

CITY OF DAHLONEGA, GEORGIA

Annual Financial Report

For the fiscal year ended September 30, 2008

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CITY OF DAHLONEGA, GEORGIA
FINANCIAL REPORT
For the fiscal year ended September 30, 2008

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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, 2008, 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.

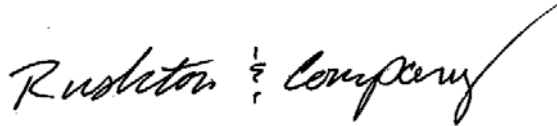
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Dahlonega, Georgia, as of September 30, 2008, 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 9 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 January 30, 2009 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, and the special purpose local option sales tax report 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.

Certified Public Accountants

Gainesville, Georgia
January 30, 2009

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MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2008

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, 2008. We encourage readers to consider the information presented here in conjunction with the basic financial statements and accompanying notes to those financial statements, which can be found after this report. All amounts, unless otherwise indicated, are expressed in whole dollars.

FINANCIAL HIGHLIGHTS

Government wide Financial Statements

- At the close of the fiscal year, the assets of the City exceeded its liabilities by \$22,064,735. Of this \$5,119,959 (23.2%) represents unrestricted net assets which may be used to meet the City's ongoing obligations.
- At the close of the fiscal year, the net assets of the City's governmental activities were \$7,429,684. This represents an increase of \$535,733 (7.8%) over the prior year net asset balance for governmental activities.
- At the close of the fiscal year, the net assets of the City's business-type activities were \$14,635,051. This represents an increase of \$1,362,722 (10.3%) over the prior year net asset balance for business-type activities.

Fund Financial Statements

- As of the close of the current fiscal year, the City of Dahlonega's governmental funds reported combined ending fund balances of \$3,280,969, an increase of \$508,959 from the prior year. The General Fund's unreserved, undesignated fund balance at year end is \$2,961,152 or 90.3% of the governmental funds' combined ending fund balance, which is available for spending at the City's discretion.
- The General Fund had revenues of \$3,160,069 for the current fiscal year. Of this amount \$895,002 (28.3%) was from property taxes and \$832,447 (26.3%) was from sales taxes.

Debt Obligations

- Long-term debt obligations from the primary governmental activities increased \$36,533 (347%) from \$10,534 at September 30, 2007, to \$47,067 at September 30, 2008.



- Long-term debt obligations from the business-type activities increased \$26,636,094 (206%) from \$12,951,043 at September 30, 2007, to \$39,587,137 at September 30, 2008.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Management's Discussion and analysis document is intended to serve as an introduction to the City of Dahlonega's basic financial statements. The basic financial statements include:

1. government-wide financial statements,
2. fund financial statements, and
3. notes to the basic financial statements.

Government Wide Financial Statements

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

Statement of Net Assets - presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

Statement of Activities - presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish between functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, judicial, public safety, public works, culture and recreation, and housing and development. Business-type activities include a water and sewage utility and solid waste collection operation.

The government-wide financial statements contain not only the City (known as the primary government), but also a legally separate authority (Downtown Development Authority) for which the City is financially accountable. Financial information on this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 10 through 12 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds. In addition to these statements this report also presents a budgetary comparison schedule. This section is presented on a generally accepted accounting principal basis. This schedule is intended to demonstrate the government's compliance with the legally adopted and amended budgets.

Governmental Funds

The majority of the City's basic services are reported in the governmental funds, which focus on how cash and other financial assets flows in and out of those funds and the balances left at year-end that are available for spending. Governmental funds therefore provide information for a detailed short-term view that help determine whether there are more or less financial resources that can be spent in the near future to fund the City's activities. Readers can compare information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. This comparison may help to communicate the long-term impact of the government's near-term financing decisions. Reconciliations between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds are provided following the governmental fund financial statements.

The City has one major and two non-major governmental funds. The City's major governmental fund is the General Fund. The City's non-major governmental funds are the Multiple Grant Fund and the Hotel/Motel Tax Fund.

Proprietary Funds

The City maintains one of two types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water and sewage systems operations and its solid waste collection operation.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Fund and Solid Waste Fund.

The basic proprietary fund financial statements can be found on pages 18 through 22 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23 through 51 of this report.

Other Information

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 52 through 72 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Following is a summary of the City's Statement of Net Assets as found on pages 10-11 of this report.

	Governmental		Business-Type		Total	
	Activities		Activities			
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 3,467,658	\$ 3,918,529	\$ 26,038,086	\$ 1,292,425	\$ 29,505,744	\$ 5,210,954
Capital assets	4,223,239	4,168,665	29,727,645	25,195,347	33,950,884	29,364,012
Total assets	<u>7,690,897</u>	<u>8,087,194</u>	<u>55,765,731</u>	<u>26,487,772</u>	<u>63,456,628</u>	<u>34,574,966</u>
Current liabilities	225,885	1,185,162	2,650,234	1,005,311	2,876,119	2,190,473
Noncurrent liabilities	35,328	8,081	38,480,446	12,330,374	38,515,774	12,338,455
Total liabilities	<u>261,213</u>	<u>1,193,243</u>	<u>41,130,680</u>	<u>13,335,685</u>	<u>41,391,893</u>	<u>14,528,928</u>
Net assets:						
Invested in capital assets, net of related debt	4,176,172	4,158,131	12,490,290	12,188,032	16,666,462	16,346,163
Restricted	278,314	278,314	-	86,896	278,314	365,210
Unrestricted	<u>2,975,198</u>	<u>2,457,506</u>	<u>2,144,761</u>	<u>877,159</u>	<u>5,119,959</u>	<u>3,334,665</u>
Total net assets	<u>\$ 7,429,684</u>	<u>\$ 6,893,951</u>	<u>\$ 14,635,051</u>	<u>\$ 13,152,087</u>	<u>\$ 22,064,735</u>	<u>\$ 20,046,038</u>

The City's net assets for governmental activities increased \$535,733 or 7.8% during the year ending September 30, 2008. The largest portion of the increase was in unrestricted net assets. These funds are available to finance governmental operations. The City maintains a large amount of its net assets in cash to enable the City to have funds for emergencies and avoid short term borrowing. The beginning net assets for business-type activities were adjusted to remove debt incorrectly reported in prior years. This adjustment increased beginning net assets by \$120,242.

The following is a summary of the City's Statement of Activities as found on page 12 of this report.

Revenues	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Program revenues:						
Charges for services	\$ 318,667	\$ 410,961	\$ 3,713,489	\$ 3,844,152	\$ 4,032,156	\$ 4,255,113
Operating grants and contributions	6,366	18,959	-	-	6,366	18,959
Capital grants and contributions	31,500	-	997,723	1,389,610	1,029,223	1,389,610
General revenues:						
Property taxes	878,253	839,600	-	-	878,253	839,600
Sales taxes	832,447	837,951	-	-	832,447	837,951
Other taxes	1,125,219	1,047,608	-	-	1,125,219	1,047,608
Interest and investment earnings	102,272	121,675	78,261	70,758	180,533	192,433
Gain on sale of asset	294,980	-	6,685	1,123	301,665	1,123
Miscellaneous revenue	41,811	10,510	5,405	-	47,216	10,510
Total revenues	3,631,515	3,287,264	4,801,563	5,305,643	8,433,078	8,592,907
Expenses						
General government	1,034,756	853,427	-	-	1,034,756	853,427
Judicial	185,803	208,731	-	-	185,803	208,731
Public Safety	85,007	-	-	-	85,007	-
Public Works	788,450	684,195	-	-	788,450	684,195
Culture and Recreation	50,405	83,646	-	-	50,405	83,646
Housing and Development	664,948	534,461	-	-	664,948	534,461
Interest on long-term debt	2,117	5,770	-	-	2,117	5,770
Water and sewage	-	-	3,218,598	3,017,628	3,218,598	3,017,628
Solid Waste	-	-	504,539	472,945	504,539	472,945
Total expenses	2,811,486	2,370,230	3,723,137	3,490,573	6,534,623	5,860,803
Increase (decrease) in net assets						
before transfers	820,029	917,034	1,078,426	1,815,070	1,898,455	2,732,104
Transfers	(284,296)	(215,647)	284,296	215,647	-	-
Increase (decrease) in net assets	535,733	701,387	1,362,722	2,030,717	1,898,455	2,732,104
Net assets - beginning (original)	6,893,951	6,177,128	13,152,087	11,080,420	20,046,038	17,257,548
Prior period adjustment	-	15,436	120,242	40,950	120,242	56,386
Net assets - beginning (restated)	6,893,951	6,192,564	13,272,329	11,121,370	20,166,280	17,313,934
Net assets - ending	\$ 7,429,684	\$ 6,893,951	\$ 14,635,051	\$ 13,152,087	\$ 22,064,735	\$ 20,046,038

Net assets for business-type activities increased \$1,362,722 or 10.3%. The largest portion of the total increase was in unrestricted net assets of \$1,267,602 or 9.6%, which are available to finance operations. The amount invested 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 also increased by \$302,258 or 2.3%. The City uses these capital assets to provide services to the customers of the City; consequently, these net assets are not available for future spending. These net assets represent a capital investment in the business-type activities of the City.

Approximately 24.2% of the City's governmental activities revenues came from property taxes and approximately 53.9% came from sales and other taxes. Combined, the City is dependent on taxes for approximately 78.1% of its governmental activities revenues.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental 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 \$3,280,969 with \$2,964,390 reported as unreserved fund balance and the remaining amount of \$316,579 reserved for restricted assets and prepaid expenses.

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 \$2,961,152. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures for fiscal year 2008. Unreserved fund balance represents 109% of total General Fund expenditures. The net change in the General Fund's fund balance for the year ended September 30, 2008 was an increase of \$502,157.

Enterprise Funds

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 net asset balance for the year ended September 30, 2008 was an increase before transfers of \$1,078,426 and after transfers \$1,362,722. The total net assets for the Enterprise Fund at the beginning of the fiscal year were \$13,272,329 and net assets at the end of the fiscal year were \$14,635,051.

