

CITY OF FAYETTEVILLE, GEORGIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JULY 31, 2011

Prepared By:
Lorri Lynn Robinson
Director of Finance

Submitted By:
Joe Morton
City Manager

INTRODUCTORY SECTION

CITY OF FAYETTEVILLE, GEORGIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JULY 31, 2011

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City of Fayetteville

240 Glynn Street South • Fayetteville, Georgia 30214
Telephone (770) 461-6029 • Facsimile (770) 460-4238

MAYOR
Greg Clifton

COUNCIL
Ed Johnson
Larry Dell
Mickey Edwards
Paul Oddo
Walt White

CITY MANAGER
Joe Morton

CITY CLERK
Anne Barnard

January 13, 2012

Honorable Greg Clifton, Mayor
Members of the City Council
And Citizens of Fayetteville, Georgia

Ladies and Gentlemen:

The comprehensive annual financial report of the City of Fayetteville, Georgia (the "City") for the fiscal year ended July 31, 2011 is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the government. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of the government. All disclosures necessary to enable to reader to gain an understanding of the City's financial activities have been included.

The City's management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. We believe the City's internal accounting controls adequately safeguard assets and provide reasonable assurance that all financial information has been recorded accurately.

State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. These statements are to be presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

The accounting firm of Mauldin & Jenkins, LLC, is the City's auditing firm. The independent auditors' report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report.

As a recipient of federal and state financial assistance, the City of Fayetteville is also responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. The internal control structure is subject to periodic evaluation by the management of the City.

For fiscal year 2011, the City was required to undergo a Single Audit. The information related to the Single Audit is included in a separately issued single audit report.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Fayetteville's MD&A can be found immediately following the report of the independent auditors.

Reporting Entity. This report includes all funds of the primary government, as well as the component units. The government provides a full range of services. These services include police protection, fire protection, court system, the construction and maintenance of highways, street and drainage improvements, planning and zoning, engineering, building and code enforcement, water, sewer, and storm water services, and Main Street activities and events. Residential sanitation services are provided through a contractual agreement with a private carrier.

Discretely presented component units are reported as a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position, results of operations and cash flows from the primary government. The Downtown Development Authority and Main Street Tourism Association are reported as discretely presented component units.

Government Structure. A mayor and five (5) City Council members serve the City of Fayetteville. The Mayor and City Council are elected at large and serve four (4) year staggered terms. The Mayor and City Council serves as the legislative body responsible for enacting City ordinances, resolutions, appropriating funds, and providing policy direction to City staff. The City Council appoints a City Manager, City Attorney, Municipal Court Judge and various Boards, Commissions and Authorities. The City Council annually adopts a balanced budget and establishes a tax rate for the support of the City programs. The City Manager and Department Directors have the responsibility of administering these programs in accordance with policies and the annual budget adopted by the City Council.

An organizational chart depicting the current structure associated with the management of the City of Fayetteville is included in this introductory section.

General Information. The City of Fayetteville is named for General Marquis de Lafayette of France, who aided the American colonists during the Revolutionary War. Fayetteville was named as the county seat in 1823 and the present-day courthouse in the town square was built in 1825. Listed on the National Register, it remains the oldest courthouse in Georgia and boasts the longest court bench in the world.

There was more or less a city/county government until the 1880's. The first mayor elected in Fayetteville was W. P. Redwine in 1889.

Downtown Fayetteville is rich in history with the preservation of many notable places of interest. Most of the store buildings that exist today around the courthouse square were built in the late 1890s and early 1900s.

In 1900, the first gas lamps and telephones were installed. The Fayette County Daily Newspaper that began in 1886 is still in operation. Electricity lit up Fayetteville in the 1920s. In 1926, the first public water system was installed with a 60,000-gallon tank above the city well. In 1953, the water system was upgraded with the construction of a new water plant just northwest of the City. A sewer system was installed in the early 1960s. In 1996, the City built a four MGD water treatment plant. Then in 2008 the final upgrade to the City's wastewater treatment plant was completed, which provides the City with a capacity of 5 MGD.

The history of Fayetteville remains in the downtown area, the historic district, through a program that initially was created in 1994 to bring businesses and activities into the historic district. Development standards have been developed just for the historic district. Fayetteville was designated Georgia's 37th Main Street City by the Georgia Department of Community Affairs in 1996.

West of the square, one of Fayetteville's finest historical attractions, the Holliday-Dorsey-Fife house was built in 1855, an antebellum structure with large white columns considered by many to be one of the most refined of the Greek revival houses in Fayette County. The house derives its name from the three main owners that dwelled there: Dr. John Stiles Holliday, who built the house, and was the uncle of the "Doc" Holliday of Western fame; Solomon Dawson Dorsey, a Colonel of the State Militia during the war Between the States who helped enlist volunteers for the confederacy; and Robert E. Lee Fife, a former Fayetteville city council member related to the last family to occupy the house as a residence. The house has ties with well known personalities such as Margaret Mitchell of *Gone with the Wind* fame, former Georgia Governor Hugh M. Dorsey, and abounds in confederate history. Today, the City of Fayetteville Downtown Development Authority owns the Holliday-Dorsey-Fife house and is operating it as a museum.

Across the street lays the City's historic cemetery circa 1823. The Fitzgerald's, great-grandparents of Margaret Mitchell, as well as the Holliday's, Dorsey's and Fife's, are laid to rest there. A recently constructed entranceway, long-term project for refurbishing and repairing headstones and designing a self-guided, walking tour brochure are many projects underway for preserving Fayetteville's history.

East of the square is the historic Train Depot, which serves as Fayetteville's Welcome Center, and also a special events facility and functions as the Main Street office. The Train Depot was originally built in 1902 along the railroad that ran from Atlanta to Fort Valley via Fayetteville. The railroad ceased to run through Fayetteville and the tracks were lifted in 1939.

South of the square, The Fayetteville Academy or Seminary was built in 1857, which later became a public school, Glynn Street School, and later in 1994 was renovated and is where the Fayetteville City Hall resides.

In May 2006, a Georgia Historical Marker was unveiled at City Hall honoring former Georgia Governor Hugh M. Dorsey. He was born in Fayetteville and served as governor for two terms from 1917 to 1921.

In 2007, First Lady Laura Bush awarded the City of Fayetteville the Preserve America Designation in recognition of the continuing commitment to preserving and using its cultural and natural resources for the benefit and enjoyment of the public.

Fayetteville has a strong historical preservation ethic that is evident throughout the downtown district. At present there is an effort underway by the Main Street program to revitalize the downtown area. The city limits have been extended far beyond the courthouse, and the city business district now runs from a couple of miles south of the courthouse to almost three miles north for a total of about 5 miles of business area. There are now seven schools in Fayetteville, an outdoor shopping center (the Pavilion), the Villages Amphitheater, two hotels, specialty shops of all descriptions, and a developing west side, that includes the Fayette Piedmont Hospital and medical complexes, all which make Fayetteville an attractive community. Numerous festivals and events are held on the square during the calendar year which brings thousands of people to downtown to participate in fellowship and community. Additionally the Villages Amphitheater plays host to a wide array of concerts, films, and dramatic events.

Economic Condition and Outlook. Located approximately 21 miles south of Atlanta, the City of Fayetteville continues to benefit economically by being an integral part of Metropolitan Atlanta. The City of Fayetteville is well positioned geographically to Atlanta and to the Hartsfield-Jackson Atlanta International Airport, which makes it convenient for the residents to travel for business and/or pleasure. The City of Fayetteville has a wealth of natural, cultural, historical, and commercial resources that provides an amenity for residents, a destination for tourists, and an attractive location for commercial businesses.

The population of Fayetteville is 15,945; a 43.03% increase since 2000. The median home cost in Fayetteville is \$214,950. Renters make up about 29% of the City's population, while 71% own homes. 9% of the homes and apartments are vacant in the City. The total number of permits issued for new housing during 2011 was 5, as compared to 7 for 2010. The City remains affordable to residents as the median household income is \$60,332.

The total number of new commercial permits issued during fiscal year 2011 was 3, valued at \$2,333,179. In comparing to fiscal year 2010, the same number of permits was issued. There were approximately 27 new tenant finishes valued at \$3,531,212 during fiscal year 2011.

The unemployment rate for Fayetteville is 8.3%, compared to the United States average of 8.6%. Sales and office type jobs are the most prominent jobs in Fayetteville, followed by professional and management, business, and financial operation.

Financial Planning. The annual budget(s) serves as the current foundation for the City of Fayetteville's financial planning and control. The City of Fayetteville budget(s) are adopted by City Council on or before July 31 at a regular Council meeting that is open to the public. The level of legal budgetary control is the departmental level. A budget is legally adopted for all Governmental Fund types and Proprietary Fund types. Formal budgetary integration is employed as a management control device during the year. The budget is based on the same method of accounting as the fund it represents. Transfers of appropriations within a department budget or within a non departmental expenditures category require the approval of the finance director. Increase or decrease (change) in appropriations within a departmental budget or in a non departmental expense category requires approval of the governing body in the form of amendments to the budget ordinance.

