financing sources (uses)			
Transfers in	0	2,000	2,000
Transfers out	(217,647)	0	(217,647)
Proceeds from capital lease	12,988	0	12,988
<b>Total other financing sources (uses)</b>	<u>(204,659)</u>	<u>2,000</u>	<u>(202,659)</u>
<b>Net change in fund balances</b>	<u>364,336</u>	<u>(7,143)</u>	<u>357,193</u>
Fund balances, October 1 (original)	2,395,802	3,579	2,399,381
Prior period adjustments	15,436	0	15,436
Fund balances, October 1 (restated)	<u>2,411,238</u>	<u>3,579</u>	<u>2,414,817</u>
<b>Fund balances, September 30</b>	<u>\$ 2,775,574</u>	<u>\$ (3,564)</u>	<u>\$ 2,772,010</u>

See accompanying notes to the financial statements.

**CITY OF DAHLONEGA, GEORGIA**  
**RECONCILIATION OF THE STATEMENT OF**  
**REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**For the fiscal year ended September 30, 2007**

**Net change in fund balances - total governmental funds** \$ 357,193

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$483,735 exceed depreciation of (\$130,040) in the current period. 353,695

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These include recognition of unavailable deferred revenue. 3,671

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. These include the net change of (\$2,638) in compensated absences. (2,638)

The proceeds of debt issuance provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which debt proceeds of (\$12,988) exceeded payments of \$2,454. (10,534)

Change in net assets of governmental activities \$ 701,387

See accompanying notes to the financial statements.



**CITY OF DAHLONEGA, GEORGIA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**BUDGET (GAAP) AND ACTUAL**  
**For the fiscal year ended September 30, 2007**

	Budget		Actual	Variance with
	Original	Final		Final Budget
<b>REVENUES</b>				
Taxes	\$ 2,375,055	\$ 2,617,868	\$ 2,606,457	\$ (11,411)
Licenses and permits	264,750	142,764	186,291	43,527
Fines, fees and forfeitures	136,400	190,000	171,700	(18,300)
Charges for services	35,100	43,040	52,970	9,930
Intergovernmental	17,600	0	15,827	15,827
Interest	80,000	110,000	121,675	11,675
Contributions	500	200	132	(68)
Other	0	11,365	10,510	(855)
<b>Total revenues</b>	<u>2,909,405</u>	<u>3,115,237</u>	<u>3,165,562</u>	<u>50,325</u>
<b>EXPENDITURES</b>				
Current				
General Government				
Legislative	157,701	150,112	142,546	7,566
Executive	182,161	174,422	173,836	586
General Administration	398,470	516,047	926,727	(410,680)
Judicial				
Municipal Court	174,042	196,226	208,740	(12,514)
Public Works				
Paved Street	645,552	512,216	521,931	(9,715)
Shop Department	67,922	66,528	65,146	1,382
Cemetery	63,124	61,135	62,463	(1,328)
Culture and Recreation				
Parks	67,277	68,522	70,198	(1,676)
Housing and Development				
Inspections	302,367	263,009	254,645	8,364
Better Home Towns	59,000	50,776	51,716	(940)
Downtown Development Authority	118,619	119,718	118,619	1,099
<b>Total expenditures</b>	<u>2,236,235</u>	<u>2,178,711</u>	<u>2,596,567</u>	<u>(417,856)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>673,170</u>	<u>936,526</u>	<u>568,995</u>	<u>(367,531)</u>
Other financing sources (uses)				
Transfers in (out)				
Transfers out	(408,290)	(219,974)	(217,647)	2,327
Proceeds from capital lease	0	0	12,988	12,988
Proceeds from sales of assets	5,000	0	0	0
Contingency	(269,880)	(716,552)	0	716,552
Total other financing sources (uses)	<u>(673,170)</u>	<u>(936,526)</u>	<u>(204,659)</u>	<u>731,867</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>0</u>	<u>0</u>	<u>364,336</u>	<u>364,336</u>
Fund balances, October 1 (original)	0	0	2,395,802	2,395,802
Prior period adjustments	0	0	15,436	15,436
Fund balances, October 1 (restated)	<u>0</u>	<u>0</u>	<u>2,411,238</u>	<u>2,411,238</u>
<b>Fund balances, September 30</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,775,574</u>	<u>\$ 2,775,574</u>

See accompanying notes to the financial statements.

**CITY OF DAHLONEGA, GEORGIA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**September 30, 2007**

	<u>Water and Sewage</u>	<u>Solid Waste</u>	<u>Totals</u>
<b>ASSETS</b>			
<b>Current assets</b>			
Equity in pooled cash	\$ 1,360,721	\$ 196,799	\$ 1,557,520
Certificates of deposit	14,567	0	14,567
Restricted assets			
Cash	86,896	0	86,896
Certificates of deposit	60,433	0	60,433
Receivables (net)			
Accounts	405,532	66,871	472,403
Intergovernmental	1,990	0	1,990
Inventory	115,417	5,017	120,434
Prepaid items	24,455	8,241	32,696
Due from other funds	205,758	0	205,758
<b>Total current assets</b>	<u>2,275,769</u>	<u>276,928</u>	<u>2,552,697</u>
<b>Noncurrent assets</b>			
Capital assets			
Non-depreciable	5,105,017	0	5,105,017
Depreciable (net)	19,779,630	295,431	20,075,061
<b>Total noncurrent assets</b>	<u>24,884,647</u>	<u>295,431</u>	<u>25,180,078</u>
<b>Other assets</b>			
Investment in joint venture	15,269	0	15,269
<b>Total other assets</b>	<u>15,269</u>	<u>0</u>	<u>15,269</u>
<b>Total assets</b>	<u>27,175,685</u>	<u>572,359</u>	<u>27,748,044</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables			
Accounts	203,208	2,834	206,042
Interest	39,134	0	39,134
Accrued salaries and payroll expenses	5,444	1,811	7,255
Compensated absences	66,858	3,051	69,909
Due to other funds	1,054,514	205,758	1,260,272
Notes payable	541,050	0	541,050
Capital leases payable	14,619	0	14,619
Liabilities payable from restricted assets:			
Customer deposits payable	60,433	0	60,433
Revenue bonds payable	65,000	0	65,000
Interest payable	1,869	0	1,869
<b>Total current liabilities</b>	<u>2,052,129</u>	<u>213,454</u>	<u>2,265,583</u>
<b>Noncurrent liabilities</b>			
Notes payable	12,282,096	0	12,282,096
Capital leases payable	48,278	0	48,278
<b>Total noncurrent liabilities</b>	<u>12,330,374</u>	<u>0</u>	<u>12,330,374</u>
<b>Total liabilities</b>	<u>14,382,503</u>	<u>213,454</u>	<u>14,595,957</u>

See accompanying notes to the financial statements.

**CITY OF DAHLONEGA, GEORGIA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**September 30, 2007**

	<u>Water and Sewage</u>	<u>Solid Waste</u>	<u>Totals</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	11,892,601	295,431	12,188,032
Restricted for restricted assets	86,896	0	86,896
Unrestricted	<u>813,685</u>	<u>63,474</u>	<u>877,159</u>
<b>Total net assets</b>	<u><u>\$ 12,793,182</u></u>	<u><u>\$ 358,905</u></u>	<u><u>\$ 13,152,087</u></u>

See accompanying notes to the financial statements.

**CITY OF DAHLONEGA, GEORGIA**  
**STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
*For the fiscal year ended September 30, 2007*

	<u>Water and Sewage</u>	<u>Solid Waste</u>	<u>Totals</u>
<b>OPERATING REVENUES</b>			
Charges for sales and services	\$ 3,366,839	\$ 476,076	\$ 3,842,915
Other	1,237	0	1,237
<b>Total operating revenues</b>	<u>3,368,076</u>	<u>476,076</u>	<u>3,844,152</u>
<b>OPERATING EXPENSES</b>			
Costs of sales and services	765,365	157,800	923,165
Personal services	943,884	275,657	1,219,541
Depreciation	820,393	39,488	859,881
<b>Total operating expenses</b>	<u>2,529,642</u>	<u>472,945</u>	<u>3,002,587</u>
Operating income (loss)	<u>838,434</u>	<u>3,131</u>	<u>841,565</u>
Non-operating revenues (expenses)			
Interest revenue	70,758	0	70,758
Interest expense	(487,986)	0	(487,986)
Gain (loss) on sale of assets	1,123	0	1,123
<b>Total non-operating revenues (expenses)</b>	<u>(416,105)</u>	<u>0</u>	<u>(416,105)</u>
Income (loss) before capital contributions, special items, and transfers	<u>422,329</u>	<u>3,131</u>	<u>425,460</u>
Capital contributions			
Capital contributions	1,369,606	0	1,369,606
Intergovernmental	20,004	0	20,004
<b>Total capital contributions</b>	<u>1,389,610</u>	<u>0</u>	<u>1,389,610</u>
Income (loss) before transfers	1,811,939	3,131	1,815,070
Transfers in (out)			
Transfers in	215,647	0	215,647
Change in net assets	<u>2,027,586</u>	<u>3,131</u>	<u>2,030,717</u>
Net assets, October 1 (original)	10,724,646	355,774	11,080,420
Prior period adjustments	40,950	0	40,950
Net assets, October 1 (restated)	<u>10,765,596</u>	<u>355,774</u>	<u>11,121,370</u>
<b>Net assets, September 30</b>	<u>\$ 12,793,182</u>	<u>\$ 358,905</u>	<u>\$ 13,152,087</u>

See accompanying notes to the financial statements.