BUDGETARY HIGHLIGHTS

The City revised the General Fund Budget at various times through the end of the fiscal year to reflect changes in estimated revenues and expenditures. Total amendments to the General Fund Budget increased revenues and other financing sources by \$116,914 and increased expenditures and other financing uses by \$116,914. The overrun in expenditures in the General Administration Department was largely due to unexpected increases in

retirement and other personnel service costs. The overrun in the Public Safety Department was due to the addition of a new contract with Lumpkin County Sheriff's Office to provide police services for the City.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

At September 30, 2008, the City reported \$33,241,392 in capital assets net of accumulated depreciation. This is an increase of \$3,892,649 or 13.3% over fiscal year 2007.

At September 30, 2008, the City reported long-term debt of \$39,634,204 net of unamortized bond discounts. This is an increase of \$26,792,869 or 209% over fiscal year 2007. This increase in long-term debt is due to the issuance of revenue bonds to finance the City's new water treatment plant currently under construction. Refer to the notes to 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 decreased from 4.37 mils to 3.959 mils. The City passed a referendum to authorize a Special Purpose Local Option Sales Tax to help pay for a water treatment facility. Other rate increases during fiscal year 2008 included the base charge for water service increased to 18.50 per month and all tap fees increased by approximately 15%.

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:

Director of Finance
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, 2008

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
ASSETS				
Current assets				
Cash	\$ 5,537	\$ 0	\$ 5,537	\$ 0
Equity in pooled cash	2,885,395	2,080,796	4,966,191	82,198
Certificates of deposit	0	8,592	8,592	0
Restricted assets				
Cash	278,314	20,780,393	21,058,707	11,475
Certificates of deposit	0	101,408	101,408	0
Investments	0	2,278,881	2,278,881	0
Intergovernmental receivable	0	89,861	89,861	0
Receivables (net)				
Accounts	0	442,054	442,054	0
Taxes	38,802	0	38,802	0
Fines	64,924	0	64,924	0
Intergovernmental	131,934	110,530	242,464	0
Inventories	24,533	114,548	139,081	0
Prepaid items	38,265	30,977	69,242	0
Internal balances	(46)	46	0	0
	<u>3,467,658</u>	<u>26,038,086</u>	<u>29,505,744</u>	<u>93,673</u>
Total current assets				
Noncurrent assets				
Debt issuance costs	0	674,697	674,697	0
Investment in joint venture	0	34,795	34,795	0
Capital assets				
Non-depreciable	2,253,641	8,637,377	10,891,018	0
Depreciable (net)	1,969,598	20,380,776	22,350,374	0
	<u>4,223,239</u>	<u>29,727,645</u>	<u>33,950,884</u>	<u>0</u>
Total noncurrent assets				
	<u>7,690,897</u>	<u>55,765,731</u>	<u>63,456,628</u>	<u>93,673</u>
Total assets				
LIABILITIES				
Current liabilities				
Payables				
Accounts	131,584	374,350	505,934	3,092
Retainages	0	12,240	12,240	0
Interest	0	36,736	36,736	0
Unearned revenue	17,049	0	17,049	0
Accrued payroll liabilities	12,439	14,353	26,792	2,138
Compensated absences	53,074	62,095	115,169	0
Notes payable	0	551,358	551,358	0
Capital leases payable	11,739	30,333	42,072	0
Liabilities payable from restricted assets				
Payables				
Accounts	0	639,972	639,972	0
Retainages	0	219,386	219,386	0
Interest	0	118,003	118,003	0
Customer deposits payable	0	66,408	66,408	0
Revenue bonds payable	0	525,000	525,000	0
	<u>225,885</u>	<u>2,650,234</u>	<u>2,876,119</u>	<u>5,230</u>
Total current liabilities				

See accompanying notes to the financial statements.

CITY OF DAHLONEGA, GEORGIA
STATEMENT OF NET ASSETS
September 30, 2008

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
Noncurrent liabilities				
Notes payable	\$ 0	\$ 12,029,889	\$ 12,029,889	\$ 0
Capital leases payable	35,328	84,875	120,203	0
Revenue bonds payable	0	26,365,682	26,365,682	0
Total noncurrent liabilities	35,328	38,480,446	38,515,774	0
Total liabilities	261,213	41,130,680	41,391,893	5,230
NET ASSETS				
Invested in capital assets, net of related debt	4,176,172	12,490,290	16,666,462	0
Restricted for:				
Public works	278,314	0	278,314	0
Unrestricted	2,975,198	2,144,761	5,119,959	88,443
Total net assets	\$ 7,429,684	\$ 14,635,051	\$ 22,064,735	\$ 88,443

See accompanying notes to the financial statements.

CITY OF DAHLONEGA, GEORGIA
STATEMENT OF ACTIVITIES
For the fiscal year ended September 30, 2008

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities					
General Government	\$ 1,034,756	\$ 66,905	\$ 3,000	\$ 0	\$ (964,851)
Judicial	185,803	135,489	0	0	(50,314)
Public Safety	85,007	0	0	0	(85,007)
Public Works	788,450	45,800	890	31,500	(710,260)
Culture and Recreation	50,405	0	0	0	(50,405)
Housing and Development	664,948	70,473	2,476	0	(591,999)
Interest on long-term debt	2,117	0	0	0	(2,117)
Total governmental activities	<u>2,811,486</u>	<u>318,667</u>	<u>6,366</u>	<u>31,500</u>	<u>(2,454,953)</u>
Business-type activities					
Water and Sewage	3,218,598	3,219,289	0	997,723	998,414
Solid Waste	504,539	494,200	0	0	(10,339)
Total business-type activities	<u>3,723,137</u>	<u>3,713,489</u>	<u>0</u>	<u>997,723</u>	<u>988,075</u>
Total primary government	<u>6,534,623</u>	<u>4,032,156</u>	<u>6,366</u>	<u>1,029,223</u>	<u>(1,466,878)</u>
Component Unit					
Downtown Development Authority					
Housing and Development	215,688	0	6,807	0	(208,881)
Primary Government					
	Governmental Activities	Business-Type Activities	Total	Component Unit	
Change in net assets					
Net (expense) revenue	<u>\$ (2,454,953)</u>	<u>\$ 988,075</u>	<u>\$ (1,466,878)</u>	<u>\$ (208,881)</u>	
General revenues					
Taxes					
Property	878,253	0	878,253	0	
Sales	832,447	0	832,447	0	
Franchise	488,607	0	488,607	0	
Insurance premium	198,849	0	198,849	0	
Intangibles	28,148	0	28,148	0	
Alcoholic beverage	156,736	0	156,736	0	
Occupational	123,662	0	123,662	0	
Hotel/Motel	129,217	0	129,217	0	
Payments from City of Dahlonega	0	0	0	194,123	
Interest and investment earnings	102,272	78,261	180,533	18	
Gain on sale of assets	294,980	6,685	301,665	0	
Miscellaneous	41,811	5,405	47,216	0	
Transfers	(284,296)	284,296	0	0	
Total general revenues, special items, and transfers	<u>2,990,686</u>	<u>374,647</u>	<u>3,365,333</u>	<u>194,141</u>	
Change in net assets	<u>535,733</u>	<u>1,362,722</u>	<u>1,898,455</u>	<u>(14,740)</u>	
Net assets - beginning (original)	6,893,951	13,152,087	20,046,038	87,950	
Prior period adjustments	0	120,242	120,242	15,233	
Net assets - beginning (restated)	<u>6,893,951</u>	<u>13,272,329</u>	<u>20,166,280</u>	<u>103,183</u>	
Net assets - ending	<u>\$ 7,429,684</u>	<u>\$ 14,635,051</u>	<u>\$ 22,064,735</u>	<u>\$ 88,443</u>	

See accompanying notes to the financial statements.

CITY OF DAHLONEGA, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2008

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals</u>
ASSETS			
Cash	\$ 5,537	\$ 0	\$ 5,537
Equity in pooled cash	2,874,643	10,752	2,885,395
Restricted assets			
Cash	278,314	0	278,314
Receivables (net)			
Taxes	28,404	10,398	38,802
Fines	64,924	0	64,924
Intergovernmental	131,934	0	131,934
Inventory	24,533	0	24,533
Prepaid items	38,265	0	38,265
Due from other funds	0	539	539
	<u>0</u>	<u>539</u>	<u>539</u>
Total assets	<u><u>\$ 3,446,554</u></u>	<u><u>\$ 21,689</u></u>	<u><u>\$ 3,468,243</u></u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Payables			
Accounts	\$ 120,633	\$ 10,951	\$ 131,584
Accrued salaries and payroll expenses	12,439	0	12,439
Due to other funds	585	0	585
Deferred revenue	35,166	7,500	42,666
	<u>168,823</u>	<u>18,451</u>	<u>187,274</u>
Total liabilities	<u>168,823</u>	<u>18,451</u>	<u>187,274</u>
Fund balances			
Reserved for restricted assets	278,314	0	278,314
Reserved for prepaid items	38,265	0	38,265
Unreserved, undesignated	2,961,152	0	2,961,152
Special Revenue Funds	0	3,238	3,238
	<u>3,277,731</u>	<u>3,238</u>	<u>3,280,969</u>
Total fund balances	<u>3,277,731</u>	<u>3,238</u>	<u>3,280,969</u>
Total liabilities and fund balances	<u><u>\$ 3,446,554</u></u>	<u><u>\$ 21,689</u></u>	<u><u>\$ 3,468,243</u></u>

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, 2008**

Total fund balance - total governmental funds	\$ 3,280,969
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets of \$5,478,933, net of accumulated depreciation of (\$1,255,694), are not financial resources and, therefore, are not reported in the funds.	4,223,239
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 \$25,617.	25,617
Long-term liabilities are not due and payable in the current period and are not reported in the funds. These are capital leases of (\$47,067) and compensated absences of (\$53,074).	<u>(100,141)</u>
Net assets of governmental activities	<u><u>\$ 7,429,684</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, 2008