The Mayor and City Council have set the goals that our financial planning adheres to by providing the necessary and available resources. The overall goals are (1) Achieve all goals while striving for the lowest total cost for public services. (2) Maintain a managed growth policy that requires quality development in concert with our economic development strategy. (3) Provide for the public safety and welfare by committing appropriate resources to police, fire, streets, recreation, water and sewer, and support services. (4) Continue cooperative efforts with other governments and government agencies. (5) Preserve our historic and cultural heritage and encourage revitalization of downtown through support of Main Street initiatives.

The financial position of the City of Fayetteville has been affected by the recession, which has resulted in reduced revenues, mostly in sales taxes and building permits and fees. During fiscal year 2011, budget measures were continued to reduce the affected revenues and expenditures. Major expenditure reductions involved, but were not limited to, continuation of a hiring freeze, no purchasing on new and limited replacement capital items or projects, continuation of an employee voluntary reduction in work hours, no out-of-state training and travel, limited in-state training, fuel conservation policy, relocation and reallocation of some employees between the General Fund departments and the Water and Sewer Fund, and debt restructuring. These measures and conservative spending allowed the City to offset the revenue deficit in fiscal year 2011. Transportation projects, including highways and streets and sidewalks, that were funded via special local option sales tax, grants, and/or impact fees have continued as planned in the capital project fund budgets.

The City has continued to maintain adequate fund balances consistent with our reserve fund policy. With continued monitoring of our revenues and expenditures, the City can meet goals and objectives in the public service area; police and fire protection, street and drainage improvements, and infrastructure.

No new personnel were added during fiscal year 2011. As mentioned above, a hiring freeze was implemented in mid fiscal year 2008 and continued through fiscal year 2011. A one-time incentive pay was included in the fiscal year 2011 budgets. Personnel services and benefits decreased by (2.11%) from the previous fiscal year 2010. The decrease is mostly due to the hiring freeze and not replacing positions when they become vacant. Funds were budgeted for retention plan, wellness and safety program, workers compensation and retirement plan.

Major Initiatives. The City of Fayetteville did replace some vehicles and the necessary equipment for the police department, and information technology upgraded the computer system in accordance with our replacement program. For fiscal year 2011, the City was unable to fully fund the replacement vehicles and equipment as scheduled in the five year plan.

Within the SPLOST Funds, several major transportation, sidewalk, and pedestrian projects were completed and/or remain under construction. These projects are listed below in the table along with the funding source, which includes American Recovery and Reinvestment Act (ARRA) grants, and if they were not completed are still in progress to continue next fiscal year.

DESCRIPTION	IN PROGRESS OR COMPLETED	FUNDING SOURCE
Hood Ave Connector/SR92 Realignment	In Progress	SPLOST & Impact Fees
Hospital Crosswalk & Paths	In Progress	SPLOST & Grant
S Jeff Davis Shoulders	In Progress	SPLOST
Lafayette Avenue Extension	In Progress	Impact Fees
Ramah Road/Hwy 85 Sidewalk	Completed	SPLOST
Lee Street Sidewalk	Completed	SPLOST & ARRA
Lafayette and Glynn Street Traffic Signal	In Progress	Impact Fees
Grady at Beauregard	In Progress	Impact Fees
Hwy 54-Safete-LU Sidewalk	In Progress	SPLOST & Grant
Lafayette Tiger Trail Alternate Improvements	In Progress	Impact Fees
314/White Road/Banks Road Turn Lane	Completed	Impact Fees
Gateway Signage	In Progress	SPLOST
Fayetteville Connecting Sidewalks (TIP)	In Progress	SPLOST & Grant
Cemetery Sidewalk Project	In Progress	SPLOST, Grant & Trust
92/Jimmie Mayfield Sidewalk	In Progress	SPLOST

Strategic Financial Planning. The City of Fayetteville has initiated processes that have it looking to the future and planning for services, programs and facilities to meet the needs of the residents and businesses of the community. The most current budget process addressed both revenues and expenditures for its operating programs for the current year. The five-year financial forecast is developed to begin the process of looking at future needs and financial trends in order to better plan for the long-term needs of the City; which included personnel, operations and maintenance. The capital improvement program establishes a continuing five-year look at facility and equipment needs. The City also has a capital improvement program for transportation and infrastructure.

Financial Analysis and Planning is essentially a process, which assesses the future to the extent possible and determines what the picture of the community, from many different perspectives, should look like in the future years. The Mayor and City Council have recognized the need for this type of planning effort, which will in turn provide the

roadmap for future budgeting and capital planning efforts. Such a plan provides guidance to the legislative and administrative arms of city government, but also provides a guideline for residents and businesses of the community to act upon in the development of private programs and services.

Relevant Financial Policies. Financial policies and procedures have also been implemented to ensure balance, control, and stability to maintain and oversee the finances within and throughout the City. These policies and procedures address fund balances, reserve fund policy, purchasing, contract administration, debt administration, accounting, auditing, financial reporting, budget, capital outlay, investment, revenue administration, fixed assets, strategic planning, and grant administration.

Awards. The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Fayetteville for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended July 31, 2010. This was the fifteenth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

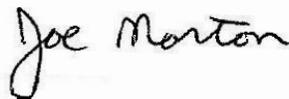
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City also received the GFOA Award for Distinguished Budget Presentation for the annual budget for fiscal year 2011. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient as a policy document, a financial plan, an operations guide, and a communication device.

A Distinguished Budget Presentation Award is valid for a period of one year only. We believe our current budget continues to conform to the Distinguished Budget Presentation Award Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another award.

Acknowledgments. The preparation of the Comprehensive Annual Financial Report (CAFR) on a timely basis was made possible by the dedicated service of the City staff and department directors and the auditors of our accounting firm, Mauldin & Jenkins, LLC. In closing, without the leadership and support of the Mayor and City Council, the preparation of this report would not have been possible. Our sincere appreciation is extended to each individual for the contributions made in the preparations of this report.

Respectfully submitted,



Joe Morton
City Manager



Lorri Lynn Robinson
Director of Finance and Administrative Services

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Fayetteville
Georgia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
July 31, 2010

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



Linda C. Davidson

President

Jeffrey R. Emer

Executive Director

CITY OF FAYETTEVILLE, GEORGIA

LIST OF PRINCIPAL OFFICIALS

MAYOR

Kenneth Steele

CITY COUNCIL MEMBERS

Wilson Price, Mayor Pro-Tem

Larry Dell

Al Hovey-King

Paul Oddo, Jr.

Walt White

CITY MANAGER

Joe Morton

CITY CLERK

Anne Barnard

DIRECTOR OF FINANCE & ADMINISTRATION

Lorri Lynn Robinson

MUNICIPAL COURT JUDGE

Michael Martin

CITY ATTORNEY

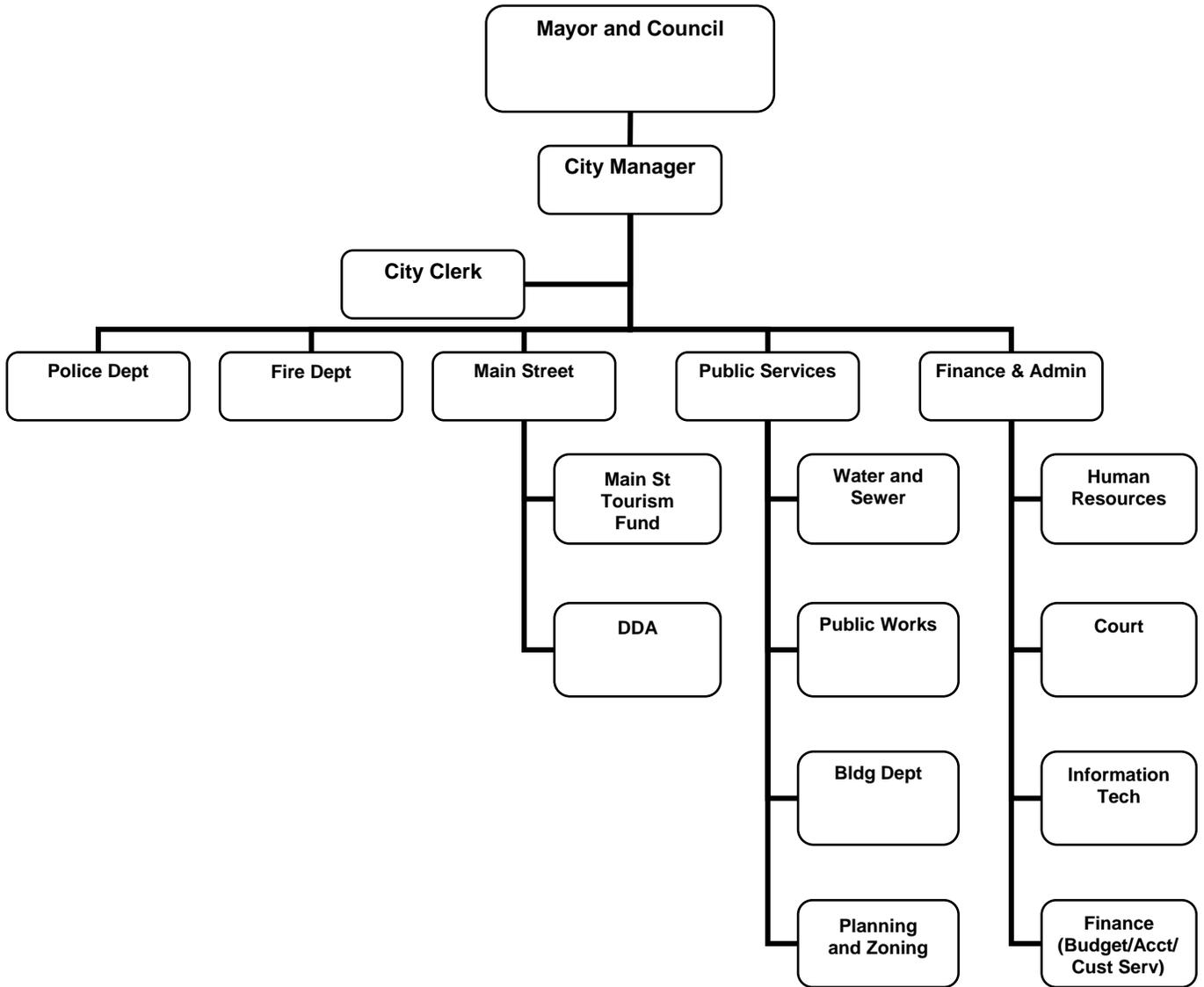
David Winkle

CITY AUDITORS

Mauldin & Jenkins, LLC

CITY OF FAYETTEVILLE, GEORGIA

ORGANIZATIONAL CHART



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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