**CITY OF DAHLONEGA, GEORGIA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the fiscal year ended September 30, 2007

	<b>Water and Sewage</b>	<b>Solid Waste</b>	<b>Totals</b>
<b>Cash flows from operating activities:</b>			
Receipts from customers	\$ 3,396,974	\$ 432,288	\$ 3,829,262
Payments to suppliers	(830,459)	(158,798)	(989,257)
Payments to employees	(931,444)	(274,403)	(1,205,847)
Other payments	1,237	0	1,237
	<u>1,636,308</u>	<u>(913)</u>	<u>1,635,395</u>
Net cash provided (used) by operating activities			
<b>Cash flows from non-capital financing activities:</b>			
Receipts from other funds	215,647	0	215,647
Payments to other funds	(41,824)	41,824	0
	<u>173,823</u>	<u>41,824</u>	<u>215,647</u>
Net cash provided (used) by non-capital financing activities			
<b>Cash flows from capital and related financing activities:</b>			
Receipts from other governments	33,245	0	33,245
Receipts from disposal of capital assets	1,851	0	1,851
Receipts from other funds	1,054,514	0	1,054,514
Payments for acquisitions of capital assets	(1,403,510)	0	(1,403,510)
Principal payments - revenue bonds	(55,000)	0	(55,000)
Principal payments - promissary notes	(545,628)	0	(545,628)
Payment of capital leases	(14,553)	0	(14,553)
Interest paid	(492,288)	0	(492,288)
	<u>(1,421,369)</u>	<u>0</u>	<u>(1,421,369)</u>
Net cash provided (used) by capital and related financing activities			
<b>Cash flows from investing activities:</b>			
Proceeds from sale of investments	65,000	0	65,000
Purchase of investments	(75,000)	0	(75,000)
Interest received	58,189	0	58,189
	<u>48,189</u>	<u>0</u>	<u>48,189</u>
Net cash provided (used) by investing activities			
Net increase (decrease) in cash and cash equivalents cash equivalents	436,951	40,911	477,862
Cash and cash equivalents, October 1	1,010,666	155,888	1,166,554
<b>Cash and cash equivalents, September 30</b>	<u>\$ 1,447,617</u>	<u>\$ 196,799</u>	<u>\$ 1,644,416</u>

See accompanying notes to the financial statements.

**CITY OF DAHLONEGA, GEORGIA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the fiscal year ended September 30, 2007

	<u>Water and Sewage</u>	<u>Solid Waste</u>	<u>Totals</u>
<b>Reconciliation of operating income (loss) to net cash cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ 838,434	\$ 3,131	\$ 841,565
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	820,393	39,488	859,881
(Increase) decrease in accounts receivable	30,142	(43,788)	(13,646)
(Increase) decrease in inventory	(1)	(1,660)	(1,661)
(Increase) decrease in prepaid items	(3,806)	(634)	(4,440)
Increase (decrease) in accounts payable	(61,287)	1,296	(59,991)
Increase (decrease) in accrued salaries	12,440	1,254	13,694
Increase (decrease) in deposits payable	(7)	0	(7)
Total adjustments	<u>797,874</u>	<u>(4,044)</u>	<u>793,830</u>
Net cash provided (used) by operating activities	<u>\$ 1,636,308</u>	<u>\$ (913)</u>	<u>\$ 1,635,395</u>
<b>Cash and cash equivalents reconciliation:</b>			
Equity in pooled cash	\$ 1,360,721	\$ 196,799	\$ 1,557,520
Restricted assets			
Cash	<u>86,896</u>	<u>0</u>	<u>86,896</u>
Total cash and cash equivalents	<u>\$ 1,447,617</u>	<u>\$ 196,799</u>	<u>\$ 1,644,416</u>

**Noncash capital and related financing activities:**

Contributions of capital assets from individuals totaled \$1,369,606 for the fiscal year ended September 30, 2007.

Acquisition of capital assets through capital leases totaled \$77,450 for the fiscal year ended September 30, 2007.

See accompanying notes to the financial statements.

**CITY OF DAHLONEGA, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2007**

**1. Description of Government Unit**

The City of Dahlonega incorporated under the laws of the State of Georgia in 1833. The City operates under a council/mayor form of government and provides the following services: street and sanitation, culture and recreation, public improvements and general and administrative services. In addition, the City operates a public utility (water and sewage) for the incorporated and immediate surrounding areas.

The City is governed by an elected seven-member council.

**2. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The financial statements of the City of Dahlonega, Georgia, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies established in GAAP and used by the City are discussed below.

**B. Reporting Entity**

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Dahlonega, Georgia (the primary government) and material component units. The component unit discussed below is included in the City's reporting entity because of the significance of its operational and financial relationship with the City. In conformity with generally accepted accounting principles, as set forth in Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, the financial statements of the following component unit have been included as discretely presented component unit.

**CITY OF DAHLONEGA, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2007**

**2. Summary of Significant Accounting Policies (continued)**

**B. Reporting Entity, continued**

**City of Dahlonega Downtown Development Authority**

The City of Dahlonega Downtown Development Authority was established as a legally separate entity, which operates pursuant to the Official Code of Georgia Annotated. The Authority consists of seven members appointed by the City Council, an executive director and three ex-officio members. The Downtown Development Authority provides for the vitalization of the downtown area of the City of Dahlonega. In many respects, the Authority functions similar to a City department through regular participation in department director meetings, budget approval, accounting, payroll, etc.

The City of Dahlonega Downtown Development Authority is reported in a separate column to emphasize that it is legally separate from the City. Individual financial statements are presented as part of the City's Annual Financial Report in the sections labeled "Component Unit" (See Exhibit F). The City of Dahlonega Downtown Development Authority has a September 30th year-end. Individual financial statements may be obtained by contacting the City of Dahlonega Downtown Development Authority, 465 Riley Road, Dahlonega, GA 30533.

**C. Government-wide and Fund Financial Statements**

The Governmental Accounting Standards Board (GASB) has issued Statement No. 34. This Statement establishes new financial reporting requirements for state and local governments throughout the United States. Its implementation creates new information and restructures much of the information that governments have presented in the past. The GASB's intent is to make annual reports more comprehensive and easier to understand.



**CITY OF DAHLONEGA, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2007**

**2. Summary of Significant Accounting Policies (continued)**

**C. Government-wide and Fund Financial Statements, continued**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The City's government-wide financial statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of Governmental and Business-Type activities for the City.

**CITY OF DAHLONEGA, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2007**

**2. Summary of Significant Accounting Policies (continued)**

**D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation, continued**

These statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Accordingly, all the City's assets and liabilities, including capital assets, as well as current year infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in assets. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The types of transaction reported as program revenues for the City are reported in three categories: 1) charges for services to customers who directly benefit from goods, services or privileges provided by a given function, 2) operating grants and contributions that are restricted to meeting the operational needs requirements of a particular function and 3) capital grants and contributions that are restricted to meeting the capital needs requirements of a particular function.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, those transactions between governmental and business-type activities have not been eliminated. Governmental activities that normally are supported by taxes and intergovernmental revenues are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

**CITY OF DAHLONEGA, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2007**

**2. Summary of Significant Accounting Policies (continued)**

**D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation, continued**

**Governmental Fund Financial Statements**

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for the major governmental fund and non-major funds aggregated. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Those revenues susceptible to accrual are property taxes, sales taxes, licenses, interest revenue and charges for services. Sales taxes collected and held by the state at year-end on behalf of the government also are recognized as revenue. The City considers property taxes as available in the period for which they were levied if they are collected within 60 days subsequent to year-end. A 60-day availability period is also used for revenue recognition for all other governmental fund revenue.

The City reports the following major governmental fund:

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

The City reports the following major proprietary funds:

**Water and Sewage Fund** - This fund is used to account for activities connected with the development, operation and maintenance of water and sewage services in the City of Dahlonega.

**Solid Waste Fund** - This fund is used to account for activities connected with the collection and disposal of residential, commercial, industrial and institutional solid waste in the City of Dahlonega.

**CITY OF DAHLONEGA, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2007**

**2. Summary of Significant Accounting Policies (continued)**

**D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation, continued**

Additionally, the City reports the following fund types:

**Governmental Fund Types**

**Special Revenue Funds** – This fund type is used to account for the proceeds of specific revenue sources that are legally or donor restricted to expenditure for specified purposes.

**Component Units**

The City of Dahlonega Downtown Development Authority is accounted for using a current financial resources measurement focus and uses the modified accrual basis of accounting. Under this method, revenues are recognized when susceptible to accrual (i.e. when they both become measurable and available).

GASB Statement No. 34 eliminates the presentation of the General Fixed Asset Account Group and the General Long-Term Debt Account Group, but provides for these records to be maintained and incorporates the information into the Governmental Activities column in the government-wide Statement of Net Assets.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

**CITY OF DAHLONEGA, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2007**

**2. Summary of Significant Accounting Policies (continued)**

**D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation, continued**

Private-sector standards of accounting and financial reporting issued on or before November 30, 1989, are generally followed in the governmental and business-type activities and enterprise fund financial statements to the extent that those standards do no conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option for following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds and internal services 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.

Certain indirect costs have been included as part of the program expenses reported for the various functional activities.

**E. Budgets and Budgetary Accounting**

Formal budgetary accounting is employed as a management control for the General Fund, Special Revenue Funds, and Enterprise Funds. Annual operating budgets are adopted each fiscal year through approval by the Council. Each year about the middle of July, the City Manager submits a proposed budget to the City Council for their review. Prior to adoption, a public hearing is held to receive comment from the citizenry on the proposed budget. This hearing is publicized in the local newspaper one week before the hearing, and the budget document is made available for public inspection during this week. After the public hearing, the budget is then revised by the City Council and the first reading of the proposed budget is made.