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals</u>
REVENUES			
Taxes	\$ 2,695,303	\$ 129,217	\$ 2,824,520
Licenses and permits	137,327	0	137,327
Fines, fees and forfeitures	135,489	0	135,489
Charges for services	45,851	0	45,851
Intergovernmental	890	10,850	11,740
Interest	102,272	0	102,272
Contributions	1,126	0	1,126
Other	41,811	0	41,811
Total revenues	<u>3,160,069</u>	<u>140,067</u>	<u>3,300,136</u>
EXPENDITURES			
Current			
General Government	1,011,348	0	1,011,348
Judicial	185,931	0	185,931
Public Safety	85,007	0	85,007
Public Works	768,804	0	768,804
Culture and Recreation	132,780	2,698	135,478
Housing and Development	532,840	130,567	663,407
Total expenditures	<u>2,716,710</u>	<u>133,265</u>	<u>2,849,975</u>
Excess (deficiency) of revenues over (under) expenditures	<u>443,359</u>	<u>6,802</u>	<u>450,161</u>
Other financing sources (uses)			
Transfers out	(284,296)	0	(284,296)
Proceeds from sale of assets	294,980	0	294,980
Proceeds from capital lease	48,114	0	48,114
Total other financing sources (uses)	<u>58,798</u>	<u>0</u>	<u>58,798</u>
Net change in fund balances	502,157	6,802	508,959
Fund balances, October 1 (original)	<u>2,775,574</u>	<u>(3,564)</u>	<u>2,772,010</u>
Fund balances, September 30	<u><u>\$ 3,277,731</u></u>	<u><u>\$ 3,238</u></u>	<u><u>\$ 3,280,969</u></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, 2008

Net change in fund balances - total governmental funds \$ 508,959

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 \$172,963 exceed depreciation of (\$143,389) in the current period.	29,574
Donations of capital assets from individuals of \$25,000 increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	25,000
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.	11,398
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 (\$2,665) in compensated absences.	(2,665)
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 (\$48,114) exceeded payments of \$11,581.	(36,533)
Change in net assets of governmental activities	<u>\$ 535,733</u>

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, 2008

	Budget		Actual	Variance with
	Original	Final		Final Budget
REVENUES				
Taxes	\$ 2,654,955	\$ 2,654,955	\$ 2,695,303	\$ 40,348
Licenses and permits	162,000	162,000	137,327	(24,673)
Fines, fees and forfeitures	180,000	180,000	135,489	(44,511)
Charges for services	37,100	37,100	45,851	8,751
Intergovernmental	0	0	890	890
Interest	80,000	80,000	102,272	22,272
Contributions	100	100	1,126	1,026
Other	38,396	38,396	41,811	3,415
Total revenues	3,152,551	3,152,551	3,160,069	7,518
EXPENDITURES				
Current				
General Government				
Legislative	164,754	164,754	163,600	1,154
Executive	186,219	190,519	190,509	10
General Administration	609,136	648,773	657,239	(8,466)
Judicial				
Municipal Court	211,364	186,364	185,931	433
Public Safety				
Law Enforcement	0	0	85,007	(85,007)
Public Works				
Paved Street	658,290	641,317	631,917	9,400
Shop Department	60,741	63,541	62,555	986
Cemetery	78,871	78,871	74,332	4,539
Culture and Recreation				
Parks	62,877	138,877	132,780	6,097
Housing and Development				
Inspections	317,143	353,293	284,751	68,542
Better Home Towns	55,000	55,000	53,966	1,034
Downtown Development Authority	194,123	194,123	194,123	0
Total expenditures	2,598,518	2,715,432	2,716,710	(1,278)
Excess (deficiency) of revenues over (under) expenditures	554,033	437,119	443,359	6,240
Other financing sources (uses)				
Transfers in (out)				
Transfers out	(427,696)	(427,696)	(284,296)	143,400
Proceeds from capital lease	0	48,114	48,114	0
Proceeds from sales of assets	0	68,800	294,980	226,180
Contingency	(126,337)	(126,337)	0	126,337
Total other financing sources (uses)	(554,033)	(437,119)	58,798	495,917
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	0	0	502,157	502,157
Fund balances, October 1	0	0	2,775,574	2,775,574
Fund balances, September 30	\$ 0	\$ 0	\$ 3,277,731	\$ 3,277,731

See accompanying notes to the financial statements.

CITY OF DAHLONEGA, GEORGIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
September 30, 2008

	<u>Water and Sewage</u>	<u>Solid Waste</u>	<u>Totals</u>
ASSETS			
Current assets			
Equity in pooled cash	\$ 1,848,886	\$ 231,910	\$ 2,080,796
Certificates of deposit	8,592	0	8,592
Restricted assets			
Cash	20,780,393	0	20,780,393
Certificates of deposit	101,408	0	101,408
Investments	2,278,881	0	2,278,881
Intergovernmental receivable	89,861	0	89,861
Receivables (net)			
Accounts	373,142	68,912	442,054
Intergovernmental	110,530	0	110,530
Inventory	114,548	0	114,548
Prepaid items	23,502	7,475	30,977
Due from other funds	206,084	375	206,459
Total current assets	<u>25,935,827</u>	<u>308,672</u>	<u>26,244,499</u>
Noncurrent assets			
Capital assets			
Non-depreciable	8,637,377	0	8,637,377
Depreciable (net)	20,113,857	266,919	20,380,776
Other assets			
Debt issuance costs	674,697	0	674,697
Investment in joint venture	34,795	0	34,795
Total noncurrent assets	<u>29,460,726</u>	<u>266,919</u>	<u>29,727,645</u>
Total assets	<u>55,396,553</u>	<u>575,591</u>	<u>55,972,144</u>
LIABILITIES			
Current liabilities			
Payables			
Accounts	361,633	12,717	374,350
Retainages	12,240	0	12,240
Interest	36,736	0	36,736
Accrued salaries and payroll expenses	9,943	4,410	14,353
Compensated absences	58,071	4,024	62,095
Due to other funds	539	205,874	206,413
Notes payable	551,358	0	551,358
Capital leases payable	30,333	0	30,333
Liabilities payable from restricted assets:			
Payables			
Accounts	639,972	0	639,972
Retainages	219,386	0	219,386
Interest	118,003	0	118,003
Customer deposits payable	66,408	0	66,408
Revenue bonds payable	525,000	0	525,000
Total current liabilities	<u>2,629,622</u>	<u>227,025</u>	<u>2,856,647</u>
Noncurrent liabilities			
Notes payable	12,029,889	0	12,029,889
Capital leases payable	84,875	0	84,875
Revenue bonds payable	26,365,682	0	26,365,682
Total noncurrent liabilities	<u>38,480,446</u>	<u>0</u>	<u>38,480,446</u>
Total liabilities	<u>41,110,068</u>	<u>227,025</u>	<u>41,337,093</u>

See accompanying notes to the financial statements.

CITY OF DAHLONEGA, GEORGIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
September 30, 2008

	<u>Water and Sewage</u>	<u>Solid Waste</u>	<u>Totals</u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ 12,223,371	\$ 266,919	\$ 12,490,290
Unrestricted	<u>2,063,114</u>	<u>81,647</u>	<u>2,144,761</u>
Total net assets	<u>\$ 14,286,485</u>	<u>\$ 348,566</u>	<u>\$ 14,635,051</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, 2008

	Water and Sewage	Solid Waste	Totals
OPERATING REVENUES			
Charges for sales and services	\$ 3,217,838	\$ 494,200	\$ 3,712,038
Other	6,856	0	6,856
Total operating revenues	<u>3,224,694</u>	<u>494,200</u>	<u>3,718,894</u>
OPERATING EXPENSES			
Costs of sales and services	863,551	166,123	1,029,674
Personal services	1,001,103	298,322	1,299,425
Depreciation	878,863	36,651	915,514
Total operating expenses	<u>2,743,517</u>	<u>501,096</u>	<u>3,244,613</u>
Operating income (loss)	<u>481,177</u>	<u>(6,896)</u>	<u>474,281</u>
Non-operating revenues (expenses)			
Interest revenue	78,261	0	78,261
Interest expense	(475,081)	0	(475,081)
Gain (loss) on sale of assets	6,685	(3,443)	3,242
Total non-operating revenues (expenses)	<u>(390,135)</u>	<u>(3,443)</u>	<u>(393,578)</u>
Income (loss) before capital contributions and transfers	<u>91,042</u>	<u>(10,339)</u>	<u>80,703</u>
Capital contributions			
Capital contributions	594,845	0	594,845
Intergovernmental	402,878	0	402,878
Total capital contributions	<u>997,723</u>	<u>0</u>	<u>997,723</u>
Income (loss) before transfers	1,088,765	(10,339)	1,078,426
Transfers in (out)			
Transfers in	284,296	0	284,296
Change in net assets	<u>1,373,061</u>	<u>(10,339)</u>	<u>1,362,722</u>
Net assets, October 1 (original)	12,793,182	358,905	13,152,087
Prior period adjustments	120,242	0	120,242
Net assets, October 1 (restated)	<u>12,913,424</u>	<u>358,905</u>	<u>13,272,329</u>
Net assets, September 30	<u>\$ 14,286,485</u>	<u>\$ 348,566</u>	<u>\$ 14,635,051</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, 2008