**Honorable Mayor and Members
Of City Council
City of Fayetteville
Fayetteville, Georgia**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **City of Fayetteville, Georgia** (the "City") as of and for the year ended July 31, 2011, which collectively comprise the City of Fayetteville, Georgia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City'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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fayetteville, Georgia as of July 31, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of August 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2012, on our consideration of the City of Fayetteville, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages 3 through 10) and the Schedule of Funding Progress (on page 54) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fayetteville, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of special purpose local option sales tax proceeds is presented for purposes of additional analysis as required by the Official Code of Georgia Annotated 48-8-121, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fayetteville, Georgia's basic financial statements. The introductory, statistical, and continuing disclosure sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Mauldin & Jenkins, LLC

Macon, Georgia
January 13, 2012

CITY OF FAYETTEVILLE, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JULY 31, 2011

This management discussion and analysis of the City of Fayetteville, Georgia's financial performance provides an overall review of the City's financial activities for the fiscal year ended July 31, 2011. It is designed to give the reader an objective and easily readable analysis of the City's financial performance. The primary intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the letter of transmittal, notes to the basic financial statements, and the financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for FY2011 are as follows:

In total, combined net assets increased \$1,374,421, which represents a 1.64% increase over FY2010. This increase can primarily be attributed to additional contributed capital and capital grants received by the City for infrastructure improvements and projects. Increased revenues in franchise fees received by the City for operations and maintenance were also a factor.

- Combined tax revenues accounted for \$8,276,490 or 64% of all revenues from governmental activities. Service specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$4,602,341 or 36% of total revenues of \$12,924,104 from governmental activities.
- The City had \$10,945,708 in expenses related to governmental activities; \$4,602,341 of these expenses was offset by charges for services, grants, and contributions. General revenues (primarily taxes) of \$8,321,763 provided \$6,343,367 for these services and \$1,978,396 for future debt service and capital improvements.
- Total Water and Sewer Fund revenues for fiscal year 2011 were \$5,463,407. Total expenses for fiscal year 2011 were \$6,159,931. Capital contributions were recorded in the amount of \$88,690, including but not limited to donated property and sewer proportionate share. The change in net assets after depreciation and non-operating revenues and/or expenses was (\$607,834) for the fiscal year end.
- Revenues from the General Fund were \$9,200,765 for fiscal year 2011, a decrease of approximately (5.53%) over the prior fiscal year, due to a decrease in local option sales tax and building permits and licenses. General Fund expenditures totaled \$9,169,524 for the fiscal year ending July 31, 2011, a decrease of (5.07%) over last fiscal year.

Overview of the Financial Statements

This comprehensive annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the City of Fayetteville as a financial whole, or as an entire operating entity.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Statements of Net Assets and the Statement of Activities

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short term as well as what remains for future spending. For proprietary funds, the statements offer short and long term financial information about activities the City operates like businesses, such as water and sewer. The fund financial statements also look at the City's most significant funds with all other non-major funds presented in total in one column.

The purpose of the Statement of Net Assets and the Statement of Activities is to answer the question, "How did we do financially during FY2011?" These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the City's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the City as a whole, the financial position of the City has improved or diminished. The causes of this change may be the result of many factors, some financial and some non-financial, including the City's property tax base, facility conditions, and other factors.

In the Statement of Net Assets and the Statement of Activities, the City has both governmental and business-type activities:

- **Governmental Activities:** Most of the City's programs and services are reported here including general government, judicial, public safety, public works, culture and recreation, and housing and development. Sales taxes, property taxes, occupation taxes, and fines and forfeitures finance most of these activities.
- **Business-Type Activities:** The City charges fees to cover the services it provides. These activities include water and sewer services, stormwater services, sanitation services and recycling services.

Reporting the City's Most Significant Funds

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the City's most significant funds.

Governmental Funds

Most of the City's activities are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general governmental operations and basic services it provides. Governmental fund information helps the reader determine whether there are more financial resources that can be spent in the near future to finance governmental services. The relationship (or difference) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements. See Note #2 to the Financial Statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The capital projects funds are used to account for financial resources to be used for the acquisition, construction, or renovation of major fixed assets. The City of Fayetteville has three Capital Projects Funds: (1) Building Fund (2) Impact Fee Fund and (3) Special Purpose Local Option Sales Tax (SPLOST) Fund.

The special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes. The City of Fayetteville has five Special Revenue Funds: (1) Confiscated Assets Fund, (2) Hotel/Motel Tax Fund, (3) Vehicle Excise Tax Fund (4) Cemetery Fund, and (5) Veterans Memorial.

Proprietary Funds

Proprietary funds are activities that a City operates similar to a business in that it attempts to recover costs through charges to the user. The City's only proprietary funds are enterprise funds. Enterprise funds may be used to account for any activity or service that charges a fee to external users to cover the cost of operations, including cost of depreciation and debt service. The City operates its water and sewer fund and solid waste fund as enterprise funds. Proprietary fund statements use the accrual basis of accounting similar to the City-wide statements.

Financial Analysis

As was previously stated, the FY2011 total net assets represent an increase of 1.64% over FY2010. The City is experiencing difficult economic concerns that have affected some revenue sources: local option sales tax, building permits and licenses, and contributed capital. See Tables 1 (*Statement of Net Assets* on pages 11 and 12) and 2 (*Statement of Activities* on pages 13 and 14) for a schedule of net assets and change in net assets.

TABLE 1-NET ASSETS

	Governmental Activities		Business-type Activities		Total Activities	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 7,064,897	\$ 8,656,059	\$ 4,860,139	\$ 4,523,632	\$ 11,925,036	\$ 13,179,691
Capital assets	68,003,688	64,563,753	29,759,823	31,129,798	97,763,511	95,693,551
Total assets	<u>75,068,585</u>	<u>73,219,812</u>	<u>34,619,962</u>	<u>35,653,430</u>	<u>109,688,547</u>	<u>108,873,242</u>
Long-term liabilities	4,122,905	4,450,899	19,026,294	19,522,090	23,149,199	23,972,989
Other liabilities	1,068,696	870,325	508,521	442,218	1,577,217	1,312,543
Total liabilities	<u>5,191,601</u>	<u>5,321,224</u>	<u>19,534,815</u>	<u>19,964,308</u>	<u>24,726,416</u>	<u>25,285,532</u>
Net assets:						
Invested in capital assets, net of related debt	64,398,879	60,622,894	10,733,529	11,607,708	75,132,408	72,230,602
Restricted	2,714,174	2,036,624	1,507,269	1,350,819	4,221,443	3,387,443
Unrestricted	2,763,931	5,239,070	2,844,349	2,730,595	5,608,280	7,969,665
Total net assets	<u>\$ 69,876,984</u>	<u>\$ 67,898,588</u>	<u>\$ 15,085,147</u>	<u>\$ 15,689,122</u>	<u>\$ 84,962,131</u>	<u>\$ 83,587,710</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