**CITY OF DAHLONEGA, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2007**

**2. Summary of Significant Accounting Policies (continued)**

**E. Budgets and Budgetary Accounting, continued**

At the next City Council meeting, the second reading of the proposed budget is made and the City Council votes to adopt the proposed budget. The annual operating budget is adopted no later than September 30 for the following year.

The annual budget for the General Fund and Special Revenue Funds are prepared in accordance with the basis of accounting utilized by that fund. The budget for the Enterprise Funds is adopted under a basis consistent with GAAP, except that depreciation, certain capital expenses, non-operating income and expense items are not considered. All unencumbered budget appropriations, except project budgets, lapse at the end of each year.

The legal level of budgetary control is the departmental level. Any increases in total appropriations of a department require approval and amendment of the budget by the City Council. Except as indicated on the major fund budgetary comparison statement, budget amounts included in this report are as amended as of September 30, 2007.

**F. Cash and Investments**

Cash and cash equivalents, as reported in the statement of cash flows, includes amounts in demand deposits, amounts with fiscal agents and investments with an original maturity at three months or less. Investments are reported at fair value with accrued interest shown under a separate caption on the balance sheet. Reinvested interest on certain debt service and capital project investments is included in the investment accounts.

**G. Intergovernmental Receivables**

Receivables for state, federal, and local governments are recorded as revenue for the period of the allocation or as earned based on expenditures made for which reimbursement is due.

**H. Inventories**

Inventories of all funds are valued at cost on the first-in, first-out method.

**CITY OF DAHLONEGA, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2007**

**2. Summary of Significant Accounting Policies (continued)**

**I. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond September 30, 2007, are recorded as prepaid items.

**J. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (i.e., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements

GASB Statement No. 34 requires the City to report and depreciate new infrastructure assets effective with the beginning of the current year. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the City. Neither their historical costs nor related depreciation has historically been reported in the financial statements. For entities the size of the City of Dahlonega, retroactive reporting of infrastructure assets is not required.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated.

Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets ranging as follows:

	<b>Useful Life in Years</b>	<b>Capitalization Threshold</b>
Buildings	50	\$ 2,000
Distribution systems	40	\$ 2,000
Infrastructure	30	\$ 2,000
Building improvements	20	\$ 2,000
Machinery and equipment	10	\$ 2,000
Vehicles	2-15	\$ 2,000
Furniture and fixtures	3-15	\$ 2,000
Land improvements	15	\$ 2,000

**CITY OF DAHLONEGA, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2007**

**2. Summary of Significant Accounting Policies (continued)**

**J. Capital Assets, continued**

All land will be valued and capitalized. The costs of normal maintenance and repairs that do not add value or materially extend the life of the asset are charged to operations as incurred. Costs of major additions and improvements are capitalized.

**K. Restricted Assets**

Restricted assets of the Enterprise Funds represent certain resources set aside for the repayment of revenue bonds because they are maintained in a separate bank account and their use is limited by applicable bond covenants.

**L. Compensation for Future Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation and compensation benefits. These will be paid to the employees upon separation from City service. Accumulated unpaid vacation pay amounts are accrued when incurred by the City in the government-wide and proprietary fund financial statements. The liability of the proprietary funds is recorded as an expense and a liability of those funds as the benefits accrue to the employees. In governmental fund types, a liability is recorded only if the benefit has matured and is expected to be liquidated with expendable available financial resources.

**M. Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges and amortized over the term of the related debt.



**CITY OF DAHLONEGA, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2007**

**2. Summary of Significant Accounting Policies (continued)**

**M. Long-Term Obligations, continued**

In the fund financial statements, governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. The face amount of 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 other financing uses. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

**N. Capital Contributions**

Federal, state and local government assistance in the form of grants that are permanent in nature and restricted for the construction or acquisition of specific property and equipment is recorded as an asset and as non-operating revenue.

**O. Reservations and Designations of Fund Balances**

Reservations represent the portions of fund balances which are not appropriable for expenditure or have been segregated for specific future uses by legal mandate. Designations represent the portions of fund balance for which the government has made tentative plans.

**3. Deposit and Investment Risk**

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned. The City has no formal policy, but follows the State of Georgia requirement that all deposits be federally insured or fully collateralized.

**CITY OF DAHLONEGA, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2007**

**3. Deposit and Investment Risk (continued)**

**Interest Rate Risk**

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk**

State of Georgia law limits investments to include certificates of deposit, repurchase agreements, direct and agency obligations of the United States, obligations of the State of Georgia or other states, obligations of other political subdivisions of the State of Georgia, and pooled investment programs of the State of Georgia. The City has no investment policy that would further limit its investment choices. Investments are reported at fair value.

**Concentration of Credit Risk**

The City has no formal policy on the amount the City may invest in any one issuer.

**Foreign currency risk**

The City has no investments denominated in a foreign currency.

**4. Accounts Receivable**

Net accounts receivable at September 30, 2007 consist of the following:

<b>Major Funds</b>			
General Fund		\$	1,601
Enterprise Funds			
Water and Sewage	\$ 417,725		
Less: Allowances for Uncollectibles	(12,193)		
Solid Waste	68,868		
Less: Allowances for Uncollectibles	<u>(1,997)</u>		472,403
<b>Nonmajor Funds</b>			
Hotel/Motel Tax Special Revenue Fund			<u>11,102</u>
Total Primary Government		\$	<u><u>485,106</u></u>

**CITY OF DAHLONEGA, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2007**

**5. Intergovernmental Receivables**

Intergovernmental receivables at September 30, 2007 consist of the following:

<b>Major Funds</b>		
General Fund		
United States Army	\$ 6,453	
State of Georgia Department of Revenue	165,263	\$ 171,716
Water and Sewage		
Lumpkin County		1,990
Total Primary Government		\$ 173,706

**6. Property Taxes**

Property tax rates are set by the City Council each year and are limited by statutory or constitutional provision. Property values are assessed as of January 1st each year. Property taxes for the year 2007, based upon the assessments of January 1, 2007, were billed on September 21, 2007, and due on December 20, 2007. Taxes are delinquent on December 21, 2007 and are subject to liens on December 21, 2007.

**7. Interfund Receivables, Payables, and Transfers**

A summary of interfund receivables and payables as of September 30, 2007 is as follows:

Due from:			
Major Funds			
	Water and Sewage	Solid Waste	Total
<b>Due to:</b>			
<b>Major Funds</b>			
General	\$ 1,054,514	\$ 0	\$ 1,054,514
Water and Sewer	0	205,758	205,758
<b>Total</b>	\$ 1,054,514	\$ 205,758	\$ 1,260,272

**CITY OF DAHLONEGA, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2007**

**7. Interfund Receivables, Payables, and Transfers (continued)**

The balance reported as Due to/Due from represent loans between the borrow fund and the lender fund. Excepted as noted below, the balances result mainly from the time lag between the dates that (1) reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between the funds are made.

Balances reported in the General Fund and Water and Sewage Fund represent loans for the purchase of land in a prior period and upgrades of the wastewater treatment plant. The City plans to liquidate these balances through a future Water and Sewage bond issuance and repay these loans in the next fiscal year.

All other balances are also expected to be repaid within one year.

Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

A summary of interfund transfers is as follows:

	<b>Transfers out:</b>		
	<b>Major Funds</b>	<b>Nonmajor Funds</b>	
	Water and Sewage	Special Revenue	<b>Total</b>
<b>Transfers in:</b>			
<b>Major Funds</b>			
General	\$ 215,647	\$ 2,000	\$ 217,647

Interfund transfers are used to 1) move revenues from the fund that statute or budget requires collecting them to the fund that statute or budget requires to expend them, 2) use unrestricted revenues collected to finance various programs accounted for in other funds in accordance with budgetary authorizations, and 3) move capital assets and the related accumulated depreciation between funds. Transfers are eliminated in the government-wide financial statements if the interfund transfer is within the governmental fund group or business-type fund group.

**CITY OF DAHLONEGA, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2007**

**8. Capital Assets**

Capital asset activity for the primary government for the year ended September 30, 2007 was as follows:

	<b>Balance 9/30/2006</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 9/30/2007</b>
<b>Governmental activities</b>				
Non-depreciable assets				
Land	\$ 1,826,461	\$ 427,180	\$ 0	\$ 2,253,641
Construction in progress	178,688	0	(178,688)	0
Total non-depreciable assets	<u>2,005,149</u>	<u>427,180</u>	<u>(178,688)</u>	<u>2,253,641</u>
Depreciable assets				
Buildings and improvements	1,627,824	123,523	0	1,751,347
Equipment	579,249	29,383	(36,649)	571,983
Infrastructure	641,174	82,337	0	723,511
Total depreciable assets	<u>2,848,247</u>	<u>235,243</u>	<u>(36,649)</u>	<u>3,046,841</u>
Accumulated depreciation				
Buildings and improvements	(667,519)	(46,552)	0	(714,071)
Equipment	(323,572)	(35,264)	36,649	(322,187)
Infrastructure	(47,335)	(48,224)	0	(95,559)
Total accumulated depreciation	<u>(1,038,426)</u>	<u>(130,040)</u>	<u>36,649</u>	<u>(1,131,817)</u>
Total depreciable assets, net	<u>1,809,821</u>	<u>105,203</u>	<u>0</u>	<u>1,915,024</u>
Governmental activities capital assets, net	<u>\$ 3,814,970</u>	<u>\$ 532,383</u>	<u>\$ (178,688)</u>	<u>\$ 4,168,665</u>
<b>Business-type activities</b>				
Non-depreciable assets				
Land	\$ 3,261,944	\$ 0	\$ 0	\$ 3,261,944
Construction in progress	780,207	1,062,866	0	1,843,073
Total non-depreciable assets	<u>4,042,151</u>	<u>1,062,866</u>	<u>0</u>	<u>5,105,017</u>
Depreciable assets				
Buildings	2,479,980	0	0	2,479,980
Improvements	3,850,223	0	0	3,850,223
Equipment and vehicles	5,191,080	205,631	(63,946)	5,332,765
Water and sewer infrastructure	14,056,643	2,174,329	0	16,230,972
Total depreciable assets	<u>25,577,926</u>	<u>2,379,960</u>	<u>(63,946)</u>	<u>27,893,940</u>
Accumulated depreciation				
Buildings	(907,497)	(61,211)	0	(968,708)
Improvements	(883,475)	(93,719)	0	(977,194)
Equipment and vehicles	(2,505,590)	(286,790)	24,064	(2,768,316)
Water and sewer infrastructure	(2,686,500)	(418,161)	0	(3,104,661)
Total accumulated depreciation	<u>(6,983,062)</u>	<u>(859,881)</u>	<u>24,064</u>	<u>(7,818,879)</u>
Total depreciable assets, net	<u>18,594,864</u>	<u>1,520,079</u>	<u>(39,882)</u>	<u>20,075,061</u>
Business-type activities capital assets, net	<u>\$ 22,637,015</u>	<u>\$ 2,582,945</u>	<u>\$ (39,882)</u>	<u>\$ 25,180,078</u>

**CITY OF DAHLONEGA, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2007**

**8. Capital Assets (continued)**

Depreciation expense was charged to functions/programs as follows:

**Primary Government**

**Governmental activities**

General Government	\$ 44,143
Public Works	76,281
Culture and Recreation	9,507
Housing and Development	<u>109</u>

Total depreciation expense for governmental activities \$ 130,040

**Business-type activities**

Water and Sewer	\$ 820,393
Solid Waste	<u>39,488</u>

Total depreciation expense for business-type activities \$ 859,881

**9. Short-Term Debt**

The City issued \$1,048,081 of tax revenue anticipation notes during fiscal year 2007 with United Community Bank, bearing interest at 5.04%. By State of Georgia Law, this is required to be repaid by December 31, 2007.

**10. Capital and Operating Lease Agreements**

The City has entered into agreements for the lease of certain equipment. The terms of the agreements meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, which defines a capital lease generally as one which transfers benefits and risk of ownership to the lessee. The balances of these leases at September 30, 2007 are \$10,534 and \$62,897 for governmental and business-type activities, respectively.

**CITY OF DAHLONEGA, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2007**

**10. Capital and Operating Lease Agreements (continued)**

The following is a schedule of the future minimum lease payments together with the present value of the net minimum lease payments as of September 30, 2007:

<b>Year Ending September 30,</b>	<b>Governmental activities</b>	<b>Business-type activities</b>
2008	\$ 2,901	\$ 17,373
2009	2,901	17,373
2010	2,901	17,373
2011	2,904	17,375
Total minimum lease payments	11,607	69,494
Less amounts representing interest	(1,073)	(6,597)
Present value of minimum lease payments	<u>\$ 10,534</u>	<u>\$ 62,897</u>

Total assets leased under capital leases are \$12,988 and \$77,450 for governmental and business-type activities, respectively, and are classified as vehicles.

The City's lease agreements, other than such agreements described above, are relatively minor commitments (generally for office machines) and are in compliance with state law.

**11. Long-Term Debt**

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities, while revenue bonds are issued for the construction and expansion of proprietary activities. General obligation bonds are direct obligations and pledge the full faith, credit and taxing powers of the City while revenue bonds pledge the revenues of the proprietary activity for repayment of the bond issues.

**CITY OF DAHLONEGA, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2007**

**11. Long-Term Debt (continued)**

**Revenue Bonds**

Revenue bonds have been issued for business-type activities and are comprised of the following individual issues at September 30, 2007:

\$690,000 1973 Water and Sewage Revenue Series Bonds due in annual principal payments on November 1 with semi-annual interest payments (6.90%) due on May 1 and November 1. The final principal payment of \$65,000 is due on November 1, 2007. The bonds were used for expansion of the Water and Sewage system in the City of Dahlonega, Georgia.

Annual debt service requirements to maturity for revenue bonds are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 65,000	\$ 2,243	\$ 67,243
Totals	<u>\$ 65,000</u>	<u>\$ 2,243</u>	<u>\$ 67,243</u>

**Notes Payable**

The City has entered into 8 borrowings with the Georgia Environmental Facilities Authority for expansion of the City's water and sewage system. At September 30, 2007 the original amounts of these borrowings were \$8,983,366, with a total outstanding balance of \$6,260,190. Monthly installments of principal and interest are due through July 1, 2022; interest at 2.00% to 5.56%.

Additionally, the City has entered into an agreement with the Georgia Environmental Facilities Authority for the land and construction of a reservoir, in the original amount of \$6,663,057. At September 30, 2007, the balance of this note is \$6,562,956. Monthly installments of principal and interest are due through July 1, 2045; interest at 3.00%. The payments for this note payable are currently funded through transfers from the General Fund.



**CITY OF DAHLONEGA, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2007**

**11. Long-Term Debt (continued)**

**Notes Payable (continued)**

Annual debt service requirements to maturity for notes payable are as follows:

Year Ending September 30,	Principal	Interest	Total
2008	\$ 541,050	\$ 461,176	\$ 1,002,226
2009	552,864	438,533	991,397
2010	575,668	415,729	991,397
2011	599,678	391,719	991,397
2012	624,549	366,848	991,397
2013 - 2017	3,437,985	1,420,152	4,858,137
2018 - 2022	1,702,569	858,279	2,560,848
2023 - 2027	792,059	661,385	1,453,444
2028 - 2032	920,069	533,375	1,453,444
2033 - 2037	1,068,767	384,677	1,453,444
2038 - 2042	1,241,498	211,946	1,453,444
2043 - 2045	766,390	33,004	799,394
Totals	<u>\$ 12,823,146</u>	<u>\$ 6,176,823</u>	<u>\$ 18,999,969</u>

**Changes in Long-Term Debt**

The following is a summary of changes in long-term debt of the City for the year ended September 30, 2007:

	Balance 9/30/2006	Additions	Deductions	Balance 9/30/2007	Due Within One Year
<b>Governmental activities</b>					
Capital lease obligations	\$ 0	\$ 12,988	\$ 2,454	\$ 10,534	\$ 2,453
Compensated absences	47,771	50,409	47,771	50,409	50,409
Total governmental activities	<u>\$ 47,771</u>	<u>\$ 63,397</u>	<u>\$ 50,225</u>	<u>\$ 60,943</u>	<u>\$ 52,862</u>
<b>Business-type activities</b>					
Notes payable	\$ 13,181,845	\$ 144,346	\$ 503,045	\$ 12,823,146	\$ 541,050
Revenue bonds	120,000	0	55,000	65,000	65,000
Capital lease obligations	0	77,450	14,553	62,897	14,619
Compensated absences	58,884	69,909	58,884	69,909	69,909
Total business-type activities	<u>\$ 13,360,729</u>	<u>\$ 291,705</u>	<u>\$ 631,482</u>	<u>\$ 13,020,952</u>	<u>\$ 690,578</u>

Revenue bond issue costs and discounts/premiums are amortized over the life of the related debt using the straight-line method. In prior years, long-term liabilities, such as compensated absences, of the governmental activities were liquidated in the General Fund.

**CITY OF DAHLONEGA, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2007**

**12. Reserved/Restricted Equity Balances**

**General Fund** – Amount of \$37,479 and \$278,314 have been reserved for prepaid items and the City cemetery, respectively since these amounts are not legally available for appropriation.

**Water and Sewage Enterprise Fund** – An amount of \$86,896 has been restricted for restricted assets since this amount is not legally available for appropriation.

**13. Change in Beginning Equity**

**General Fund**

A prior period adjustment has been made to reflect unrecorded intergovernmental receivables at September 30, 2006. This adjustment increased beginning fund balance by \$17,837.

A prior period adjustment has been made to reflect unrecorded accounts payable at September 30, 2006. This adjustment decreased beginning fund balance by \$2,401.

The net effect of these adjustments is to increase beginning net assets of Governmental Activities by \$15,436.

**Water and Sewage Enterprise Fund**

A prior period adjustment has been made to remove debt incorrectly reported in the prior year for the reservoir at September 30, 2006. This adjustment increased beginning net assets by \$62,417.

A prior period adjustment has been made to reflect unrecorded accounts payable at September 30, 2006. This adjustment decreased beginning net assets by \$21,467.

The net effect of these adjustments is to increase beginning net assets of the Business-type Activities by \$40,950.

**CITY OF DAHLONEGA, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2007**

**14. Pension Plan**

**Plan Description**

The City of Dahlonega is a participating member in the Georgia Municipal Employees Benefit System (GMEBS), a defined benefit plan ("Plan"), which is a service of Georgia Municipal Association (GMA). GMEBS is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipalities in Georgia. The City elected to participate in GMEBS as of May 1, 1973, as a result of City Ordinance and a contract between the City and GMA. The Plan's assets may be used only for the payment of benefits to the members of the Plan, in accordance with the terms of the Plan. See Note 2 – Summary of Significant Accounting Policies for reporting of investments.

All City employees who work a minimum of twenty hours per week are eligible to participate in the Plan after completing one year of service. Mayor and Council are eligible immediately. Benefits vest after five years of service. Participants become eligible to retire with unreduced benefits at age 65 with five years of service. Mayor and Council are not subject to the five-year minimum service.