	Water and Sewage	Solid Waste	Totals
Cash flows from operating activities:			
Receipts from customers	\$ 3,256,203	\$ 492,159	\$ 3,748,362
Payments to suppliers	(772,002)	(150,457)	(922,459)
Payments to employees	(1,005,391)	(294,750)	(1,300,141)
Other receipts	6,856	0	6,856
Net cash provided (used) by operating activities	<u>1,485,666</u>	<u>46,952</u>	<u>1,532,618</u>
Cash flows from non-capital financing activities:			
Receipts from other funds	284,296	116	284,412
Payments to other funds	(326)	(375)	(701)
Net cash provided (used) by non-capital financing activities	<u>283,970</u>	<u>(259)</u>	<u>283,711</u>
Cash flows from capital and related financing activities:			
Receipts from other governments	209,468	0	209,468
Receipts from disposal of capital assets	8,242	0	8,242
Payments to other funds	(1,053,975)	0	(1,053,975)
Payments for acquisitions of capital assets	(3,132,225)	(11,582)	(3,143,807)
Issuance of revenue bonds	27,005,682	0	27,005,682
Principal payments - revenue bonds	(180,000)	0	(180,000)
Debt issue costs	(674,697)	0	(674,697)
Issuance of promissory notes	398,574	0	398,574
Principal payments - promissary notes	(538,953)	0	(538,953)
Payment of capital leases	(27,330)	0	(27,330)
Interest paid	(361,345)	0	(361,345)
Net cash provided (used) by capital and related financing activities	<u>21,653,441</u>	<u>(11,582)</u>	<u>21,641,859</u>
Cash flows from investing activities:			
Proceeds from certificates of deposit	75,000	0	75,000
Purchases of certificates of deposit	(110,000)	0	(110,000)
Purchases of investments	(2,230,644)	0	(2,230,644)
Interest received	24,229	0	24,229
Net cash provided (used) by investing activities	<u>(2,241,415)</u>	<u>0</u>	<u>(2,241,415)</u>
Net increase (decrease) in cash and cash equivalents cash equivalents	21,181,662	35,111	21,216,773
Cash and cash equivalents, October 1	<u>1,447,617</u>	<u>196,799</u>	<u>1,644,416</u>
Cash and cash equivalents, September 30	<u><u>\$ 22,629,279</u></u>	<u><u>\$ 231,910</u></u>	<u><u>\$ 22,861,189</u></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, 2008

	Water and Sewage	Solid Waste	Totals
Reconciliation of operating income (loss) to net cash cash provided (used) by operating activities:			
Operating income (loss)	\$ 481,177	\$ (6,896)	\$ 474,281
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	878,863	36,651	915,514
(Increase) decrease in accounts receivable	32,390	(2,041)	30,349
(Increase) decrease in inventory	869	5,017	5,886
(Increase) decrease in prepaid items	953	766	1,719
Increase (decrease) in accounts payable	89,727	9,883	99,610
Increase (decrease) in accrued salaries	(4,288)	3,572	(716)
Increase (decrease) in deposits payable	5,975	0	5,975
	1,004,489	53,848	1,058,337
Net cash provided (used) by operating activities	\$ 1,485,666	\$ 46,952	\$ 1,532,618
Cash and cash equivalents reconciliation:			
Equity in pooled cash	\$ 1,848,886	\$ 231,910	\$ 2,080,796
Restricted assets			
Cash	20,780,393	0	20,780,393
Total cash and cash equivalents	\$ 22,629,279	\$ 231,910	\$ 22,861,189

Noncash capital and related financing activities:

Contributions of capital assets from individuals totaled \$594,845 and \$1,369,606 for the fiscal years ended September 30, 2008 and 2007, respectively.

Acquisition of capital assets through capital leases totaled \$79,641 and \$77,450 for the fiscal years ended September 30, 2008 and 2007, respectively.

See accompanying notes to the financial statements.

CITY OF DAHLONEGA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2008

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: public safety, 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, 2008

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 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.

CITY OF DAHLONEGA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2008

2. Summary of Significant Accounting Policies (continued)

C. Government-wide and Fund Financial Statements, continued

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 and proprietary funds. 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, 2008

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, 2008

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, 2008

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, 2008

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 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, 2008

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, 2008.

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, 2008

2. Summary of Significant Accounting Policies (continued)

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond September 30, 2008, 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:

	Useful Life	Capitalization
	in Years	Threshold
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, 2008

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 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, 2008

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, 2008

3. Deposit and Investment Risk (continued)

Investment Policies

The City's financial policies authorize investment in any securities approved by the State of Georgia for local governments. Authorized investments include certificates of deposit, repurchase agreements, direct and agency obligations of the United States, obligations of the State of Georgia, pooled investment programs of the State of Georgia, and no-load mutual funds of direct obligations of the United States. The City has no investment policy that would further limit its investment choices. The City places no limits on the amount the City may invest in any one issuer of equity or debt securities. Investments are reported at fair market value.

Credit Risk

At September 30, 2008, the City's investments in securities were as follows:

Investment	Fair Value	Average Maturity (in years)	Standard and Poor's Credit Rating
Federal Home Loan Banks Discount Notes	\$ 2,278,881	<1	A-1+

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.

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.

CITY OF DAHLONEGA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2008

4. Accounts Receivable

Net accounts receivable at September 30, 2008 consist of the following:

Major Funds	
Enterprise Funds	
Water and Sewage	\$ 385,335
Less: Allowances for Uncollectibles	(12,193)
Solid Waste	70,909
Less: Allowances for Uncollectibles	<u>(1,997)</u>
Total Primary Government	<u>\$ 442,054</u>

5. Intergovernmental Receivables

Intergovernmental receivables at September 30, 2008 consist of the following:

Major Funds	
General Fund	
United States Army	\$ 1,614
Dahlonega Housing Authority	133
State of Georgia Department of Revenue	<u>130,187</u> \$ 131,934
Water and Sewage	
Georgia Department of Community Affairs	108,710
Lumpkin County	<u>91,681</u> <u>200,391</u>
Total Primary Government	<u>\$ 332,325</u>

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 digest year 2007, based upon the assessments of January 1, 2007, were levied on October 25, 2007, billed on October 31, 2007, and due on January 31, 2008. Taxes were delinquent and subject to liens on February 1, 2008.

CITY OF DAHLONEGA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2008

7. Interfund Receivables, Payables, and Transfers

A summary of interfund receivables and payables as of September 30, 2008 is as follows:

	Due from:			
	Major Funds			
	General	Water and Sewer	Solid Waste	Total
Due to:				
Major Funds				
Water and Sewer	\$ 210	\$ 0	\$ 205,874	\$ 206,084
Solid Waste	375	0	0	375
Nonmajor Funds				
Multiple Grant	0	539	0	539
Total	\$ 585	\$ 539	\$ 205,874	\$ 206,998

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.

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".

During fiscal year 2008, the General Fund transferred \$284,296 to the Water and Sewage Enterprise Fund.

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, 2008

8. Capital Assets

Capital asset activity for the primary government for the year ended September 30, 2008 was as follows:

	<u>Balance 9/30/2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 9/30/2008</u>
Governmental activities				
Non-depreciable assets				
Land	\$ 2,253,641	\$ 0	\$ 0	\$ 2,253,641
Depreciable assets				
Buildings and improvements	1,751,347	90,786	0	1,842,133
Equipment	571,983	128,175	(69,712)	630,446
Infrastructure	723,511	29,202	0	752,713
Total depreciable assets	<u>3,046,841</u>	<u>248,163</u>	<u>(69,712)</u>	<u>3,225,292</u>
Accumulated depreciation				
Buildings and improvements	(714,071)	(46,551)	0	(760,622)
Equipment	(322,187)	(97,849)	69,712	(350,324)
Infrastructure	(95,559)	(49,189)	0	(144,748)
Total accumulated depreciation	<u>(1,131,817)</u>	<u>(193,589)</u>	<u>69,712</u>	<u>(1,255,694)</u>
Total depreciable assets, net	<u>1,915,024</u>	<u>54,574</u>	<u>0</u>	<u>1,969,598</u>
Governmental activities capital assets, net	<u>\$ 4,168,665</u>	<u>\$ 54,574</u>	<u>\$ 0</u>	<u>\$ 4,223,239</u>
Business-type activities				
Non-depreciable assets				
Land	\$ 3,261,944	\$ 0	\$ 0	\$ 3,261,944
Construction in progress	1,843,073	3,532,360	0	5,375,433
Total non-depreciable assets	<u>5,105,017</u>	<u>3,532,360</u>	<u>0</u>	<u>8,637,377</u>
Depreciable assets				
Buildings	2,479,980	0	0	2,479,980
Improvements	3,850,223	11,583	0	3,861,806
Equipment and vehicles	5,332,765	412,778	(105,146)	5,640,397
Water and sewer infrastructure	16,230,972	796,868	0	17,027,840
Total depreciable assets	<u>27,893,940</u>	<u>1,221,229</u>	<u>(105,146)</u>	<u>29,010,023</u>
Accumulated depreciation				
Buildings	(968,708)	(61,211)	0	(1,029,919)
Improvements	(977,194)	(93,717)	0	(1,070,911)
Equipment and vehicles	(2,768,316)	(274,611)	105,146	(2,937,781)
Water and sewer infrastructure	(3,104,661)	(485,975)	0	(3,590,636)
Total accumulated depreciation	<u>(7,818,879)</u>	<u>(915,514)</u>	<u>105,146</u>	<u>(8,629,247)</u>
Total depreciable assets, net	<u>20,075,061</u>	<u>305,715</u>	<u>0</u>	<u>20,380,776</u>
Business-type activities capital assets, net	<u>\$ 25,180,078</u>	<u>\$ 3,838,075</u>	<u>\$ 0</u>	<u>\$ 29,018,153</u>

CITY OF DAHLONEGA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2008

8. Capital Assets (continued)

Depreciation expense was charged to functions/programs as follows:

Primary Government

Governmental activities

General Government	\$ 49,274
Public Works	80,080
Culture and Recreation	10,128
Housing and Development	<u>3,907</u>

Total depreciation expense for governmental activities	<u><u>\$ 143,389</u></u>
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Business-type activities

Water and Sewer	\$ 878,863
Solid Waste	<u>36,651</u>

Total depreciation expense for business-type activities	<u><u>\$ 915,514</u></u>
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Total accumulated depreciation reconciliation:

Primary Government

Governmental activities

Current year depreciation	\$ 143,389
Prior accumulated depreciation on assets transferred from Water and Sewage Fund	<u>50,200</u>

	<u><u>\$ 193,589</u></u>
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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 was required and was repaid by December 31, 2007.