TABLE 2-CHANGE IN NET ASSETS

	Governmental Activities		Business-type Activities		Total Activities	
	2011	2010	2011	2010	2011	2010
Revenues						
Program revenues:						
Charges for services	\$ 1,561,944	\$ 2,139,574	\$ 6,082,856	\$ 5,937,634	\$ 7,644,800	\$ 8,077,208
Operating grants and contributions	283,528	365,152	-	-	283,528	365,152
Capital grants and contributions	2,756,869	1,107,764	88,690	32,686	2,845,559	1,140,450
Total program revenues	4,602,341	3,612,490	6,171,546	5,970,320	10,773,887	9,582,810
General revenues:						
Property taxes	2,651,885	2,670,285	-	-	2,651,885	2,670,285
Other taxes	5,624,605	5,431,616	-	-	5,624,605	5,431,616
Unrestricted investment earnings	11,940	13,315	2,443	41	14,383	13,356
Gain on sale of capital assets	33,333	11,336	10,192	-	43,525	11,336
Total general revenues	8,321,763	8,126,552	12,635	41	8,334,398	8,126,593
Total revenues	12,924,104	11,739,042	6,184,181	5,970,361	19,108,285	17,709,403
Expenses						
General government	1,020,074	1,084,097	-	-	1,020,074	1,084,097
Judicial	719,103	820,922	-	-	719,103	820,922
Public safety	6,589,191	6,676,928	-	-	6,589,191	6,676,928
Public works	1,629,730	1,765,659	-	-	1,629,730	1,765,659
Culture and recreation	1,321	-	-	-	1,321	-
Housing and development	820,882	946,682	-	-	820,882	946,682
Interest on long-term debt	165,407	177,001	-	-	165,407	177,001
Water and sewer	-	-	5,736,799	5,460,020	5,736,799	5,460,020
Stormwater	-	-	423,132	294,409	423,132	294,409
Solid waste	-	-	628,225	616,359	628,225	616,359
Total expenses	10,945,708	11,471,289	6,788,156	6,370,788	17,733,864	17,842,077
Change in net assets	1,978,396	267,753	(603,975)	(400,427)	1,374,421	(132,674)
Net assets, beginning of year	67,898,588	67,630,835	15,689,122	16,089,549	83,587,710	83,720,384
Net assets, end of year	\$ 69,876,984	\$ 67,898,588	\$ 15,085,147	\$ 15,689,122	\$ 84,962,131	\$ 83,587,710

Governmental Activities

Please note that public safety expenses of \$6,589,191 represent 60.2% of the total governmental expenses. The next most significant program expense is public works, which totals \$1,629,730 and 14.9% of the total. Interest expense of \$165,407 represents only 1.5%. Interest expense was attributable to the GMA Lease Program to lease/purchase the City's public safety vehicles and public works equipment, as well as the Certificates of Participation for the construction of the law enforcement center.

Business-Type Activities

The most significant business-type activity of the City is the Water and Sewer Department. The majority of its revenue was derived from user fees charged for product and service.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Cost of Program Services

The *Statement of Activities* shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental and business-type activities, the combined total cost of services and the combined net cost of services; that is, it identifies the cost of these services supported by tax revenue.

Although program revenues make up 35.6% of the combined revenues, the City is dependent upon tax revenues for governmental activities. The net cost of services amounts to \$6,343,367 which approximates 76.6% of our local tax receipts of \$8,276,490. This information was taken from the *Statement of Activities* on pages 13 and 14.

TABLE 3 – Governmental and Business Type Activities

	Total Cost of Services		Net Cost of Services	
	2011	2010	2011	2010
General government	\$ 1,020,074	\$ 1,084,097	\$ (758,692)	\$ (812,469)
Judicial	719,103	820,922	473,141	927,096
Public safety	6,589,191	6,676,928	(6,248,240)	(6,237,826)
Public works	1,629,730	1,765,659	1,133,814	(650,107)
Culture and recreation	1,321	-	7,399	-
Housing and development	820,882	946,682	(785,382)	(908,492)
Interest on long-term debt	165,407	177,001	(165,407)	(177,001)
Total governmental activities	<u>10,945,708</u>	<u>11,471,289</u>	<u>(6,343,367)</u>	<u>(7,858,799)</u>
Business-type activities	<u>6,777,964</u>	<u>6,370,788</u>	<u>(616,610)</u>	<u>(400,468)</u>
Total expenses	<u>\$ 17,723,672</u>	<u>\$ 17,842,077</u>	<u>\$ (6,959,977)</u>	<u>\$ (8,259,267)</u>

Governmental Fund Balance

At the end of the fiscal year 2011, the combined ending fund balances for the City's Governmental Funds were \$5,789,522. Of the total fund balance, \$5,643,901 is available as working capital for current spending in accordance with the purposes of the specific funds. The remainder of fund balance is designated to indicate that it is not available for new spending because it is committed for the following purposes: reserved as non-spendable \$145,621 (pre-paid items and inventory).

The General Fund's fund balance for the fiscal year ending 2011 was \$3,049,931, which indicates a decrease in fund balance over previous year by (\$47,627). The decrease in General Fund's fund balance is due to the continued downturn in the economy. The fund balance of the City's Impact Fee Fund decreased by (\$779,822) during the fiscal year to an ending fund balance of \$1,331,963. The SPLOST fund has many projects underway, which are currently listed as construction in progress. Information provided in Table 4 is from the *Balance Sheet of Governmental Funds* on page 15.

MANAGEMENT'S DISCUSSION AND ANALYSIS

TABLE 4 – Governmental Fund Balance

	<u>2011</u>	<u>2010</u>
General Fund	\$ 3,049,931	\$ 3,097,558
SPLOST Fund	1,063,040	1,954,436
Other Governmental Funds	<u>1,676,551</u>	<u>2,475,252</u>
Total	<u>\$ 5,789,522</u>	<u>\$ 7,527,246</u>

Proprietary Net Assets

At the end of the fiscal year 2011, the combined net assets of the City's Proprietary Funds were \$15,085,147. The most significant event that took place in the Water and Sewer Fund was the refinancing of the existing debt from a fixed payment GEFA Loan to a more flexible payment plan through a new revenue bond issue.

General Fund Budgeting Highlights

- The City's budget is prepared according to Georgia law. The most significant budget fund is the General Fund.
- For the General Fund, the actual revenues of \$9,200,765 were below the final budgeted amount of \$9,304,311 by (\$103,546). This difference was primarily due to a shortfall in revenues for sales taxes and fines and forfeitures.
- The actual expenditures of \$9,169,524 were less than the final budgeted amount of \$9,464,488 by \$294,964. This difference was primarily due to vacant personnel positions.
- The original budget had to be decreased by (\$343,898) due to the change in revenues. Property Taxes were originally budgeted as \$2,043,566 with actual revenues of \$1,981,025 for a total decrease of (\$62,531), Other Taxes were originally budgeted as \$3,106,423 with actual revenues of \$3,247,506 for a total increase of \$141,083, Licenses and Permits were originally budgeted as \$277,442 with actual revenues of \$217,496 for a decrease of (\$59,946), and Fines and Forfeitures were originally budgeted as \$1,600,000 with actual revenues of \$1,191,994 for a decrease of (\$408,006). Due to the downturn in the economic conditions which have rendered the historical data and past trends irrelevant, forecasting has become difficult.

Capital Assets and Debt Administration

At the end of fiscal year 2011, the City had \$97,763,511 invested in capital assets, which is an increase over FY2010 of \$2,069,960. Table 5 shows fiscal years 2010 and 2011 balances of the *Capital Assets, net of depreciation* as presented on pages 39 through 41 under Note 7 – Capital Assets.

MANAGEMENT'S DISCUSSION AND ANALYSIS

TABLE 5 – Capital Assets, Net of Accumulated Depreciation

	Governmental Activities		Business-type Activities		Total Activities	
	2011	2010	2011	2010	2011	2010
Land	\$ 3,989,650	\$ 3,989,650	\$ 1,630,139	\$ 1,630,139	\$ 5,619,789	\$ 5,619,789
Construction in progress	2,604,452	1,386,511	495,316	484,766	3,099,768	1,871,277
Buildings	5,531,079	5,722,446	-	-	5,531,079	5,722,446
Land improvements	102,071	113,555	-	-	102,071	113,555
Equipment	843,852	540,050	174,940	57,903	1,018,792	597,953
Infrastructure	54,932,584	52,811,541	27,459,428	28,956,990	82,392,012	81,768,531
Total	<u>\$ 68,003,688</u>	<u>\$ 64,563,753</u>	<u>\$ 29,759,823</u>	<u>\$ 31,129,798</u>	<u>\$ 97,763,511</u>	<u>\$ 95,693,551</u>

Debt

The amount of outstanding debt of \$19,405,000 in Water and Sewerage Revenue Bonds is to refinance the cost of a surface water supply, a water treatment and transmission facility, a new gravity sewer line to connect the new Fayette Community Hospital to the sewer collection system and to finance a new Wastewater Plant Expansion. The Water and Sewer Fund refinanced a loan to the Georgia Environmental Facilities Authority of the State of Georgia by issuing 2010 Series Revenue Bonds in the amount of \$9,870,000. The amount of outstanding debt in Governmental Activities is \$3,384,854 in Certificates of Participation (COPS) with Georgia Municipal Association (GMA) to finance the cost of construction and furnishing of the new Law Enforcement Center. The General Fund has lease purchase agreements in the amount of \$219,955 as of July 31, 2011. Table 6 – *Outstanding Long-Term Liabilities* reflects information provided on page 46 under Note 8 – Long-Term Debt.

TABLE 6 – Outstanding Long-Term Liabilities

	Governmental Activities		Business-type Activities	
	2011	2010	2011	2010
Capital leases	\$ 219,955	\$ 353,854	\$ -	\$ -
Compensated absences	518,096	510,040	-	-
Certificates of participation:				
Certificates payable	3,420,000	3,625,000	-	-
Discount	(35,146)	(37,995)	-	-
Total Certificates of participation	<u>3,384,854</u>	<u>3,587,005</u>	<u>-</u>	<u>-</u>
Bonds payable:				
Revenue bonds	-	-	19,405,000	19,955,000
Deferred amounts:				
Premium	-	-	93,405	100,368
On refunding	-	-	(472,111)	(533,278)
Total bonds payable	<u>-</u>	<u>-</u>	<u>19,026,294</u>	<u>19,522,090</u>
Notes Payable	-	-	-	-
Total long-term liabilities	<u>\$ 4,122,905</u>	<u>\$ 4,450,899</u>	<u>\$ 19,026,294</u>	<u>\$ 19,522,090</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Current Issues

- **Economic Factors and Next Year's Budget and Rates**

Today, the population for the City of Fayetteville is estimated to be 15,945. This growth has been reflected in the City's General Fund revenues, which have increased from \$3,840,328 in 1994 to \$9,200,765 in 2011. The economic condition and outlook of the City has declined due to lack of residential construction, frugal purchasing by City residents, and loss of jobs and employment in our area.