GMA issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to Georgia Municipal Association at 21 Pryor Street, SW, Atlanta, Georgia 30303.

Vested employees who have reached the age of 65 and have completed five years of credited service are eligible to receive a monthly benefit, payable for life. The benefit is equal to 2.0% of the employee's average salary for the five highest years of employment multiplied by the years of credited service. The plan also provides benefits in the event of death or disability. These benefits provisions were established by an adoption agreement executed by the City Council.

**CITY OF DAHLONEGA, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2007**

**14. Pension Plan (continued)**

**Plan Description, continued**

Vested employees who have reached age 55 with at least five years of credited service are eligible to receive an early retirement benefit, payable monthly for life, reduced on an actuarial equivalent basis. Death benefits and optional forms of retirement income on an actuarial equivalent basis are also available.

Current Membership is as follows:

Retirees and beneficiaries currently receiving benefits	16
Terminated vested participants entitled to but not yet receiving benefits	9
Active participants	<u>44</u>
Total number of participants	<u><u>69</u></u>

**Funding Policy**

The funding policy for the plan is to contribute an amount equal to the recommended contribution each year. The current rate is 14.43% of annual covered payroll. The Plan is a noncontributory participant plan. The recommended contribution meets the guidelines for calculating an annual required contribution set forth in Paragraphs 9-10 of GASB Statement No. 27. These contributions are determined under the projected unit credit actuarial cost method and the asset valuation method for developing the actuarial value of assets. The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 1982 and current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods, if applicable, are closed for this plan year. The remaining amortization period at May 1, 2007 varies for the bases. The City Council provides for the benefits and funding policy through City ordinance and maintains the authority to change the policy.

**CITY OF DAHLONEGA, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2007**

**14. Pension Plan (continued)**

**Annual Pension Cost**

For fiscal year 2007, the City's annual pension cost of \$189,671 was equal to the City's recommended and actual contributions. The required contribution was \$189,671. The recommended contribution (projected to May 1, 2008) was computed as part of an actuarial valuation as of May 1, 2007. Significant actuarial assumptions used in the valuation include: (a) a rate of return on the investment of present and future assets of 8 percent per year compounded annually, (b) projected salary increases of 5.5 percent per year compounded annually (5.0 percent and 0.5 percent attributable to inflation and merit, respectively), (c) no post-retirement benefit increases.

**Historical Trend Information**

Historical trend information for Annual Pension Cost and funding progress is as follows:

<b>Pension Cost Information</b>			
<b>Funding Fiscal Year</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
9/30/2004	\$ 114,363	100%	\$ 0
9/30/2005	142,191	100%	0
9/30/2006	154,451	100%	0
9/30/2007	189,671	100%	0

**CITY OF DAHLONEGA, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2007**

**14. Pension Plan (continued)**

**Historical Trend Information, continued**

**Schedule of Funding Progress**

Actuarial Valuation Date <u>March 1,</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) <u>(b)</u>	(Funded) Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percentage of Covered Payroll <u>((b-a)/c)</u>
2004	\$ 1,814,650	\$ 2,156,848	342,198	84.13%	\$ 927,482	36.90%
2005	1,950,606	2,416,393	465,787	80.72%	1,063,230	43.81%
2006	2,117,298	2,504,340	387,042	84.55%	1,147,037	33.74%
2007	2,312,173	2,838,688	526,515	81.45%	1,314,660	40.05%

The actuarial value of assets is calculated as the roll forward of prior year's actuarial value with contributions, disbursements, and expected return on investments, plus 10% of investment gains (losses) during 10 prior years

**15. Hotel/Motel Lodging Tax**

The City has levied a 5% lodging tax, in accordance with Official Code of Georgia Annotated (OCGA) Section 48-13-51(3). The City is required to spend an amount equal to the amount by which the total taxes collected under the Code section exceed the taxes which would be collected at a rate of 3 percent for the purpose of promoting tourism, conventions, and trade shows. A summary of the transactions for the year ending September 30, 2007, follows:

Lodging Tax Receipts	\$115,031
Disbursements to the Dahlonega – Lumpkin County Chamber of Commerce	\$115,031 100% of tax receipts

**CITY OF DAHLONEGA, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2007**

**16. Joint Ventures**

Under Georgia law, the City, in conjunction with other cities and counties in the northeast Georgia area, is a member of the Georgia Mountains Regional Development Center and is required to pay annual dues thereto. During its year ended September 30, 2007, the City paid \$4,478 in such dues. Membership in an RDC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the RDC in Georgia. The RDC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RDC. Separate financial statements may be obtained from Georgia Mountains Regional Development Center, PO Box 1720, Gainesville, GA 30503.

On March 6, 1998, the City of Dahlonega, Georgia (City), Lumpkin County (County) and the Lumpkin County Water and Sewage Authority (Authority) formed a joint authority to construct a reservoir.

The City and County have signed an agreement to each own 54% and 46% undivided interest in the reservoir assets, respectively. The responsibility of constructing the reservoir and liability for the debt was divided between the City (47.59%), the County (52.41%) and the Authority (0%). A Georgia Facilities Authority note for which the City and County will be responsible for based on the preceding debt percentages originally funded the project. The City has been paying principal and interest payments based on their percentage of 47.59% during fiscal year 2007.

**17. Related Organizations**

The Housing Authority of the City of Dahlonega is considered a related organization to the City of Dahlonega. The City appoints members to the Authority, but does not have the ability to impose its will or create a financial benefit or burden for the Authority. The Authority provides low-income housing for the individuals in the City of Dahlonega. The City received \$1,093 as payment-in-lieu-of-taxes for 2007. Separate financial statements may be obtained from Housing Authority of the City of Dahlonega, 90 Thompson Circle, Dahlonega, GA 30553.

**CITY OF DAHLONEGA, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2007**

**18. Risk Management**

Material estimates have been made by management about the life of depreciated fixed assets. Management has used a conservative approach on these estimates.

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

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

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

Settled claims in the past three years have not exceeded the coverages.

Management estimates liabilities for unpaid claims based on the probability of losses exceeding the occurrence limits and the reasonableness of estimating those losses. At September 30, 2007, the City has no losses that are probable or estimable and accordingly has not recognized any liability.



**CITY OF DAHLONEGA, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2007**

**19. Commitments and Contingencies**

**Commitments**

The City has active construction projects as of September 30, 2007. At year end, the City's commitments with contractors are as follows:

<b>Project</b>	<b>Amount Spent to Date</b>	<b>Remaining Commitment</b>
Water Treatment Plant	<u>\$ 1,247,029</u>	<u>\$ 362,975</u>

**Contingencies**

The City is a defendant in a lawsuit. Management intends to contest the open case vigorously. The City's legal counsel has stated that the outcome of this lawsuit is not presently determinable; however, there is sufficient liability insurance to cover any potential award against the City.

**20. Excess of Expenditures over Appropriations in Individual Governmental Funds for which Budgets are Adopted**

During the fiscal year, the City incurred material expenditures in the General Fund which were in excess of the amounts appropriated for the following departments:

<b>Department</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
General Administration	\$ 516,047	\$ 926,727	\$ (410,680)
Municipal Court	196,226	208,740	(12,514)

Also during the fiscal year, the Hotel/Motel Tax Special Revenue Fund had appropriations of \$109,280 and expenditures of \$115,031; The Multiple Grant Special Revenue Fund had appropriations of \$6,000 and expenditures of \$12,143.

The City of Dahlonega's Management concurs with these findings. The City Clerk will be reviewing the comparative financial statements to budget and recommend any necessary budget revisions to City Council. This action was taken immediately upon receipt of the comment from our auditors.

**CITY OF DAHLONEGA, GEORGIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2007**

**21. Deficit Equity Balances**

At September 30, 2007, the Multiple Grants Special Revenue Fund has a deficit fund balance of \$3,564. This is due to purchases partially funded by grant funds and the matching portion has not yet been transferred from the General Fund. The City plans to liquidate this deficit fund balance through future transfers from the General Fund.

***COMBINING STATEMENTS***

*NONMAJOR GOVERNMENTAL FUNDS*

**CITY OF DAHLONEGA, GEORGIA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 September 30, 2007**

	Special Revenue		Total Nonmajor Governmental Funds
	Multiple Grant	Hotel/Motel Tax	
<b>ASSETS</b>			
Equity in pooled cash	\$ 12,169	\$ 0	\$ 12,169
Accounts receivable	0	11,102	11,102
<b>Total assets</b>	<b>\$ 12,169</b>	<b>\$ 11,102</b>	<b>\$ 23,271</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ 8,233	\$ 11,102	\$ 19,335
Deferred revenue	7,500	0	7,500
<b>Total liabilities</b>	15,733	11,102	26,835
<b>Fund balances</b>			
Unreserved	(3,564)	0	(3,564)
<b>Total liabilities and fund balances</b>	<b>\$ 12,169</b>	<b>\$ 11,102</b>	<b>\$ 23,271</b>

**CITY OF DAHLONEGA, GEORGIA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the fiscal year ended September 30, 2007**