CITY OF DAHLONEGA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2008

9. Short-Term Debt (continued)

Changes in Short-Term Debt

The following is a summary of changes in short-term debt of the City for the year ended September 30, 2008:

	<u>Balance 9/30/2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 9/30/2008</u>
Governmental activities				
Tax anticipation notes	\$ 1,048,081	\$ 0	\$ 1,048,081	\$ 0

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, 2008 are \$47,067 and \$115,208 for governmental and business-type activities, respectively.

CITY OF DAHLONEGA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2008

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, 2008:

<u>Year Ending September 30,</u>	<u>Governmental activities</u>	<u>Business-type activities</u>
2009	\$ 13,677	\$ 34,930
2010	13,677	34,930
2011	13,677	34,930
2012	10,502	17,831
2013	0	2,739
Total minimum lease payments	51,533	125,360
Less amounts representing interest	<u>(4,466)</u>	<u>(10,152)</u>
Present value of minimum lease payments	<u>\$ 47,067</u>	<u>\$ 115,208</u>

Total assets leased under capital leases are \$61,102 and \$157,091 for governmental and business-type activities, respectively, and are classified as equipment and 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, 2008

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, 2008:

- \$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.
- \$27,470,000 - 2008 Water and Sewage Revenue Bonds – Series A & B series bonds due in annual principal payments on September 1 with semi-annual interest payments (4.25% - 5.56%) due on March 1 and September 1. The bonds are used for expansion of the Water and Sewage system in the City of Dahlonega, Georgia. In 2008, a 1% Special Purpose Local Option Sales Tax (SPLOST) was approved by the voters. The City's portion of the tax is to be used to repay a portion of the bond debt.

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

Year Ending September 30,	Principal	Interest	Total
2009	\$ 525,000	\$ 1,416,031	\$ 1,941,031
2010	515,000	1,393,718	1,908,718
2011	285,000	1,371,831	1,656,831
2012	380,000	1,359,044	1,739,044
2013	475,000	1,340,044	1,815,044
2014 - 2018	1,675,000	6,391,694	8,066,694
2019 - 2023	3,305,000	5,975,963	9,280,963
2024 - 2028	4,925,000	4,969,213	9,894,213
2029 - 2033	7,450,000	3,440,013	10,890,013
2034 - 2037	7,820,000	1,104,125	8,924,125
Totals	<u>\$ 27,355,000</u>	<u>\$28,761,676</u>	<u>\$ 56,116,676</u>

CITY OF DAHLONEGA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2008

11. Long-Term Debt (continued)

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, 2008 the original amounts of these borrowings were \$7,868,698, with a total outstanding balance of \$6,212,815. Monthly installments of principal and interest are due through September 1, 2029; interest at 3.75% to 5.56%.

Additionally, the City has entered into an agreement with the Georgia Environmental Facilities Authority for land and construction of a reservoir, in the original amount of \$6,561,537. At September 30, 2008, the balance of this note is \$6,368,432. 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.

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

Year Ending September 30,	Principal	Interest	Total
2009	\$ 551,358	\$ 435,571	\$ 986,929
2010	586,834	430,095	1,016,929
2011	611,368	405,561	1,016,929
2012	636,787	380,143	1,016,930
2013	663,808	353,121	1,016,929
2014 - 2018	3,431,894	1,333,726	4,765,620
2019 - 2023	1,372,843	835,139	2,207,982
2024 - 2028	932,259	648,848	1,581,107
2029 - 2033	962,778	498,325	1,461,103
2034 - 2038	1,084,345	346,756	1,431,101
2039 - 2043	1,259,594	171,507	1,431,101
2044 - 2045	487,379	13,512	500,891
Totals	\$ 12,581,247	\$ 5,852,304	\$ 18,433,551

CITY OF DAHLONEGA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2008

11. Long-Term Debt (continued)

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, 2008:

	<u>Balance 9/30/2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 9/30/2008</u>	<u>Due Within One Year</u>
Governmental activities					
Capital lease obligations	\$ 10,534	\$ 48,114	\$ 11,581	\$ 47,067	\$ 11,739
Compensated absences	50,409	53,074	50,409	53,074	53,074
Total governmental activities	<u>\$ 60,943</u>	<u>\$ 101,188</u>	<u>\$ 61,990</u>	<u>\$ 100,141</u>	<u>\$ 64,813</u>
Business-type activities					
Notes payable	\$ 12,702,904	\$ 417,296	\$ 538,953	\$ 12,581,247	\$ 551,358
Revenue bonds	65,000	27,470,000	180,000	27,355,000	525,000
Unamortized bond discount	0	(472,556)	(8,238)	(464,318)	0
Capital lease obligations	62,897	79,641	27,330	115,208	30,333
Compensated absences	69,909	62,095	69,909	62,095	62,095
Total business-type activities	<u>\$ 12,900,710</u>	<u>\$ 27,556,476</u>	<u>\$ 807,954</u>	<u>\$ 39,649,232</u>	<u>\$ 1,168,786</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.

A prior period adjustment of \$120,242 has been made to reduce the beginning notes payable balance in the business-type activities. See Note 14 below.

12. Bond Issuance

On March 19, 2008, the City issued \$27,470,000 in Water and Sewage Revenue Bonds, Series 2008 A & B, with interest rates ranging from 4.25% to 5.56%. The net proceeds were \$26,311,109 (\$27,470,000 less original issue discount of \$335,206 and \$823,685 in underwriting fees, insurance, and other costs of issuance). In 2008, a 1% Special Purpose Local Option Sales Tax (SPLOST) was approved by the voters. The City's portion of the tax is to be used to repay a portion of the bond debt.

CITY OF DAHLONEGA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2008

13. Reserved Equity Balances

General Fund – Amount of \$38,265 and \$278,314 have been reserved for prepaid items and the City cemetery, respectively since these amounts are not legally available for appropriation.

Downtown Development Authority Component Unit – An amount of \$11,475 has been reserved for restricted assets since this amount is restricted for the use of Dahlonega 2000, Inc.

14. Changes in Beginning Equity

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 \$120,242. The 2007 comparison numbers have been restated.

Downtown Development Authority Component Unit

A prior period adjustment has been made to record a related entity that the Authority decided should be included in the financial statements. This adjustment increased beginning net assets on the Statement of Activities by \$15,233. The 2007 Downtown Development Authority financial statements have been restated to reflect this adjustment.

CITY OF DAHLONEGA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2008

15. 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 2.25% 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, 2008

15. 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	17
Terminated vested participants entitled to but not yet receiving benefits	9
Active participants	<u>45</u>
Total number of participants	<u><u>71</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 19.17% 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, 2008 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, 2008

15. Pension Plan (continued)

Annual Pension Cost

For fiscal year 2008, the City's annual pension cost of \$282,269 was equal to the City's recommended and actual contributions. The required contribution was \$282,269. The recommended contribution (projected to May 1, 2009) was computed as part of an actuarial valuation as of May 1, 2008. 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:

Pension Cost Information			
Funding Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
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
9/30/2008	282,269	100%	0

CITY OF DAHLONEGA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2008

15. Pension Plan (continued)

Historical Trend Information, continued

Schedule of Funding Progress

Actuarial Valuation Date May 1,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	(Funded) Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
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%
2008	2,524,647	3,483,911	959,264	72.47%	1,472,806	65.13%

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

16. 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, 2008 follows:

Lodging Tax Receipts	\$129,217
Disbursements to the Dahlonega – Lumpkin County Chamber of Commerce	\$129,217 100% of tax receipts

CITY OF DAHLONEGA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2008

17. 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 fiscal year ended September 30, 2008, the City paid \$5,036 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 Environmental 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 2008.

18. 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 2008. 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, 2008

19. 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, 2008, 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, 2008

20. Commitments and Contingencies

Commitments

The City has active construction projects as of September 30, 2008. At year end, the City's commitments with contractors are as follows:

Project	Amount Spent to Date	Remaining Commitment
Water Treatment Plant (Contract A)	\$ 3,226,609	\$ 15,730,845
Water Treatment Plant (Contract B)	1,247,094	1,741,351
Water Treatment Plant (Contract C)	117,323	76,427
Sewer Capacity Upgrades	118,363	376,297
Total	<u>\$ 4,709,389</u>	<u>\$ 17,924,920</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.

21. 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:

Department	Budget	Actual	Variance
Law Enforcement	\$ 0	\$ 85,007	\$ (85,007)

City of Dahlonega's Management concurs with this finding. The Finance Director will be reviewing the comparative financial statements to budget and recommending any necessary budget revisions to City Council. This action was taken immediately upon receipt of the comment from our auditors.