We are beginning to see a much slower growth in revenues, particularly property taxes and franchise fees and building related fees. Our local option sales taxes are decreasing, which is a direct reflection of our area's recession. While our revenues have begun to slow, our operating expenses have continued to increase, mainly due to providing competitive salaries and increasing health insurance benefits. Additionally, our debt service expenses have increased as a result of much needed equipment replacement and facility upgrades.

Staff has developed a Five-Year Plan that includes Workload Indicators and Trend Analysis to assist the City in long-range financial planning and forecasting. This plan is developed with input from each department and is updated annually to reflect any changing needs. This plan is a very conservative forecast of the City's financial resources and departmental needs to maintain our existing service levels to the community. The Mayor and Council and staff will need to continue to closely evaluate the service and staffing levels on an ongoing basis to ensure that adequate personnel resources and financial resources are available to achieve the desired service levels.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Lorri Lynn Robinson, Director of Finance and Administrative Services, City of Fayetteville, 240 Glynn Street South, Fayetteville, Georgia 30214, 770-461-6029, or lrobinson@fayetteville-ga.gov

BASIC FINANCIAL STATEMENTS

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CITY OF FAYETTEVILLE, GEORGIA

STATEMENT OF NET ASSETS JULY 31, 2011

ASSETS	Primary Government		
	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 4,241,131	\$ 1,056,099	\$ 5,297,230
Investments	1,546,862	-	1,546,862
Taxes receivable	491,335	-	491,335
Accounts receivable, net of allowances	249,336	704,456	953,792
Due from other governments	119,824	-	119,824
Internal balances	33,671	(33,671)	-
Due from primary government	-	-	-
Due from component unit	15,085	122	15,207
Inventories	7,501	209,215	216,716
Prepaid expenses	152,967	65,648	218,615
Restricted assets, cash and cash equivalents	82,191	2,444,149	2,526,340
Deferred charges, unamortized balance	124,994	414,121	539,115
Capital assets, nondepreciable	6,594,102	2,125,455	8,719,557
Capital assets, depreciable, net of accumulated depreciation	61,409,586	27,634,368	89,043,954
Total assets	75,068,585	34,619,962	109,688,547
LIABILITIES			
Accounts payable	453,652	201,586	655,238
Accrued liabilities	190,453	306,935	497,388
Unearned revenues	393,861	-	393,861
Due to primary government	-	-	-
Due to component unit	30,730	-	30,730
Liabilities payable from restricted assets	-	565,000	565,000
Capital leases due within one year	52,005	-	52,005
Capital leases due in more than one year	167,950	-	167,950
Compensated absences due within one year	259,048	-	259,048
Compensated absences due in more than one year	259,048	-	259,048
Certificates of participation due within one year	210,000	-	210,000
Certificates of participation due in more than one year	3,174,854	-	3,174,854
Notes payable due within one year	-	-	-
Notes payable due in more than one year	-	-	-
Bonds payable due in more than one year	-	18,461,294	18,461,294
Total liabilities	5,191,601	19,534,815	24,726,416
NET ASSETS			
Invested in capital assets, net of related debt	64,398,879	10,733,529	75,132,408
Restricted	2,714,174	1,507,269	4,221,443
Unrestricted	2,763,931	2,844,349	5,608,280
Total net assets	\$ 69,876,984	\$ 15,085,147	\$ 84,962,131

The accompanying notes are an integral part of these financial statements.

Component Units	
Downtown Development Authority	Main Street Tourism Association
\$ 420,518	\$ 41,506
84,072	-
-	-
49,500	5,833
-	-
-	-
7,013	23,717
-	-
-	14,242
3,088	15,766
50,554	-
46,223	-
541,105	-
<u>2,564,152</u>	<u>-</u>
<u>3,766,225</u>	<u>101,064</u>
3,565	55,392
28,898	10,327
-	17,234
3,936	11,271
-	-
60,000	-
-	-
-	-
-	-
-	-
-	-
-	-
42,868	-
674,144	-
1,775,000	-
<u>2,588,411</u>	<u>94,224</u>
568,151	-
50,554	-
<u>559,109</u>	<u>6,840</u>
<u>\$ 1,177,814</u>	<u>\$ 6,840</u>

CITY OF FAYETTEVILLE, GEORGIA

STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JULY 31, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 1,020,074	\$ 261,382	\$ -	\$ -
Judicial	719,103	1,192,244	-	-
Public safety	6,589,191	73,026	266,560	1,365
Public works	1,629,730	(208)	8,248	2,755,504
Culture and recreation	1,321	-	8,720	-
Housing and development	820,882	35,500	-	-
Interest on long-term debt	165,407	-	-	-
Total governmental activities	10,945,708	1,561,944	283,528	2,756,869
Business-type activities:				
Water and sewer	5,736,799	4,956,688	-	88,690
Stormwater	423,132	494,238	-	-
Solid waste	628,225	631,930	-	-
Total business-type activities	6,788,156	6,082,856	-	88,690
Total primary government	\$ 17,733,864	\$ 7,644,800	\$ 283,528	\$ 2,845,559
Component units:				
Downtown Development Authority	\$ 288,697	\$ 271	\$ 268,215	\$ -
Main Street Tourism Association	379,527	187,268	239,319	-
Total component units	\$ 668,224	\$ 187,539	\$ 507,534	\$ -
General revenues:				
Property taxes				
Sales taxes				
Franchise taxes				
Alcoholic beverage excise taxes				
Business and occupation taxes				
Insurance premium taxes				
Other taxes				
Unrestricted investment earnings				
Gain on sale of capital assets				
Total general revenues				
Change in net assets				
Net assets (deficit), beginning of year				
Net assets, end of year				

The accompanying notes are an integral part of these financial statements.

Net (Expenses) Revenues and Changes in Net Assets				
Governmental Activities	Business-type Activities	Total	Component Units	
			Downtown Development Authority	Main Street Tourism Association
\$ (758,692)	\$ -	\$ (758,692)	\$ -	\$ -
473,141	-	473,141	-	-
(6,248,240)	-	(6,248,240)	-	-
1,133,814	-	1,133,814	-	-
7,399	-	7,399	-	-
(785,382)	-	(785,382)	-	-
(165,407)	-	(165,407)	-	-
<u>(6,343,367)</u>	<u>-</u>	<u>(6,343,367)</u>	<u>-</u>	<u>-</u>
-	(691,421)	(691,421)	-	-
-	71,106	71,106	-	-
<u>-</u>	<u>3,705</u>	<u>3,705</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>(616,610)</u>	<u>(616,610)</u>	<u>-</u>	<u>-</u>
<u>(6,343,367)</u>	<u>(616,610)</u>	<u>(6,959,977)</u>	<u>-</u>	<u>-</u>
-	-	-	(20,211)	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,060</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(20,211)</u>	<u>47,060</u>
2,651,885	-	2,651,885	-	-
2,215,415	-	2,215,415	-	-
1,324,949	-	1,324,949	-	-
318,257	-	318,257	-	-
814,309	-	814,309	-	-
600,117	-	600,117	-	-
351,558	-	351,558	-	-
11,940	2,443	14,383	920	81
33,333	10,192	43,525	-	-
<u>8,321,763</u>	<u>12,635</u>	<u>8,334,398</u>	<u>920</u>	<u>81</u>
1,978,396	(603,975)	1,374,421	(19,291)	47,141
67,898,588	15,689,122	83,587,710	1,197,105	(40,301)
<u>\$ 69,876,984</u>	<u>\$ 15,085,147</u>	<u>\$ 84,962,131</u>	<u>\$ 1,177,814</u>	<u>\$ 6,840</u>

CITY OF FAYETTEVILLE, GEORGIA

BALANCE SHEET GOVERNMENTAL FUNDS JULY 31, 2011

ASSETS	General Fund	SPLOST Fund	Other Governmental Funds	Totals Governmental Funds
Cash and cash equivalents	\$ 1,090,652	\$ 801,855	\$ 2,348,624	\$ 4,241,131
Investments	1,546,862	-	-	1,546,862
Taxes receivable	476,115	-	15,220	491,335
Accounts receivable	249,336	-	-	249,336
Due from other governments	49,866	69,958	-	119,824
Due from other funds	274,599	537,793	7,713	820,105
Due from component unit	14,983	-	102	15,085
Inventories	7,501	-	-	7,501
Prepaid expenditures	138,120	-	14,847	152,967
Restricted assets	-	-	82,191	82,191
Total assets	\$ 3,848,034	\$ 1,409,606	\$ 2,468,697	\$ 7,726,337
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 112,306	\$ 341,346	\$ -	\$ 453,652
Accrued liabilities	165,956	-	-	165,956
Deferred revenue	500,043	-	-	500,043
Due to other funds	18,137	5,220	763,077	786,434
Due to component unit	1,661	-	29,069	30,730
Total liabilities	798,103	346,566	792,146	1,936,815
FUND BALANCES				
Fund balances:				
Nonspendable	145,621	-	-	145,621
Restricted	-	1,063,040	1,651,134	2,714,174
Assigned	2,358,940	-	25,417	2,384,357
Unassigned	545,370	-	-	545,370
Total fund balances	3,049,931	1,063,040	1,676,551	5,789,522
Total liabilities and fund balances	\$ 3,848,034	\$ 1,409,606	\$ 2,468,697	

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

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.