	Special Revenue		Total Nonmajor Governmental Funds
	Multiple Grant	Hotel/Motel Tax	
<b>REVENUES</b>			
Taxes	\$ 0	\$ 115,031	\$ 115,031
Intergovernmental	3,000	0	3,000
<b>Total revenues</b>	<u>3,000</u>	<u>115,031</u>	<u>118,031</u>
<b>EXPENDITURES</b>			
Current			
Culture and Recreation	5,643	0	5,643
Housing and Development	6,500	115,031	121,531
<b>Total expenditures</b>	<u>12,143</u>	<u>115,031</u>	<u>127,174</u>
Excess (deficiency) of revenues over (under) expenditures	(9,143)	0	(9,143)
Other financing sources (uses)			
Transfers in (out)			
Transfers in	2,000	0	2,000
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(7,143)	0	(7,143)
Fund balances, October 1	<u>3,579</u>	<u>0</u>	<u>3,579</u>
<b>Fund balances, September 30</b>	<u><u>\$ (3,564)</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ (3,564)</u></u>

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***GENERAL FUND***

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

**CITY OF DAHLONEGA, GEORGIA  
GENERAL FUND  
BALANCE SHEET  
September 30, 2007**

**ASSETS**

Cash	\$	5,360
Equity in pooled cash		2,250,219
Receivables (net)		
Accounts		1,601
Taxes		19,461
Fines		61,856
Intergovernmental		171,716
Inventory		14,738
Prepaid items		37,479
Due from other funds		1,054,514
Restricted assets		
Cash		278,314
<b>Total assets</b>	<b>\$</b>	<b>3,895,258</b>

**LIABILITIES AND FUND BALANCES**

**Liabilities**

Payables		
Accounts	\$	35,448
Interest		6,413
Accrued salaries and payroll expenses		5,974
Tax anticipation note payable		1,048,081
Deferred revenue		23,768
<b>Total liabilities</b>		<b>1,119,684</b>

**Fund balances**

Reserved for restricted assets		278,314
Reserved for prepaid items		37,479
Unreserved, undesignated		2,459,781
<b>Total fund balances</b>		<b>2,775,574</b>
<b>Total liabilities and fund balances</b>	<b>\$</b>	<b>3,895,258</b>



**CITY OF DAHLONEGA, GEORGIA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
*For the fiscal year ended September 30, 2007*

<b>REVENUES</b>	
Taxes	\$ 2,606,457
Licenses and permits	186,291
Fines, fees and forfeitures	171,700
Charges for services	52,970
Intergovernmental	15,827
Interest	121,675
Contributions	132
Other	10,510
	<hr/>
<b>Total revenues</b>	<b>3,165,562</b>
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<b>EXPENDITURES</b>	
Current	
General Government	1,243,109
Judicial	208,740
Public Works	649,540
Culture and Recreation	70,198
Housing and Development	424,980
	<hr/>
<b>Total expenditures</b>	<b>2,596,567</b>
	<hr/>
Excess of revenues over expenditures	568,995
	<hr/>
Other financing sources (uses)	
Transfers in (out)	
Multiple Grant Special Revenue Fund	(2,000)
Water and Sewer Enterprise Fund	(215,647)
Proceeds from capital lease	12,988
	<hr/>
Total other financing sources (uses)	(204,659)
	<hr/>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	364,336
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Fund balances, October 1 (original)	2,395,802
Prior period adjustments	15,436
	<hr/>
Fund balances, October 1 (restated)	2,411,238
	<hr/>
<b>Fund balances, September 30</b>	<b>\$ 2,775,574</b>
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**CITY OF DAHLONEGA, GEORGIA**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES**  
**BUDGET (GAAP BASIS) AND ACTUAL**  
**For the fiscal year ended September 30, 2007**

<b>REVENUES</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Taxes</b>			
General property taxes			
Property tax	\$ 820,735	\$ 812,855	\$ (7,880)
Real estate transfer tax	22,000	23,432	1,432
Motor vehicle tax	17,000	19,534	2,534
Cost, penalties, and interest	3,500	3,540	40
<b>Total general property taxes</b>	<b>863,235</b>	<b>859,361</b>	<b>(3,874)</b>
Local option sales tax	850,000	837,951	(12,049)
Franchise tax	454,127	454,128	1
Insurance premium tax	190,631	190,631	0
Alcoholic beverage excise tax	144,200	147,210	3,010
Occupational tax	115,675	117,176	1,501
<b>Total taxes</b>	<b>2,617,868</b>	<b>2,606,457</b>	<b>(11,411)</b>
<b>Licenses and Permits</b>			
Alcohol licenses	55,814	56,644	830
Building permits	86,950	129,647	42,697
<b>Total licenses and permits</b>	<b>142,764</b>	<b>186,291</b>	<b>43,527</b>
<b>Fines, fees and forfeitures</b>			
	190,000	171,700	(18,300)
<b>Charges for Services</b>			
Cemetery	43,000	52,940	9,940
Other	40	30	(10)
<b>Total charges for services</b>	<b>43,040</b>	<b>52,970</b>	<b>9,930</b>
<b>Intergovernmental</b>			
	0	15,827	15,827
<b>Interest</b>			
	110,000	121,675	11,675
<b>Contributions</b>			
	200	132	(68)
<b>Other</b>			
	11,365	10,510	(855)
<b>Total revenues</b>	<b>\$ 3,115,237</b>	<b>\$ 3,165,562</b>	<b>\$ 50,325</b>

**CITY OF DAHLONEGA, GEORGIA**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES**  
**BUDGET (GAAP BASIS) AND ACTUAL**  
**For the fiscal year ended September 30, 2007**

<b>EXPENDITURES</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>General Government</b>			
Legislative			
Personal services	\$ 112,660	\$ 109,225	\$ 3,435
Contract services	37,052	32,921	4,131
Supplies and materials	400	400	0
Total Legislative	<u>150,112</u>	<u>142,546</u>	<u>7,566</u>
Executive			
Personal services	134,965	134,455	510
Contract services	36,284	36,185	99
Supplies and materials	570	3,196	(2,626)
Capital outlay	2,603	0	2,603
Total Executive	<u>174,422</u>	<u>173,836</u>	<u>586</u>
General Administration			
Personal services	197,087	179,932	17,155
Contract services	254,306	270,482	(16,176)
Supplies and materials	48,188	46,034	2,154
Capital outlay	11,106	422,294	(411,188)
Debt service	5,360	7,985	(2,625)
Total General Administration	<u>516,047</u>	<u>926,727</u>	<u>(410,680)</u>
Total General Government	<u>840,581</u>	<u>1,243,109</u>	<u>(402,528)</u>
<b>Judicial</b>			
Municipal Court			
Personal services	59,830	59,483	347
Contract services	79,688	89,410	(9,722)
Supplies and materials	908	841	67
Payments to other agencies	55,800	59,006	(3,206)
Total Judicial	<u>196,226</u>	<u>208,740</u>	<u>(12,514)</u>
<b>Public Works</b>			
Paved Street			
Personal services	365,020	353,459	11,561
Contract services	39,708	38,035	1,673
Supplies and materials	56,300	87,413	(31,113)
Capital outlay	50,988	40,160	10,828
Debt service	200	2,864	(2,664)
Total Paved Street	<u>512,216</u>	<u>521,931</u>	<u>(9,715)</u>
Shop Department			
Personal services	52,518	50,507	2,011
Contract services	3,219	3,922	(703)
Supplies and materials	10,791	10,717	74
Total Shop Department	<u>66,528</u>	<u>65,146</u>	<u>1,382</u>

**CITY OF DAHLONEGA, GEORGIA**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES**  
**BUDGET (GAAP BASIS) AND ACTUAL**  
**For the fiscal year ended September 30, 2007**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Public Works, continued</b>			
Cemetery			
Personal services	\$ 51,300	\$ 52,165	\$ (865)
Contract services	3,908	3,810	98
Supplies and materials	5,927	6,488	(561)
Total Cemetery	<u>61,135</u>	<u>62,463</u>	<u>(1,328)</u>
Total Public Works	<u>639,879</u>	<u>649,540</u>	<u>(9,661)</u>
<b>Culture and Recreation</b>			
Parks			
Personal services	49,916	50,243	(327)
Contract services	14,727	16,016	(1,289)
Supplies and materials	3,879	3,939	(60)
Total Parks	<u>68,522</u>	<u>70,198</u>	<u>(1,676)</u>
Total Culture and Recreation	<u>68,522</u>	<u>70,198</u>	<u>(1,676)</u>
<b>Housing and Development</b>			
Building Inspections			
Personal services	188,864	189,120	(256)
Contract services	54,596	40,872	13,724
Supplies and materials	11,549	12,202	(653)
Capital outlay	8,000	12,451	(4,451)
Total Building Inspections	<u>263,009</u>	<u>254,645</u>	<u>8,364</u>
Better Home Towns			
Contract services	50,776	51,716	(940)
Total Better Home Towns	<u>50,776</u>	<u>51,716</u>	<u>(940)</u>
Downtown Development Authority			
Payment to others	119,718	118,619	1,099
Total Downtown Development Authority	<u>119,718</u>	<u>118,619</u>	<u>1,099</u>
Total Housing and Development	<u>433,503</u>	<u>424,980</u>	<u>8,523</u>
<b>Total expenditures</b>	<u><u>\$ 2,178,711</u></u>	<u><u>\$ 2,596,567</u></u>	<u><u>\$ (417,856)</u></u>

## ***SPECIAL REVENUE FUNDS***

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally or donor restricted to expenditure for specified purposes.

Multiple Grant Fund - This fund is used to account for the grant revenues and expenses for various government purposes.

Hotel/Motel Tax Fund - This fund is used to collect Hotel/Motel taxes which are used to support trade and tourism in the City of Dahlonega.