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COMBINING STATEMENTS

NONMAJOR GOVERNMENTAL FUNDS

**CITY OF DAHLONEGA, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2008**

	<u>Special Revenue</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Multiple Grant</u>	<u>Hotel/Motel Tax</u>	
ASSETS			
Current assets			
Equity in pooled cash	\$ 10,752	\$ 0	\$ 10,752
Taxes receivable	0	10,398	10,398
Due from other funds	<u>539</u>	<u>0</u>	<u>539</u>
Total assets	<u><u>\$ 11,291</u></u>	<u><u>\$ 10,398</u></u>	<u><u>\$ 21,689</u></u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 553	\$ 10,398	\$ 10,951
Deferred revenue	<u>7,500</u>	<u>0</u>	<u>7,500</u>
Total liabilities	8,053	10,398	18,451
Fund balances			
Unreserved, undesignated	<u>3,238</u>	<u>0</u>	<u>3,238</u>
Total liabilities and fund balances	<u><u>\$ 11,291</u></u>	<u><u>\$ 10,398</u></u>	<u><u>\$ 21,689</u></u>

CITY OF DAHLONEGA, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the fiscal year ended September 30, 2008

	<u>Special Revenue</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Multiple Grant</u>	<u>Hotel/Motel Tax</u>	
REVENUES			
Taxes	\$ 0	\$ 129,217	\$ 129,217
Intergovernmental	10,850	0	10,850
Total revenues	<u>10,850</u>	<u>129,217</u>	<u>140,067</u>
EXPENDITURES			
Current			
Culture and Recreation	2,698	0	2,698
Housing and Development	1,350	129,217	130,567
Total expenditures	<u>4,048</u>	<u>129,217</u>	<u>133,265</u>
Excess (deficiency) of revenues over (under) expenditures	6,802	0	6,802
Fund balances, October 1	<u>(3,564)</u>	<u>0</u>	<u>(3,564)</u>
Fund balances, September 30	<u><u>\$ 3,238</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 3,238</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
COMPARATIVE BALANCE SHEETS
September 30, 2008 and 2007**

	2008	2007
ASSETS		
Cash	\$ 5,537	\$ 5,360
Equity in pooled cash	2,874,643	2,250,219
Receivables (net)		
Accounts	0	1,601
Taxes	28,404	19,461
Fines	64,924	61,856
Intergovernmental	131,934	171,716
Inventory	24,533	14,738
Prepaid items	38,265	37,479
Due from other funds	0	1,054,514
Restricted assets		
Cash	278,314	278,314
Total assets	\$ 3,446,554	\$ 3,895,258
 LIABILITIES AND FUND BALANCES		
Liabilities		
Payables		
Accounts	\$ 120,633	\$ 35,448
Interest	0	6,413
Accrued salaries and payroll expenses	12,439	5,974
Due to other funds	585	0
Tax anticipation note payable	0	1,048,081
Deferred revenue	35,166	23,768
Total liabilities	168,823	1,119,684
 Fund balances		
Reserved for restricted assets	278,314	278,314
Reserved for prepaid items	38,265	37,479
Unreserved, undesignated	2,961,152	2,459,781
Total fund balances	3,277,731	2,775,574
Total liabilities and fund balances	\$ 3,446,554	\$ 3,895,258

CITY OF DAHLONEGA, GEORGIA
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the fiscal years ended September 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
REVENUES		
Taxes	\$ 2,695,303	\$ 2,606,457
Licenses and permits	137,327	186,291
Fines, fees and forfeitures	135,489	171,700
Charges for services	45,851	52,970
Intergovernmental	890	15,827
Interest	102,272	121,675
Contributions	1,126	132
Other	41,811	10,510
	<hr/>	<hr/>
Total revenues	3,160,069	3,165,562
	<hr/>	<hr/>
EXPENDITURES		
Current		
General Government	1,011,348	1,243,109
Judicial	185,931	208,740
Public Safety	85,007	0
Public Works	768,804	649,540
Culture and Recreation	132,780	70,198
Housing and Development	532,840	424,980
	<hr/>	<hr/>
Total expenditures	2,716,710	2,596,567
	<hr/>	<hr/>
Excess of revenues over expenditures	443,359	568,995
	<hr/>	<hr/>
Other financing sources (uses)		
Transfers in (out)		
Multiple Grant Special Revenue Fund	0	(2,000)
Water and Sewer Enterprise Fund	(284,296)	(215,647)
Proceeds from sale of assets	294,980	0
Issuance of capital leases	48,114	12,988
	<hr/>	<hr/>
Total other financing sources (uses)	58,798	(204,659)
	<hr/>	<hr/>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	502,157	364,336
	<hr/>	<hr/>
Fund balances, October 1 (original)	2,775,574	2,395,802
	<hr/>	<hr/>
Prior period adjustments	0	15,436
	<hr/>	<hr/>
Fund balances, October 1 (restated)	2,775,574	2,411,238
	<hr/>	<hr/>
Fund balances, September 30	\$ 3,277,731	\$ 2,775,574
	<hr/> <hr/>	<hr/> <hr/>

CITY OF DAHLONEGA, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES
BUDGET (GAAP BASIS) AND ACTUAL
For the fiscal year ended September 30, 2008
(With comparative actual amounts for the fiscal year ended September 30, 2007)

	2008			2007
	Final Budget	Actual	Variance	Actual
REVENUES				
Taxes				
General property taxes				
Property tax	\$ 844,955	\$ 838,960	\$ (5,995)	\$ 812,855
Real estate transfer tax	23,000	28,148	5,148	23,432
Motor vehicle tax	20,000	24,330	4,330	19,534
Cost, penalties, and interest	3,000	3,564	564	3,540
Total general property taxes	890,955	895,002	4,047	859,361
Local option sales tax	830,000	832,447	2,447	837,951
Franchise tax	468,000	488,607	20,607	454,128
Insurance premium tax	195,000	198,849	3,849	190,631
Alcoholic beverage excise tax	144,000	156,736	12,736	147,210
Occupational tax	127,000	123,662	(3,338)	117,176
Total taxes	2,654,955	2,695,303	40,348	2,606,457
Licenses and Permits				
Alcohol licenses	61,000	66,905	5,905	56,644
Building permits	101,000	70,422	(30,578)	129,647
Total licenses and permits	162,000	137,327	(24,673)	186,291
Fines, fees and forfeitures	180,000	135,489	(44,511)	171,700
Charges for Services				
Cemetery	37,000	45,800	8,800	52,940
Other	100	51	(49)	30
Total charges for services	37,100	45,851	8,751	52,970
Intergovernmental	0	890	890	15,827
Interest	80,000	102,272	22,272	121,675
Contributions	100	1,126	1,026	132
Other	38,396	41,811	3,415	10,510
Total revenues	\$ 3,152,551	\$ 3,160,069	\$ 7,518	\$ 3,165,562

CITY OF DAHLONEGA, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the fiscal year ended September 30, 2008
(With comparative actual amounts for the fiscal year ended September 30, 2007)

	2008			2007
	Final Budget	Actual	Variance	Actual
EXPENDITURES				
General Government				
Legislative				
Personal services	\$ 124,849	\$ 123,662	\$ 1,187	\$ 109,225
Contract services	39,405	39,458	(53)	32,921
Supplies and materials	500	480	20	400
Total Legislative	<u>164,754</u>	<u>163,600</u>	<u>1,154</u>	<u>142,546</u>
Executive				
Personal services	149,219	147,620	1,599	134,455
Contract services	38,500	38,820	(320)	36,185
Supplies and materials	500	1,854	(1,354)	3,196
Capital outlay	2,300	2,215	85	0
Total Executive	<u>190,519</u>	<u>190,509</u>	<u>10</u>	<u>173,836</u>
General Administration				
Personal services	215,186	236,585	(21,399)	179,932
Contract services	352,300	351,180	1,120	270,482
Supplies and materials	50,250	39,354	10,896	46,034
Capital outlay	26,837	26,296	541	422,294
Debt service	4,200	3,824	376	7,985
Total General Administration	<u>648,773</u>	<u>657,239</u>	<u>(8,466)</u>	<u>926,727</u>
Total General Government	<u>1,004,046</u>	<u>1,011,348</u>	<u>(7,302)</u>	<u>1,243,109</u>
Judicial				
Municipal Court				
Personal services	64,006	62,916	1,090	59,483
Contract services	69,758	76,468	(6,710)	89,410
Supplies and materials	1,400	995	405	841
Capital outlay	1,200	0	1,200	0
Payments to other agencies	50,000	45,552	4,448	59,006
Total Judicial	<u>186,364</u>	<u>185,931</u>	<u>433</u>	<u>208,740</u>
Public Safety				
Law Enforcement				
Contract services	<u>0</u>	<u>85,007</u>	<u>(85,007)</u>	<u>0</u>
Public Works				
Paved Street				
Personal services	438,770	433,865	4,905	353,459
Contract services	77,770	70,612	7,158	38,035
Supplies and materials	59,500	72,890	(13,390)	87,413
Capital outlay	55,327	44,676	10,651	40,160
Debt service	9,950	9,874	76	2,864
Total Paved Street	<u>641,317</u>	<u>631,917</u>	<u>9,400</u>	<u>521,931</u>

Exhibit C-4, continued

CITY OF DAHLONEGA, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the fiscal year ended September 30, 2008
(With comparative actual amounts for the fiscal year ended September 30, 2007)

	2008			2007
	Final Budget	Actual	Variance	Actual
Public Works, continued				
Shop Department				
Personal services	\$ 50,680	\$ 49,858	\$ 822	\$ 50,507
Contract services	3,061	2,147	914	3,922
Supplies and materials	9,800	10,550	(750)	10,717
Total Shop Department	<u>63,541</u>	<u>62,555</u>	<u>986</u>	<u>65,146</u>
Cemetery				
Personal services	60,941	57,098	3,843	52,165
Contract services	4,930	3,026	1,904	3,810
Supplies and materials	6,250	7,311	(1,061)	6,488
Capital outlay	6,750	6,897	(147)	0
Total Cemetery	<u>78,871</u>	<u>74,332</u>	<u>4,539</u>	<u>62,463</u>
Total Public Works	<u>783,729</u>	<u>768,804</u>	<u>14,925</u>	<u>649,540</u>
Culture and Recreation				
Parks				
Personal services	24,270	20,945	3,325	50,243
Contract services	18,732	15,297	3,435	16,016
Supplies and materials	3,875	5,752	(1,877)	3,939
Capital outlay	92,000	90,786	1,214	0
Total Parks	<u>138,877</u>	<u>132,780</u>	<u>6,097</u>	<u>70,198</u>
Total Culture and Recreation	<u>138,877</u>	<u>132,780</u>	<u>6,097</u>	<u>70,198</u>
Housing and Development				
Building Inspections				
Personal services	197,093	177,006	20,087	189,120
Contract services	149,100	101,160	47,940	40,872
Supplies and materials	7,100	4,492	2,608	12,202
Capital outlay	0	2,093	(2,093)	12,451
Total Building Inspections	<u>353,293</u>	<u>284,751</u>	<u>68,542</u>	<u>254,645</u>
Better Home Towns				
Contract services	<u>55,000</u>	<u>53,966</u>	<u>1,034</u>	<u>51,716</u>
Downtown Development Authority				
Payment to others	<u>194,123</u>	<u>194,123</u>	<u>0</u>	<u>118,619</u>
Total Housing and Development	<u>602,416</u>	<u>532,840</u>	<u>69,576</u>	<u>424,980</u>
Total expenditures	<u><u>\$ 2,715,432</u></u>	<u><u>\$ 2,716,710</u></u>	<u><u>\$ (1,278)</u></u>	<u><u>\$ 2,596,567</u></u>