\$ 68,003,688

Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.

106,182

Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.

(4,022,408)

Net assets of governmental activities

\$ 69,876,984

The accompanying notes are an integral part of these financial statements.

CITY OF FAYETTEVILLE, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JULY 31, 2011

	<u>General Fund</u>	<u>SPLOST Fund</u>	<u>Other Governmental Funds</u>	<u>Totals Governmental Funds</u>
Revenues				
Taxes	\$ 7,443,946	\$ -	\$ 876,027	\$ 8,319,973
Licenses and permits	217,496	-	-	217,496
Intergovernmental	263,421	482,152	-	745,573
Fines and forfeitures	1,191,994	-	44,951	1,236,945
Charges for services	34,528	-	-	34,528
Impact fees	-	-	35,229	35,229
Contributions	4,504	-	16,968	21,472
Interest income	7,130	2,371	4,810	14,311
Other revenues	37,746	-	-	37,746
Total revenues	<u>9,200,765</u>	<u>484,523</u>	<u>977,985</u>	<u>10,663,273</u>
Expenditures				
Current:				
General government	958,838	198	-	959,036
Judicial	718,830	-	-	718,830
Public safety	6,124,141	-	43,158	6,167,299
Public works	912,264	-	-	912,264
Culture and recreation	-	-	1,321	1,321
Housing and development	455,451	-	184,775	640,226
Capital outlay:				
General government	-	-	86,955	86,955
Public safety	-	-	149,173	149,173
Public works	-	2,137,734	-	2,137,734
Housing and development	-	-	169,756	169,756
Debt service:				
Principal	-	-	338,899	338,899
Interest	-	-	154,232	154,232
Total expenditures	<u>9,169,524</u>	<u>2,137,932</u>	<u>1,128,269</u>	<u>12,435,725</u>
Excess (deficiency) of revenues over (under) expenditures	<u>31,241</u>	<u>(1,653,409)</u>	<u>(150,284)</u>	<u>(1,772,452)</u>

(Continued)

CITY OF FAYETTEVILLE, GEORGIA

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JULY 31, 2011**

	<u>General Fund</u>	<u>SPLOST Fund</u>	<u>Other Governmental Funds</u>	<u>Totals Governmental Funds</u>
Other financing sources (uses):				
Proceeds from sale of assets	\$ 34,728	\$ -	\$ -	\$ 34,728
Transfers in	960	762,013	149,311	912,284
Transfers out	<u>(114,556)</u>	<u>-</u>	<u>(797,728)</u>	<u>(912,284)</u>
Total other financing sources (uses)	<u>(78,868)</u>	<u>762,013</u>	<u>(648,417)</u>	<u>34,728</u>
Net change in fund balances	(47,627)	(891,396)	(798,701)	(1,737,724)
Fund balances, beginning of year	<u>3,097,558</u>	<u>1,954,436</u>	<u>2,475,252</u>	<u>7,527,246</u>
Fund balances, end of year	<u><u>\$ 3,049,931</u></u>	<u><u>\$ 1,063,040</u></u>	<u><u>\$ 1,676,551</u></u>	<u><u>\$ 5,789,522</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF FAYETTEVILLE, 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 JULY 31, 2011

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

Net change in fund balances - total governmental funds	\$	(1,737,724)
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 outlay exceeded depreciation expense in the current period.		1,170,349
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.		2,269,586
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(43,483)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		338,899
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		<u>(19,231)</u>
Changes in net assets - governmental activities	\$	<u>1,978,396</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF FAYETTEVILLE, GEORGIA
GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JULY 31, 2011**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Property taxes	\$ 2,043,556	\$ 1,996,623	\$ 1,981,025	\$ (15,598)
Sales taxes	2,243,920	2,263,325	2,215,415	(47,910)
Other taxes	3,106,423	3,153,295	3,247,506	94,211
Licenses and permits	277,442	223,200	217,496	(5,704)
Intergovernmental	252,600	262,600	263,421	821
Fines and forfeitures	1,600,000	1,300,000	1,191,994	(108,006)
Charges for services	58,050	58,050	34,528	(23,522)
Contributions	5,500	5,500	4,504	(996)
Interest income	20,000	1,000	7,130	6,130
Other revenues	40,718	40,718	37,746	(2,972)
Total revenues	9,648,209	9,304,311	9,200,765	(103,546)
Expenditures:				
Current:				
General government:				
Mayor and council	131,541	124,937	122,327	2,610
Clerk of council	18,568	10,393	8,461	1,932
City manager	94,434	85,684	85,655	29
Elections	-	100	72	28
Financial administration	433,579	427,381	427,191	190
Law	101,474	82,900	82,893	7
Data processing	93,756	89,575	89,498	77
Human resources	55,547	44,122	42,381	1,741
Building and plant	97,230	100,380	100,360	20
Total general government	1,026,129	965,472	958,838	6,634
Judicial:				
Municipal court	782,393	709,222	718,830	(9,608)
Public safety:				
Police administration	398,760	393,660	361,528	32,132
Investigations	858,150	849,250	767,864	81,386
Patrol	2,151,895	2,139,995	2,073,323	66,672
Police stations and buildings	83,016	94,966	94,148	818
Support services	357,217	322,417	292,690	29,727
Fire administration	274,942	277,628	259,457	18,171
Fire fighting	1,968,370	1,934,490	1,915,740	18,750
Fire prevention	195,176	192,490	187,938	4,552
Fire training	49,633	28,688	28,681	7
Fire station 91 and headquarters	48,790	49,637	49,622	15
Fire station 92	21,168	25,513	24,834	679
E911	68,500	68,500	68,316	184
Total public safety	6,475,617	6,377,234	6,124,141	253,093

(Continued)

**CITY OF FAYETTEVILLE, GEORGIA
GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JULY 31, 2011**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Public works:				
Public works administration	\$ 129,681	\$ 123,676	\$ 123,674	\$ 2
Highways and streets	765,952	778,745	788,590	(9,845)
Total public works	<u>895,633</u>	<u>902,421</u>	<u>912,264</u>	<u>(9,843)</u>
Housing and development:				
Inspection	229,092	218,935	178,876	40,059
Planning and zoning	172,113	167,279	156,840	10,439
Engineering and development	51,120	43,925	39,735	4,190
Main Street	80,000	80,000	80,000	-
Total housing and development	<u>532,325</u>	<u>510,139</u>	<u>455,451</u>	<u>54,688</u>
Total expenditures	<u>9,712,097</u>	<u>9,464,488</u>	<u>9,169,524</u>	<u>294,964</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(63,888)</u>	<u>(160,177)</u>	<u>31,241</u>	<u>191,418</u>
Other financing sources (uses):				
Proceeds from sale of assets	12,000	15,000	34,728	19,728
Transfers in	4,935	1,000	960	(40)
Transfers out	-	(114,556)	(114,556)	-
Total other financing sources (uses)	<u>16,935</u>	<u>(98,556)</u>	<u>(78,868)</u>	<u>19,688</u>
Net change in fund balances	(46,953)	(258,733)	(47,627)	211,106
Fund balances, beginning of year	<u>3,097,558</u>	<u>3,097,558</u>	<u>3,097,558</u>	<u>-</u>
Fund balances, end of year	<u>\$ 3,050,605</u>	<u>\$ 2,838,825</u>	<u>\$ 3,049,931</u>	<u>\$ 211,106</u>

The accompanying notes are an integral part of these financial statements.

CITY OF FAYETTEVILLE, GEORGIA

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JULY 31, 2011**

ASSETS	Major Enterprise Fund Water and Sewer Fund	Nonmajor Enterprise Fund Solid Waste Fund	Totals
CURRENT ASSETS			
Cash and cash equivalents	\$ 975,009	\$ 81,090	\$ 1,056,099
Accounts receivable, net of allowances	704,456	-	704,456
Due from component units	122	-	122
Due from other funds	105,226	52,494	157,720
Inventories	209,215	-	209,215
Prepaid expenses	65,648	-	65,648
Restricted assets, cash and cash equivalents	2,444,149	-	2,444,149
Total current assets	<u>4,503,825</u>	<u>133,584</u>	<u>4,637,409</u>
NONCURRENT ASSETS			
Deferred charges, unamortized balance	414,121	-	414,121
Capital assets:			
Capital assets, non-depreciable	2,125,455	-	2,125,455
Capital assets, depreciable, net of accumulated depreciation	27,634,368	-	27,634,368
Total capital assets	<u>29,759,823</u>	<u>-</u>	<u>29,759,823</u>
Total noncurrent assets	<u>30,173,944</u>	<u>-</u>	<u>30,173,944</u>
Total assets	<u>34,677,769</u>	<u>133,584</u>	<u>34,811,353</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	148,900	52,686	201,586
Accrued liabilities	100,166	-	100,166
Due to other funds	191,391	-	191,391
Current portion of revenue bonds payable from restricted assets	565,000	-	565,000
Accrued interest	206,769	-	206,769
Total current liabilities	<u>1,212,226</u>	<u>52,686</u>	<u>1,264,912</u>
NONCURRENT LIABILITIES			
Revenue bonds payable, net of current portion	18,461,294	-	18,461,294
Total noncurrent liabilities	<u>18,461,294</u>	<u>-</u>	<u>18,461,294</u>
Total liabilities	<u>19,673,520</u>	<u>52,686</u>	<u>19,726,206</u>

(Continued)

CITY OF FAYETTEVILLE, GEORGIA

**STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 JULY 31, 2011**

	<u>Major Enterprise Fund</u>	<u>Nonmajor Enterprise Fund</u>	
	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Totals</u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ 10,733,529	\$ -	\$ 10,733,529
Restricted for debt service	1,507,269	-	1,507,269
Unrestricted	2,763,451	80,898	2,844,349
Total net assets	<u>\$ 15,004,249</u>	<u>\$ 80,898</u>	<u>\$ 15,085,147</u>

The accompanying notes are an integral part of these financial statements.