**CITY OF DAHLONEGA, GEORGIA**  
**MULTIPLE GRANT SPECIAL REVENUE FUND**  
**BALANCE SHEET**  
**September 30, 2007**

**ASSETS**

Equity in pooled cash	\$ 12,169
<b>Total assets</b>	<b><u>\$ 12,169</u></b>

**LIABILITIES AND FUND BALANCES**

**Liabilities**

Accounts payable	\$ 8,233
Deferred revenue	<u>7,500</u>
Total liabilities	15,733

**Fund balances**

Unreserved	<u>(3,564)</u>
<b>Total liabilities and fund balances</b>	<b><u>\$ 12,169</u></b>

**CITY OF DAHLONEGA, GEORGIA**  
**MULTIPLE GRANT SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**BUDGET (GAAP BASIS) AND ACTUAL**  
**For the fiscal year ended September 30, 2007**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Intergovernmental	\$ 5,000	\$ 3,000	\$ (2,000)
<b>Total revenues</b>	<u>5,000</u>	<u>3,000</u>	<u>(2,000)</u>
<b>EXPENDITURES</b>			
Current			
Culture and recreation	6,000	5,643	357
Housing and development	<u>0</u>	<u>6,500</u>	<u>(6,500)</u>
<b>Total expenditures</b>	<u>6,000</u>	<u>12,143</u>	<u>(6,143)</u>
Excess (deficiency) of revenues over (under) expenditures	(1,000)	(9,143)	(8,143)
Other financing sources (uses)			
Transfers in (out)			
General Fund	<u>1,000</u>	<u>2,000</u>	<u>1,000</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	0	(7,143)	(7,143)
Fund balances, October 1	<u>0</u>	<u>3,579</u>	<u>3,579</u>
<b>Fund balances, September 30</b>	<u><u>\$ 0</u></u>	<u><u>\$ (3,564)</u></u>	<u><u>\$ (3,564)</u></u>

**CITY OF DAHLONEGA, GEORGIA**  
**HOTEL/MOTEL TAX SPECIAL REVENUE FUND**  
**BALANCE SHEET**  
**September 30, 2007**

**ASSETS**

Accounts receivable	<u>\$ 11,102</u>
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**LIABILITIES AND FUND BALANCES**

**Liabilities**

Accounts payable	<u>\$ 11,102</u>
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**CITY OF DAHLONEGA, GEORGIA**  
**HOTEL/MOTEL TAX SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**BUDGET (GAAP BASIS) AND ACTUAL**  
**For the fiscal year ended September 30, 2007**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Hotel/Motel taxes	\$ 109,280	\$ 115,031	\$ 5,751
<b>Total revenues</b>	<u>109,280</u>	<u>115,031</u>	<u>5,751</u>
<b>EXPENDITURES</b>			
Current			
Housing and Development			
Tourism			
Chamber of Commerce	109,280	115,031	(5,751)
<b>Total expenditures</b>	<u>109,280</u>	<u>115,031</u>	<u>(5,751)</u>
Excess (deficiency) of revenues over (under) expenditures	0	0	0
Fund balances, October 1	<u>0</u>	<u>0</u>	<u>0</u>
<b>Fund balances, September 30</b>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

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## ***ENTERPRISE FUNDS***

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The funds are self-supporting in nature where the costs, including depreciation, of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges.

Water and Sewage Fund - Used to account for activities connected with the development, operation and maintenance of water and sewer services in the City of Dahlonega.

Solid Waste Fund - Used to account for activities connected with the collection and disposal of residential, commercial, industrial, and institutional solid waste in the City of Dahlonega.

**CITY OF DAHLONEGA, GEORGIA**  
**WATER AND SEWAGE ENTERPRISE FUND**  
**STATEMENT OF NET ASSETS**  
**September 30, 2007**

**ASSETS**

**Current assets**

Equity in pooled cash	\$	1,360,721
Certificates of deposit		14,567
Receivables		
Accounts (net)		405,532
Intergovernmental		1,990
Inventory		115,417
Prepaid items		24,455
Due from other funds		205,758
		2,128,440
Total current assets		2,128,440

**Restricted assets**

Bond Redemption		
Cash		86,896
Customer Deposits		
Certificates of deposit		60,433
		147,329
Total restricted assets		147,329

**Capital assets**

Land		3,261,944
Improvements		3,850,223
Buildings		2,224,915
Water and sewer lines and towers		16,230,972
Machinery and equipment		4,868,439
Construction in progress		1,843,073
Accumulated depreciation		(7,394,919)
		24,884,647
Total capital assets (net of accumulated depreciation)		24,884,647

**Other assets**

Investment in joint venture		15,269
		15,269
<b>Total assets</b>		<b>27,175,685</b>

**CITY OF DAHLONEGA, GEORGIA**  
**WATER AND SEWAGE ENTERPRISE FUND**  
**STATEMENT OF NET ASSETS**  
**September 30, 2007**

**LIABILITIES**

**Current liabilities**

Payables	
Accounts	\$ 203,208
Interest	39,134
Accrued salaries and payroll expenses	5,444
Compensated absences	66,858
Due to other funds	1,054,514
Notes payable	541,050
Capital leases payable	14,619
	<hr/>
Total current liabilities	1,924,827

**Current liabilities payable from restricted assets**

Customer deposits payable	60,433
Revenue bonds payable	65,000
Interest payable	1,869
	<hr/>
Total liabilities payable from restricted assets	127,302

**Long-term liabilities**

Notes payable	12,282,096
Capital leases payable	48,278
	<hr/>
Total long-term liabilities	12,330,374

**Total liabilities**

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**14,382,503**

**NET ASSETS**

Invested in capital assets, net of related debt	11,892,601
Restricted for restricted assets	86,896
Unrestricted	813,685
	<hr/>

**Total net assets**

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**\$ 12,793,182**

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**CITY OF DAHLONEGA, GEORGIA**  
**WATER AND SEWAGE ENTERPRISE FUND**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET ASSETS**  
**For the fiscal year ended September 30, 2007**

**OPERATING REVENUES**

Charges for sales and services	
Water sales	\$ 1,619,415
Sewer charges	1,197,036
Tap fees	550,388
Other	1,237
	<u>3,368,076</u>

**OPERATING EXPENSES**

Cost of sales and services	765,365
Personal services	943,884
Depreciation	820,393
	<u>2,529,642</u>

Operating income (loss)	<u>838,434</u>
-------------------------	----------------

Non-operating revenues (expenses)

Interest revenue	70,758
Interest expense	(487,986)
Gain (loss) on sale of assets	1,123
	<u>1,123</u>

Total non-operating revenues (expenses)	<u>(416,105)</u>
-----------------------------------------	------------------

Net income (loss) before capital contributions and transfers	<u>422,329</u>
--------------------------------------------------------------	----------------

Capital contributions

Capital contributions	1,369,606
Intergovernmental	20,004
	<u>20,004</u>

Total capital contributions	<u>1,389,610</u>
-----------------------------	------------------

Net income (loss) before transfers	1,811,939
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Transfers in (out)

General Fund	215,647
	<u>215,647</u>

Change in net assets	<u>2,027,586</u>
----------------------	------------------

Net assets, October 1 (original)	10,724,646
----------------------------------	------------

Prior period adjustments	40,950
	<u>40,950</u>

Net assets, October 1 (restated)	<u>10,765,596</u>
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<b>Net assets, September 30</b>	<b><u><u>\$ 12,793,182</u></u></b>
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**CITY OF DAHLONEGA, GEORGIA**  
**WATER AND SEWAGE ENTERPRISE FUND**  
**STATEMENT OF CASH FLOWS**  
*For the fiscal year ended September 30, 2007*

<b>Cash flows from operating activities:</b>	
Receipts from customers	\$ 3,396,974
Payments to suppliers	(830,459)
Payments to employees	(931,444)
Other receipts	1,237
	<hr/>
Net cash provided (used) by operating activities	1,636,308
	<hr/>
<b>Cash flows from non-capital financing activities:</b>	
Receipts from other funds	215,647
Payments to other funds	(41,824)
	<hr/>
Net cash provided (used) by non-capital financing activities	173,823
	<hr/>
<b>Cash flows from capital and related financing activities:</b>	
Receipts from other governments	33,245
Receipts from disposal of capital assets	1,851
Receipts from other funds	1,054,514
Acquisitions of capital assets	(1,403,510)
Principal payments - revenue bonds	(55,000)
Principal payments - promissary notes	(545,628)
Payment of capital leases	(14,553)
Interest paid	(492,288)
	<hr/>
Net cash provided (used) by capital and related financing activities	(1,421,369)
	<hr/>
<b>Cash flows from investing activities:</b>	
Proceeds from certificates of deposit	65,000
Purchases of certificates of deposit	(75,000)
Interest received	58,189
	<hr/>
Net cash provided (used) by investing activities	48,189
	<hr/>
Net increase (decrease) in cash	436,951
Cash, October 1	1,010,666
	<hr/>
<b>Cash, September 30</b>	<b>\$ 1,447,617</b>
	<hr/> <hr/>

**CITY OF DAHLONEGA, GEORGIA**  
**WATER AND SEWAGE ENTERPRISE FUND**  
**STATEMENT OF CASH FLOWS**  
**For the fiscal year ended September 30, 2007**

**Reconciliation of operating income (loss) to net cash provided (used) by operating activities:**

Operating income (loss)	<u>\$ 838,434</u>
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Adjustments to reconcile operating income to net cash provided by operating activities:

Depreciation expense	820,393
(Increase) decrease in accounts receivable	30,142
(Increase) decrease in inventory	(1)
(Increase) decrease in prepaid items	(3,806)
Increase (decrease) in accounts payable	(61,287)
Increase (decrease) in payroll liabilities	12,440
Increase (decrease) in deposits payable	<u>(7)</u>

Total adjustments	<u>797,874</u>
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Net cash provided (used) by operating activities	<u><u>\$ 1,636,308</u></u>
--------------------------------------------------	----------------------------

**Cash reconciliation:**

Equity in pooled cash	\$ 1,360,721
Bond Redemption	
Cash	<u>86,896</u>

Total cash	<u><u>\$ 1,447,617</u></u>
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**Noncash capital and related financing activities:**

Contributions of capital assets from individuals totaled \$1,369,606 for the fiscal year ended September 30, 2007.