Exhibit C-4, continued

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
COMPARATIVE BALANCE SHEETS
September 30, 2008 and 2007

	2008	2007
ASSETS		
Current assets		
Equity in pooled cash	\$ 10,752	\$ 12,169
Due from other funds	539	0
Total assets	\$ 11,291	\$ 12,169
 LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	\$ 553	\$ 8,233
Deferred revenue	7,500	7,500
Total liabilities	8,053	15,733
Fund balances		
Unreserved, undesignated	3,238	(3,564)
Total liabilities and fund balances	\$ 11,291	\$ 12,169

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, 2008

(With comparative actual amounts for the fiscal year ended September 30, 2007)

	2008			2007
	Final Budget	Actual	Variance	Actual
REVENUES				
Intergovernmental	\$ 603,000	\$ 10,850	\$ (592,150)	\$ 3,000
Total revenues	<u>603,000</u>	<u>10,850</u>	<u>(592,150)</u>	<u>3,000</u>
EXPENDITURES				
Current				
Public works	675,000	0	675,000	0
Culture and recreation	13,000	2,698	10,302	5,643
Housing and development	58,400	1,350	57,050	6,500
Total expenditures	<u>746,400</u>	<u>4,048</u>	<u>742,352</u>	<u>12,143</u>
Excess (deficiency) of revenues over (under) expenditures	(143,400)	6,802	150,202	(9,143)
Other financing sources (uses)				
Transfers in (out)				
General Fund	143,400	0	(143,400)	2,000
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	0	6,802	6,802	(7,143)
Fund balances, October 1	<u>0</u>	<u>(3,564)</u>	<u>(3,564)</u>	<u>3,579</u>
Fund balances, September 30	<u><u>\$ 0</u></u>	<u><u>\$ 3,238</u></u>	<u><u>\$ 3,238</u></u>	<u><u>\$ (3,564)</u></u>

CITY OF DAHLONEGA, GEORGIA
HOTEL/MOTEL TAX SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
September 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Taxes receivable	<u>\$ 10,398</u>	<u>\$ 11,102</u>
 LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	<u>\$ 10,398</u>	<u>\$ 11,102</u>

**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, 2008

(With comparative actual amounts for the fiscal year ended September 30, 2007)

	2008			2007
	Final Budget	Actual	Variance	Actual
REVENUES				
Hotel/Motel taxes	\$ 130,000	\$ 129,217	\$ (783)	\$ 115,031
Total revenues	130,000	129,217	(783)	115,031
EXPENDITURES				
Current				
Housing and Development				
Tourism				
Chamber of Commerce	130,000	129,217	783	115,031
Total expenditures	130,000	129,217	783	115,031
Excess (deficiency) of revenues over (under) expenditures	0	0	0	0
Fund balances, October 1	0	0	0	0
Fund balances, September 30	\$ 0	\$ 0	\$ 0	\$ 0

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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
COMPARATIVE STATEMENTS OF NET ASSETS
September 30, 2008 and 2007

ASSETS	<u>2008</u>	<u>2007</u>
Current assets		
Equity in pooled cash	\$ 1,848,886	\$ 1,360,721
Certificates of deposit	8,592	14,567
Receivables		
Accounts (net)	373,142	405,532
Intergovernmental	110,530	1,990
Inventory	114,548	115,417
Prepaid items	23,502	24,455
Due from other funds	<u>206,084</u>	<u>205,758</u>
Total current assets	<u>2,685,284</u>	<u>2,128,440</u>
Restricted assets		
Debt Redemption		
Cash	1,273,193	86,896
Certificates of deposit	35,000	0
Investments	2,278,881	0
Intergovernmental receivable	89,861	0
Construction Fund		
Cash	19,507,200	0
Customer Deposits		
Certificates of deposit	<u>66,408</u>	<u>60,433</u>
Total restricted assets	<u>23,250,543</u>	<u>147,329</u>
Capital assets		
Land	3,261,944	3,261,944
Improvements	3,850,223	3,850,223
Buildings	2,224,915	2,224,915
Water and sewer lines and towers	17,027,839	16,230,972
Machinery and equipment	5,108,168	4,868,439
Construction in progress	5,375,433	1,843,073
Accumulated depreciation	<u>(8,097,288)</u>	<u>(7,394,919)</u>
Total capital assets (net of accumulated depreciation)	<u>28,751,234</u>	<u>24,884,647</u>
Other assets		
Debt issuance costs	674,697	0
Investment in joint venture	<u>34,795</u>	<u>15,269</u>
Total other assets	<u>709,492</u>	<u>15,269</u>
Total assets	<u>55,396,553</u>	<u>27,175,685</u>

CITY OF DAHLONEGA, GEORGIA
WATER AND SEWAGE ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET ASSETS
September 30, 2008 and 2007

	2008	2007
LIABILITIES		
Current liabilities		
Payables		
Accounts	\$ 361,633	\$ 203,208
Retainages	12,240	0
Interest	36,736	39,134
Accrued salaries and payroll expenses	9,943	5,444
Compensated absences	58,071	66,858
Due to other funds	539	1,054,514
Notes payable	551,358	541,050
Capital leases payable	30,333	14,619
	1,060,853	1,924,827
Current liabilities payable from restricted assets		
Payables		
Accounts	639,972	0
Retainages	219,386	0
Interest	118,003	1,869
Customer deposits payable	66,408	60,433
Revenue bonds payable	525,000	65,000
	1,568,769	127,302
Long-term liabilities		
Notes payable	12,029,889	12,161,854
Capital leases payable	84,875	48,278
Revenue bonds payable	26,365,682	0
	38,480,446	12,210,132
	41,110,068	14,262,261
NET ASSETS		
Invested in capital assets, net of related debt	12,223,371	12,053,846
Restricted for restricted assets	0	85,027
Unrestricted	2,063,114	774,551
	\$ 14,286,485	\$ 12,913,424

CITY OF DAHLONEGA, GEORGIA
WATER AND SEWAGE ENTERPRISE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
For the fiscal years ended September 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
OPERATING REVENUES		
Charges for sales and services		
Water sales	\$ 1,652,946	\$ 1,619,415
Sewer charges	1,162,079	1,197,036
Tap fees	402,813	550,388
Other	6,856	1,237
	<u>3,224,694</u>	<u>3,368,076</u>
OPERATING EXPENSES		
Cost of sales and services	863,551	765,365
Personal services	1,001,103	943,884
Depreciation	878,863	820,393
	<u>2,743,517</u>	<u>2,529,642</u>
Operating income (loss)	<u>481,177</u>	<u>838,434</u>
Non-operating revenues (expenses)		
Interest revenue	78,261	70,758
Interest expense	(475,081)	(487,986)
Gain (loss) on sale of assets	6,685	1,123
	<u>(390,135)</u>	<u>(416,105)</u>
Net income (loss) before capital contributions and transfers	<u>91,042</u>	<u>422,329</u>
Capital contributions		
Capital contributions	594,845	1,369,606
Intergovernmental	402,878	20,004
	<u>997,723</u>	<u>1,389,610</u>
Net income (loss) before transfers	1,088,765	1,811,939
Transfers in (out)		
General Fund	284,296	215,647
Change in net assets	<u>1,373,061</u>	<u>2,027,586</u>
Net assets, October 1 (original)	12,913,424	10,724,646
Prior period adjustments	<u>0</u>	<u>161,192</u>
Net assets, October 1 (restated)	<u>12,913,424</u>	<u>10,885,838</u>
Net assets, September 30	<u><u>\$ 14,286,485</u></u>	<u><u>\$ 12,913,424</u></u>

CITY OF DAHLONEGA, GEORGIA
WATER AND SEWAGE ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the fiscal years ended September 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Receipts from customers	\$ 3,256,203	\$ 3,396,974
Payments to suppliers	(772,002)	(830,459)
Payments to employees	(1,005,391)	(931,444)
Other receipts	6,856	1,237
	<u>1,485,666</u>	<u>1,636,308</u>
Net cash provided (used) by operating activities		
Cash flows from non-capital financing activities:		
Receipts from other funds	284,296	215,647
Payments to other funds	(326)	(41,824)
	<u>283,970</u>	<u>173,823</u>
Net cash provided (used) by non-capital financing activities		
Cash flows from capital and related financing activities:		
Receipts from other governments	209,468	33,245
Receipts from disposal of capital assets	8,242	1,851
Receipts from other funds	0	1,054,514
Payments to other funds	(1,053,975)	0
Acquisitions of capital assets	(3,132,225)	(1,403,510)
Issuance of revenue bonds	27,005,682	0
Principal payments - revenue bonds	(180,000)	(55,000)
Debt issue costs	(674,697)	0
Issuance of promissory notes	398,574	0
Principal payments - promissory notes	(538,953)	(545,628)
Payment of capital leases	(27,330)	(14,553)
Interest paid	(361,345)	(492,288)
	<u>21,653,441</u>	<u>(1,421,369)</u>
Net cash provided (used) by capital and related financing activities		
Cash flows from investing activities:		
Proceeds from certificates of deposit	75,000	65,000
Purchases of certificates of deposit	(110,000)	(75,000)
Purchases of investments	(2,230,644)	0
Interest received	24,229	58,189
	<u>(2,241,415)</u>	<u>48,189</u>
Net cash provided (used) by investing activities		
Net increase (decrease) in cash	21,181,662	436,951
Cash and cash equivalents, October 1	<u>1,447,617</u>	<u>1,010,666</u>
Cash and cash equivalents, September 30	<u><u>\$ 22,629,279</u></u>	<u><u>\$ 1,447,617</u></u>

CITY OF DAHLONEGA, GEORGIA
WATER AND SEWAGE ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the fiscal years ended September 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 481,177	\$ 838,434
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	878,863	820,393
(Increase) decrease in accounts receivable	32,390	30,142
(Increase) decrease in inventory	869	(1)
(Increase) decrease in prepaid items	953	(3,806)
Increase (decrease) in accounts payable	89,727	(61,287)
Increase (decrease) in payroll liabilities	(4,288)	12,440
Increase (decrease) in deposits payable	5,975	(7)
Total adjustments	<u>1,004,489</u>	<u>797,874</u>
Net cash provided (used) by operating activities	<u>\$ 1,485,666</u>	<u>\$ 1,636,308</u>
Cash reconciliation:		
Equity in pooled cash	\$ 1,848,886	\$ 1,360,721
Debt Redemption		
Cash	1,273,193	86,896
Construction Fund		
Cash	<u>19,507,200</u>	<u>0</u>
Total cash and cash equivalents	<u>\$ 22,629,279</u>	<u>\$ 1,447,617</u>

Noncash capital and related financing activities:

Contributions of capital assets from individuals totaled \$594,845 and \$1,369,606 for the fiscal years ended September 30, 2008 and 2007, respectively.