Acquisition of capital assets through capital leases totaled \$77,450 for the fiscal year ended September 30, 2007.



**CITY OF DAHLONEGA, GEORGIA**  
**SOLID WASTE ENTERPRISE FUND**  
**STATEMENT OF NET ASSETS**  
**September 30, 2007**

**ASSETS**

**Current assets**

Equity in pooled cash	\$	196,799
Accounts receivable (net)		66,871
Inventory		5,017
Prepaid items		8,241
		276,928
Total current assets		276,928

**Fixed assets**

Buildings		255,066
Machinery and equipment		464,328
Accumulated depreciation		(423,963)
		295,431
Total fixed assets (net of accumulated depreciation)		295,431

<b>Total assets</b>		<b>572,359</b>
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**LIABILITIES**

Accounts payable		2,834
Accrued salaries and payroll expenses		1,811
Compensated absences		3,051
Due to other funds		205,758
		213,454

<b>Total liabilities</b>		<b>213,454</b>
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**NET ASSETS**

Invested in capital assets		295,431
Unrestricted		63,474
		358,905

<b>Total net assets</b>	<b>\$</b>	<b>358,905</b>
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**CITY OF DAHLONGA, GEORGIA  
SOLID WASTE ENTERPRISE FUND  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
For the fiscal year ended September 30, 2007**

<b>OPERATING REVENUES</b>	
Charges for sales and services	\$ 476,076
<b>OPERATING EXPENSES</b>	
Cost of sales and services	157,800
Personal services	275,657
Depreciation	39,488
	<hr/>
Total operating expenses	472,945
	<hr/>
Change in net assets	3,131
Net assets, October 1	355,774
	<hr/>
<b>Net assets, September 30</b>	<b>\$ 358,905</b>
	<hr/> <hr/>

**CITY OF DAHLONEGA, GEORGIA**  
**SOLID WASTE ENTERPRISE FUND**  
**STATEMENT OF CASH FLOWS**  
*For the fiscal year ended September 30, 2007*

<b>Cash flows from operating activities:</b>	
Receipts from customers	\$ 432,288
Payments to suppliers	(158,798)
Payments to employees	<u>(274,403)</u>
Net cash provided (used) by operating activities	<u>(913)</u>
<b>Cash flows from non-capital financing activities:</b>	
Payments to other funds	<u>41,824</u>
Net cash provided (used) by non-capital financing activities	<u>41,824</u>
Net increase (decrease) in cash	40,911
Cash, October 1	<u>155,888</u>
<b>Cash, September 30</b>	<b><u><u>\$ 196,799</u></u></b>
 <b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>	
Operating income (loss)	<u>\$ 3,131</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	39,488
(Increase) decrease in accounts receivable	(43,788)
(Increase) decrease in inventory	(1,660)
(Increase) decrease in prepaid items	(634)
Increase (decrease) in accounts payable	1,296
Increase (decrease) in payroll liabilities	<u>1,254</u>
Total adjustments	<u>(4,044)</u>
Net cash provided (used) by operating activities	<b><u><u>\$ (913)</u></u></b>

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***COMPONENT UNIT***

Downtown Development Authority – This component unit is used to account for governmental revenues and contributions reserved for City business development.

**CITY OF DAHLONEGA, GEORGIA**  
**DOWNTOWN DEVELOPMENT AUTHORITY (A COMPONENT UNIT)**  
**BALANCE SHEET**  
**September 30, 2007**

**ASSETS**

Equity in pooled cash	\$ 1,738
Restricted assets	
Equity in pooled cash	104,271
<b>Total assets</b>	<b>\$ 106,009</b>

**LIABILITIES AND FUND BALANCES**

**Liabilities**

Payables	
Accounts	17,530
Accrued salaries and payroll liabilities	529
Total liabilities	18,059

**Fund balances**

Unreserved, undesignated	87,950
Total fund balances	87,950
<b>Total liabilities and fund balances</b>	<b>\$ 106,009</b>

**CITY OF DAHLONEGA, GEORGIA**  
**DOWNTOWN DEVELOPMENT AUTHORITY (A COMPONENT UNIT)**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE**  
**BUDGET (GAAP BASIS) AND ACTUAL**  
**For the fiscal year ended September 30, 2007**

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>REVENUES</b>			
Intergovernmental	\$ 119,718	\$ 118,619	\$ (1,099)
Fund-raising sales	0	39,891	39,891
<b>Total revenues</b>	<b>119,718</b>	<b>158,510</b>	<b>38,792</b>
<b>EXPENDITURES</b>			
Current			
Housing and Development			
Personal services	64,037	60,253	3,784
Contract services	54,313	74,465	(20,152)
Supplies and materials	1,368	2,106	(738)
<b>Total expenditures</b>	<b>119,718</b>	<b>136,824</b>	<b>(17,106)</b>
Excess of revenues over (under) expenditures	0	21,686	21,686
Fund balances, October 1	0	66,264	66,264
<b>Fund balances, September 30</b>	<b>\$ 0</b>	<b>\$ 87,950</b>	<b>\$ 87,950</b>

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***OTHER REPORTING SECTION***

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**Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*.**

Honorable Mayor and  
Members of the City Council  
City of Dahlonega, Georgia

We have audited the basic financial statements of the City of Dahlonega, Georgia, as of and for the year ended September 30, 2007, and have issued our report thereon dated February 13, 2008. 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 Dahlonega, Georgia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Dahlonega, Georgia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Dahlonega, Georgia's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City'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's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We noted the following significant deficiencies in the internal control over financial reporting:

**Comment 07-1**

*Condition:* City personnel may require additional training in the application of generally accepted accounting principles and the preparation of financial statements. Currently, the City relies on the external auditors for technical assistance in applying generally accepted accounting principles and the preparation of the financial statements. This is common for governments of similar size and structure to the City of Dahlonega, Georgia. Under current auditing standards, providing technical assistance does not impair the independence of the external auditor. However, changes to auditing standards by standards setting boards could state that providing technical assistance would impair the independence of the external auditor.

*Criteria:* Effective internal control requires that the City accept responsibility and understanding of the audited financial report.

*Effect:* Failure to understand the financial statements may lead to material misstatements.

*Recommendation:* City personnel should continue to receive training in the identification and application of generally accepted accounting principles and the preparation of the City's financial statements.

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### **Comment 07-1, continued**

*Management Response:* Management concurs with this finding. The City has determined that the cost of training City personnel to fully perform the duties of financial director is prohibitive. The governing body and management have determined that personnel should receive training to the extent that is economically feasible and to continue to rely on the technical assistance of the external auditor or other qualified professional when necessary. This action was taken immediately upon receipt of the comment from our auditors.

### **Comment 07-2**

*Condition:* Currently, building permit fees, sewer and water tap fees, grinder pump fees, cemetery lot sales, and traffic citation fines are being receipted through the front window receipting system. However, the software is unable to generate a report with the details of each receipt (name, permit number, case number, etc). Also, manual deposits are sometimes made if the receipt is for cross-fund revenues (building permits = general fund, water tap fees = water fund) and the receipt is not entered into the system at the front desk as are the other receipts. No supporting documentation is kept for the manual deposit except for a deposit slip.

*Criteria:* Effective internal control requires that the City maintain supporting documentation for all revenues and expenditures.

*Effect:* Failure to maintain adequate supporting documentation exposes the City to a greater risk of loss and may lead to material misstatement of the financial statements.

*Recommendation:* All receipts should be entered through the front window receipting system. If a cross-fund check is received, the receipt should still be entered into the system and then split on the deposit slip. Also, each receipt entered should have details such as name, permit number, or case number entered and the receipting system should be adjusted to print a report showing details of each receipt.

*Management Response:* Management concurs with this finding. We will implement the proper steps to insure that all receipts follow the same process and that each receipt is processed with enough detail to identify each transaction. This action was taken immediately upon receipt of the comment from our auditors.

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

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

### Compliance

As part of obtaining reasonable assurance about whether the City of Dahlonega, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed the following instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*:

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**Comment 07-3**

*Condition:* The City experienced a material excess of expenditures over appropriations in the General, Hotel/Motel Tax Special Revenue and Multiple Grants Special Revenue Funds.

*Criteria:* OCGA Code Section 36-81-3 requires local governments to operate under an approved annual budget for the General Fund, special revenue funds, and debt service funds.

*Effect:* Failure to maintain expenditures within the balanced budget for these Funds will place the City in violation of state law.

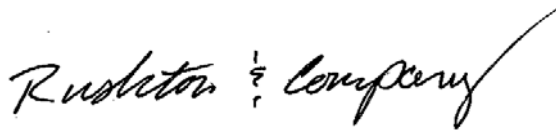
*Recommendation:* The City should adopt a plan to more closely monitor budgets.

*Management Response:* Management concurs with this finding. The Mayor will review the comparative financial statements on a periodic basis and recommend any necessary budget amendments to the City Council. This action was taken immediately upon receipt of the comment from our auditors.

We noted certain other matters involving the internal control over financial reporting that we have reported to management of the City of Dahlonega, Georgia, in a separate letter dated February 13, 2008.

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

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



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Certified Public Accountants

Gainesville, Georgia  
February 13, 2008

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