Acquisition of capital assets through capital leases totaled \$79,641 and \$77,450 for the fiscal years ended September 30, 2008 and 2007, respectively.

CITY OF DAHLONEGA, GEORGIA
SOLID WASTE ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET ASSETS
September 30, 2008 and 2007

	2008	2007
ASSETS		
Current assets		
Equity in pooled cash	\$ 231,910	\$ 196,799
Accounts receivable (net)	68,912	66,871
Inventory	0	5,017
Prepaid items	7,475	8,241
Due from other funds	375	0
Total current assets	308,672	276,928
Capital assets		
Improvements	11,583	0
Buildings	255,066	255,066
Machinery and equipment	532,231	464,328
Accumulated depreciation	(531,961)	(423,963)
Total capital assets (net of accumulated depreciation)	266,919	295,431
Total assets	575,591	572,359
LIABILITIES		
Accounts payable	12,717	2,834
Accrued salaries and payroll expenses	4,410	1,811
Compensated absences	4,024	3,051
Due to other funds	205,874	205,758
Total liabilities	227,025	213,454
NET ASSETS		
Invested in capital assets	266,919	295,431
Unrestricted	81,647	63,474
Total net assets	\$ 348,566	\$ 358,905

**CITY OF DAHLONEGA, GEORGIA
SOLID WASTE ENTERPRISE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
For the fiscal years ended September 30, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
OPERATING REVENUES		
Charges for sales and services	\$ 494,200	\$ 476,076
OPERATING EXPENSES		
Cost of sales and services	166,123	157,800
Personal services	298,322	275,657
Depreciation	36,651	39,488
Total operating expenses	<u>501,096</u>	<u>472,945</u>
Operating income (loss)	(6,896)	3,131
Non-operating revenues (expenses)		
Gain (loss) on sale of assets	<u>(3,443)</u>	<u>0</u>
Change in net assets	(10,339)	3,131
Net assets, October 1	<u>358,905</u>	<u>355,774</u>
Net assets, September 30	<u><u>\$ 348,566</u></u>	<u><u>\$ 358,905</u></u>

CITY OF DAHLONEGA, GEORGIA
SOLID WASTE ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the fiscal years ended September 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Receipts from customers	\$ 492,159	\$ 432,288
Payments to suppliers	(150,457)	(158,798)
Payments to employees	(294,750)	(274,403)
	<hr/>	<hr/>
Net cash provided (used) by operating activities	46,952	(913)
	<hr/>	<hr/>
Cash flows from non-capital financing activities:		
Receipts from other funds	116	0
Payments to other funds	(375)	41,824
	<hr/>	<hr/>
Net cash provided (used) by non-capital financing activities	(259)	41,824
	<hr/>	<hr/>
Cash flows from capital and related financing activities:		
Acquisitions of capital assets	(11,582)	0
	<hr/>	<hr/>
Net cash provided (used) by capital and related financing activities	(11,582)	0
	<hr/>	<hr/>
Net increase (decrease) in cash	35,111	40,911
Cash and cash equivalents, October 1	196,799	155,888
	<hr/>	<hr/>
Cash and cash equivalents, September 30	<u>\$ 231,910</u>	<u>\$ 196,799</u>
	<hr/>	<hr/>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (6,896)	\$ 3,131
	<hr/>	<hr/>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	36,651	39,488
(Increase) decrease in accounts receivable	(2,041)	(43,788)
(Increase) decrease in inventory	5,017	(1,660)
(Increase) decrease in prepaid items	766	(634)
Increase (decrease) in accounts payable	9,883	1,296
Increase (decrease) in payroll liabilities	3,572	1,254
	<hr/>	<hr/>
Total adjustments	53,848	(4,044)
	<hr/>	<hr/>
Net cash provided (used) by operating activities	<u>\$ 46,952</u>	<u>\$ (913)</u>
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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)
COMPARATIVE BALANCE SHEETS
September 30, 2008 and 2007

	2008	2007
ASSETS		
Current assets		
Equity in pooled cash	\$ 82,198	\$ 106,009
Restricted assets		
Cash	11,475	15,358
Total assets	\$ 93,673	\$ 121,367
 LIABILITIES AND FUND BALANCES		
Current Liabilities		
Accounts payable	\$ 3,092	\$ 17,530
Accrued salaries and payroll liabilities	2,138	529
Liabilities payable from restricted assets:		
Accounts payable	0	125
Total liabilities	5,230	18,184
Fund balances		
Reserved for restricted assets	11,475	15,233
Unreserved, undesignated	76,968	87,950
Total fund balances	88,443	103,183
Total liabilities and fund balances	\$ 93,673	\$ 121,367

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, 2008
(With comparative actual amounts for the fiscal year ended September 30, 2007)

	2008			2007
	Final Budget	Actual	Variance	Actual
REVENUES				
Intergovernmental	\$ 194,123	\$ 194,123	\$ 0	\$ 118,619
Fund-raising sales	0	0	0	59,891
Interest	0	18	18	6
Contributions	0	6,807	6,807	4,127
Total revenues	194,123	200,948	6,825	182,643
EXPENDITURES				
Current				
Housing and Development				
Personal services	68,023	67,759	264	60,253
Contract services	143,700	141,549	2,151	83,365
Supplies and materials	6,300	6,380	(80)	2,106
Total expenditures	218,023	215,688	2,335	145,724
Excess of revenues over (under) expenditures	(23,900)	(14,740)	9,160	36,919
Fund balances, October 1 (restated)	23,900	103,183	79,283	66,264
Fund balances, September 30	\$ 0	\$ 88,443	\$ 88,443	\$ 103,183

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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 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, 2008, which collectively comprise the City of Dahlonega, Georgia's basic financial statements, and have issued our report thereon dated January 30, 2009. 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 08-1

Condition: While performing audit procedures on disbursements, we noted that 14 of the 60 transactions tested lacked evidence of proper approval.

Criteria: Generally accepted accounting principles require that all disbursements be properly approved and supported by appropriate documentation.

Effect: Failure to obtain proper approval for disbursements subjects the assets of the City to greater risk of misappropriation.

Recommendation: All disbursements should have proper approval. The approval should be evidenced by the initials of an authorized employee.

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Comment 08-1, continued

Management Response: City of Dahlonega's management concurs with this finding. All invoices were approved for payment, but this approval process was not documented. The City, as of the beginning of the 2009 fiscal year, has implemented a new invoice approval process whereby all invoice approvals are documented.

Comment 08-2

Condition: While testing building permits, we noted that 4 of the 60 applications testing involved fees being collected and held for a month before being deposited.

Criteria: Generally accepted accounting principles require that cash receipts be deposited and transactions recorded in a timely manner.

Effect: Failure to deposit cash receipts in a timely manner exposes the City to a greater risk of loss due to fraud.

Recommendation: All fees collected should be deposited on a daily basis or at a minimum once a week.

Management Response: City of Dahlonega's management concurs with this finding. Management has implemented an aggressive training effort and implemented new operational procedures to ensure that all cash is deposited the same day as collected. 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*:

Comment 08-3

Condition: The City experienced a material excess of expenditures over appropriations in the General Fund.

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.

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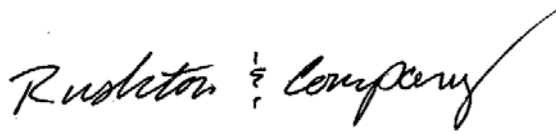
Comment 08-3, continued

Management Response: City of Dahlonega's Management concurs with this finding. The Finance Director will be reviewing the comparative financial statements to budget and recommending any necessary budget revisions to 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 January 30, 2009.

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.

A handwritten signature in cursive script that reads "Rushton & Company". The signature is written in black ink and is positioned above a horizontal line.

Certified Public Accountants

Gainesville, Georgia
January 30, 2009

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CITY OF DAHLONEGA, GEORGIA
SCHEDULE OF PROJECTS FINANCED WITH SPECIAL
PURPOSE LOCAL OPTION SALES TAX
For the fiscal year ended September 30, 2008

<u>Project</u>	<u>Estimated Cost *</u>		<u>Expenditures</u>		
	<u>Original</u>	<u>Current</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
<u>2008 Referendum</u>					
Water Treatment Facilities					
Debt Service	\$ 4,359,600	\$ 4,359,600	\$ 0	\$ 100,202	\$ 100,202

* Estimated cost represents the portion of these projects to be financed with Special Purpose Local Option Sales Tax. Actual costs that are in excess of these amounts have been financed through alternative funds.

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