CITY OF FAYETTEVILLE, GEORGIA

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JULY 31, 2011**

	<u>Major Enterprise Fund Water and Sewer Fund</u>	<u>Nonmajor Enterprise Fund Solid Waste Fund</u>	<u>Totals</u>
OPERATING REVENUES			
Charges for services:			
Water sales pledged as security for revenue bonds	\$ 2,396,785	\$ -	\$ 2,396,785
Sewer sales pledged as security for revenue bonds	2,555,698	-	2,555,698
Stormwater sales pledged as security for revenue bonds	494,238	-	494,238
Sanitation charges	-	631,930	631,930
Other fees and charges	4,205	-	4,205
Total operating revenues	<u>5,450,926</u>	<u>631,930</u>	<u>6,082,856</u>
OPERATING EXPENSES			
Personal services and employee benefits	1,868,390	-	1,868,390
Contracted services	721,238	628,225	1,349,463
Supplies	1,126,539	-	1,126,539
Depreciation	1,525,663	-	1,525,663
Amortization	80,132	-	80,132
Total operating expenses	<u>5,321,962</u>	<u>628,225</u>	<u>5,950,187</u>
Operating income	<u>128,964</u>	<u>3,705</u>	<u>132,669</u>
NONOPERATING INCOME (EXPENSES)			
Gain on disposal of assets	10,192	-	10,192
Interest income	2,289	154	2,443
Interest expense	(837,969)	-	(837,969)
Total nonoperating income (expenses)	<u>(825,488)</u>	<u>154</u>	<u>(825,334)</u>
Income (loss) before contributions	(696,524)	3,859	(692,665)
CAPITAL CONTRIBUTIONS	<u>88,690</u>	<u>-</u>	<u>88,690</u>
Change in net assets	(607,834)	3,859	(603,975)
NET ASSETS, beginning of year	<u>15,612,083</u>	<u>77,039</u>	<u>15,689,122</u>
NET ASSETS, end of year	<u>\$ 15,004,249</u>	<u>\$ 80,898</u>	<u>\$ 15,085,147</u>

The accompanying notes are an integral part of these financial statements.

CITY OF FAYETTEVILLE, GEORGIA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JULY 31, 2011**

	<u>Major Enterprise Fund Water and Sewer Fund</u>	<u>Nonmajor Enterprise Fund Solid Waste Fund</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 5,464,144	\$ 631,889	\$ 6,096,033
Payments to suppliers and service providers	(1,778,325)	(627,078)	(2,405,403)
Payments to employees	(1,868,651)	-	(1,868,651)
Net cash provided by operating activities	<u>1,817,168</u>	<u>4,811</u>	<u>1,821,979</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of property and equipment	(155,688)	-	(155,688)
Proceeds from sale of property and equipment	10,192	-	10,192
Borrowings on capital lease	-	-	-
Principal paid on bonds	(550,000)	-	(550,000)
Interest paid	(844,844)	-	(844,844)
Capital contributions	88,690	-	88,690
Net cash used in capital and related financing activities	<u>(1,451,650)</u>	<u>-</u>	<u>(1,451,650)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	<u>2,289</u>	<u>154</u>	<u>2,443</u>
Net cash provided by investing activities	<u>2,289</u>	<u>154</u>	<u>2,443</u>
Increase in cash and cash equivalents	367,807	4,965	372,772
Cash and cash equivalents:			
Beginning of year (including \$2,196,286) in restricted cash in the Water and Sewer Fund)	<u>3,051,351</u>	<u>76,125</u>	<u>3,127,476</u>
End of year (including \$2,444,149 in restricted cash in the Water and Sewer Fund)	<u>\$ 3,419,158</u>	<u>\$ 81,090</u>	<u>\$ 3,500,248</u>
Classified as:			
Cash and cash equivalents	\$ 975,009	\$ 81,090	\$ 1,056,099
Restricted assets, cash and cash equivalents	<u>2,444,149</u>	<u>-</u>	<u>2,444,149</u>
	<u>\$ 3,419,158</u>	<u>\$ 81,090</u>	<u>\$ 3,500,248</u>

(Continued)

CITY OF FAYETTEVILLE, GEORGIA

**STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE FISCAL YEAR ENDED JULY 31, 2011**

	<u>Major Enterprise Fund Water and Sewer Fund</u>	<u>Nonmajor Enterprise Fund Solid Waste Fund</u>	<u>Totals</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 128,964	\$ 3,705	\$ 132,669
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,525,663	-	1,525,663
Amortization	80,132	-	80,132
Decrease in accounts receivable	13,218	-	13,218
Decrease in inventories	2,445	-	2,445
Decrease (increase) in due from other funds	15,614	(41)	15,573
Decrease in due from component units	470	-	470
Increase in prepaid expenses	(15,767)	-	(15,767)
Increase in accrued liabilities	5,341	-	5,341
Increase in accounts payable	66,690	1,147	67,837
Decrease in due to other funds	<u>(5,602)</u>	<u>-</u>	<u>(5,602)</u>
 Net cash provided by operating activities	 <u>\$ 1,817,168</u>	 <u>\$ 4,811</u>	 <u>\$ 1,821,979</u>

The accompanying notes are an integral part of these financial statements.

CITY OF FAYETTEVILLE, GEORGIA

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Fayetteville, Georgia (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Reporting Entity

The City operates under a Council/Manager form of government. As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the City of Fayetteville, Georgia (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City. In conformity with accounting principles generally accepted in the United States of America, as set forth in Governmental Accounting Standards Board Statements No. 14 and 39, the financial statements of the component units are discretely presented in the government-wide financial statements.

The City of Fayetteville Downtown Development Authority (the Downtown Development Authority) was organized to develop and promote commerce, industry and general welfare within the City. The City appoints the Downtown Development Authority's board members, provides the majority of funding for the Downtown Development Authority's operating budget, and has contractually obligated itself to use its taxing powers to guarantee repayment of principal and interest on certain revenue bonds issued by the Downtown Development Authority; therefore, the Downtown Development Authority is fiscally dependent on the City of Fayetteville.

The Downtown Development Authority is reviewed and audited along with the primary government financial statements in accordance with Governmental Accounting Standards Board Statements No. 14 and 39. However, separate financial statements are not prepared.

The Fayetteville Main Street Tourism Association, Inc. (the Main Street Tourism Association) was organized to serve the needs and interests of tourism within the City of Fayetteville, and in particular, tourism within the Main Street District of Fayetteville. The City appoints the Main Street Tourism Association's board members and has the ability to impose its will on the operations of the Main Street Tourism Association.

The Main Street Tourism Association is reviewed and audited along with the primary government financial statements in accordance with Governmental Accounting Standards Board Statement No. 14. However, separate financial statements are not prepared.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. 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 nonfiduciary activities of the government. 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.

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 those 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.

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

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Property taxes, intergovernmental grants, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The format of the fund financial statements has been modified by GASB Statement No. 34. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 also requires, as required supplementary information, Management's Discussion and Analysis which includes an analytical overview of the City's financial activity.

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Special Purpose Local Option Sales (SPLOST) Fund** accounts for expenditures relating to the renovation of existing City buildings, recreation projects and construction of roads. Funding is provided by special purpose sales taxes, which are collected by the County and remitted to the City through an intergovernmental agreement.

The City reports the following major proprietary fund:

The **Water and Sewer Fund** accounts for the operation of the water and sewerage system including all revenues from sources applicable to these operations and all expenses of the operation.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of 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. Exceptions to this general rule are charges between the City's water and sewer function and the other functions of the government. Elimination of these charges would distort the direct costs reported for the various functions concerned.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* 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. The principal operating revenues of the enterprise funds are charges for goods and services provided. Operating expenses of the enterprise funds include the cost of these goods and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Cash and Deposits

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City to invest in: obligations of the United States, the State of Georgia and other political subdivisions of the State of Georgia, and other states; prime bankers' acceptances; repurchase agreements; and the Georgia local government investment pool (Georgia Fund 1). Georgia Fund 1, created by OCGA 36-83-8, is a stable net asset value investment pool which follows Standard & Poor's criteria for AAAM rated money market funds. However, Georgia Fund 1 operates in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940 and is considered to be a 2a-7 like pool. The pool is not registered with the SEC as an investment company. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal (\$1 per share value). Net asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participants' shares sold and redeemed based on a \$1 per share. The fair value of the City's position in the pool is the same as the value of pool shares (\$1 per share value). The regulatory oversight agency for Georgia Fund 1 is the Office of Treasury and Fiscal Services of the State of Georgia.

E. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as all other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Inventories

Inventories are valued at cost, which approximates market, using the first in, first out (FIFO) method. The consumption method is used to account for inventories. Under the consumption method, inventory items are recognized as expenditures when used.

G. Prepaid Expenditures/Expenses

Prepaid items are accounted for using the consumption method. A prepaid item is recognized when a cash expenditure/expense is made for goods or services that were purchased for consumption, but not consumed as of July 31.

H. Restricted Assets

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

I. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The City has retroactively reported major general infrastructure assets. In this case, the City chose to include all items regardless of their acquisition date. The City was able to estimate the historical cost for the initial reporting of these assets through backtrending.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized.

Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following useful lives:

<u>Asset</u>	<u>Years</u>
Land improvements	50
Buildings	40
Public domain infrastructure	50-100
System infrastructure	10-40
Equipment	3-30

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amount when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

K. 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 bond using the straight-line method, which approximates the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. The gain on defeasance of bonds is presented as an addition to the face amount of bonds payable and is being amortized over the life of the bonds through interest expense.

In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

L. Fund Equity

The City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of August 1, 2010. This new standard changed the overall definitions and classifications of fund balances.

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

Fund Balance – Generally, fund balance represents the difference between the assets and liabilities under the current financial resources measurement focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

- **Nonspendable** – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Fund Equity (Continued)

•**Restricted** – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

•**Committed** – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through the adoption of a resolution. Only the City Council may modify or rescind the commitment.

•**Assigned** – Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the City Council has authorized the City Manager or the City's finance director to assign fund balances.

•**Unassigned** – Fund balances are reported as unassigned when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the General Fund. Negative unassigned fund balances may be reported in all funds.

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City's policy to use fund balance in the following order:

- Committed
- Assigned
- Unassigned

Net Assets - Net assets represent the difference between assets and liabilities in reporting which utilizes the economic resources measurement focus. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has spent) for the acquisition, construction or improvement of those assets. Net assets are reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net assets are reported as unrestricted.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$4,022,408 difference are as follows:

Accrued interest payable	\$ (24,497)
Capital leases payable	(219,955)
Compensated absences payable	(518,096)
Certificates of participation	(3,420,000)
Less: Deferred charge for issuance costs (to be amortized over life of debt)	124,994
Less: Issuance discount (to be amortized as interest expense)	35,146
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	\$ (4,022,408)

NOTES TO FINANCIAL STATEMENTS

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS (CONTINUED)

B. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense.” The details of this \$1,170,349 difference are as follows:

Capital outlay	\$ 2,355,937
Depreciation expense	<u>(1,185,588)</u>
Net adjustment to increase <i>net changes in fund balance - total governmental funds to arrive at changes in net assets of governmental activities</i>	<u>\$ 1,170,349</u>

Another element of the reconciliation states that “The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.” The details of this \$2,269,586 difference are as follows:

Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	\$ 2,270,981
In the statement of activities, only the <i>gain</i> on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of the capital assets sold.	<u>(1,395)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities</i>	<u>\$ 2,269,586</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS (CONTINUED)

B. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities (Continued)

Another element of the reconciliation states that “The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$338,899 difference are as follows:

Principal repayments:

Certificates of participation	\$ 205,000
Capital leases	133,899
	133,899
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ 338,899
	338,899

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this \$19,231 difference are as follows:

Compensated absences	\$ (8,056)
Accrued interest	1,809
Amortization of issuance costs	(10,135)
Amortization of discounts on certificates of participation	(2,849)
	(19,231)
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ (19,231)
	(19,231)

NOTES TO FINANCIAL STATEMENTS

NOTE 3. LEGAL COMPLIANCE - BUDGETS

Budgetary Data. Budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, special revenue funds, and capital projects funds. Enterprise fund budgets are prepared and utilized as a management tool to assess the operations of the enterprise funds. All annual appropriations lapse at fiscal year end.

Prior to July 31, the Director of Finance with the City Manager receives budget requests from the various departments and their department chairmen. A budget is then formulated which the City Manager and Mayor present to full council sixty (60) days prior to the beginning of each fiscal year. After review by full council, the budget is published for public hearing. A public hearing is held and the budget is legally adopted by the City Council on the second council meeting in July before the new year begins on August 1. The legal level of budgetary control is the department level.

The appropriated budget is prepared by fund, function, and department. Transfers of appropriations within a department budget or within a nondepartmental expenditure category can be authorized by the Director of Finance, except expenditures for additional personnel. Increases in appropriations in a departmental budget or in a nondepartmental expenditure category, as well as increases in appropriations for employing additional personnel, require approval of the governing body in the form of amendments to the budget resolution. The council made several immaterial supplemental budgetary appropriations throughout the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as assignments or commitments of fund balances, as appropriate, and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. At July 31, 2011, there were no outstanding encumbrances.

Excess Expenditures over Appropriations. For the year ended July 31, 2011, expenditures exceeded budget, as follows:

Department	Excess
General Fund:	
Municipal court	\$ 9,608
Highways and streets	9,845
Vehicle Excise Tax Fund:	
Housing and development	6,910
Confiscated Assets Fund:	
Public safety	2,158
Hotel/Motel Tax Fund:	
Housing and development	7,654
Veterans Memorial Park Fund:	
Culture and recreation	1,321
SPLOST Fund:	
General government	198

These overexpenditures were funded by greater than anticipated revenues and underexpenditures in other departments.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS AND INVESTMENTS

Credit risk. State statutes authorize the City to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime bankers' acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia. The City has no formal credit risk policy other than to only invest in obligations authorized by the State of Georgia. As of July 31, 2011, the City's investment in Georgia Fund 1 was rated AAAm by Standard & Poor's.

At July 31, 2011, the City had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Georgia Fund 1	56 day weighted average	\$ 792,538
Certificate of Deposit	August 2011	754,324
		<u>\$ 1,546,862</u>

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.

Custodial credit risk – deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of July 31, 2011, all of the deposits for the City and component units were fully collateralized in accordance with the state statutes.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. RECEIVABLES

Receivables at July 31, 2011 for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

	General	Water and Sewer	Nonmajor and Other Funds	Total
Receivables:				
Taxes	\$ 476,115	\$ -	\$ 15,220	\$ 491,335
Accounts	308,230	754,574	-	1,062,804
Gross receivables	784,345	754,574	15,220	1,554,139
Less allowance for uncollectibles	58,894	50,119	-	109,013
Net total receivables	\$ 725,451	\$ 704,455	\$ 15,220	\$ 1,445,126

NOTE 6. PROPERTY TAXES

The City receives its property tax revenue from Fayette County, which assesses, levies, and collects the taxes, including real and personal property, mobile homes, and motor vehicles. Tax bills were levied to taxpayers on September 15, 2010, and were due and payable on November 15, 2010. All unpaid taxes became delinquent as of November 16, 2010. Property taxes attached as an enforceable lien on property as of November 16, 2010. Receivables are recorded when taxes are levied.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. CAPITAL ASSETS

Capital asset activity for the fiscal year ended July 31, 2011 is as follows:

A. Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 3,989,650	\$ -	\$ -	\$ -	\$ 3,989,650
Construction in Progress	1,386,511	2,133,703	-	(915,762)	2,604,452
Total	<u>5,376,161</u>	<u>2,133,703</u>	<u>-</u>	<u>(915,762)</u>	<u>6,594,102</u>
Capital assets, being depreciated:					
Buildings	7,601,467	-	-	-	7,601,467
Land Improvements	163,378	-	-	-	163,378
Infrastructure	60,128,907	2,270,981	-	915,762	63,315,650
Equipment	4,090,982	222,234	(103,728)	-	4,209,488
Total	<u>71,984,734</u>	<u>2,493,215</u>	<u>(103,728)</u>	<u>915,762</u>	<u>75,289,983</u>
Less accumulated depreciation for:					
Buildings	1,879,021	191,367	-	-	2,070,388
Land Improvements	49,823	11,484	-	-	61,307
Infrastructure	7,683,466	699,600	-	-	8,383,066
Equipment	3,184,832	283,137	(102,333)	-	3,365,636
Total	<u>12,797,142</u>	<u>1,185,588</u>	<u>(102,333)</u>	<u>-</u>	<u>13,880,397</u>
Total assets, being depreciated, net	<u>59,187,592</u>	<u>1,307,627</u>	<u>(1,395)</u>	<u>915,762</u>	<u>61,409,586</u>
Governmental activities capital assets, net	<u>\$ 64,563,753</u>	<u>\$ 3,441,330</u>	<u>\$ (1,395)</u>	<u>\$ -</u>	<u>\$ 68,003,688</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 1,630,139	\$ -	\$ -	\$ -	\$ 1,630,139
Construction in Progress	484,766	10,550	-	-	495,316
Total	<u>2,114,905</u>	<u>10,550</u>	<u>-</u>	<u>-</u>	<u>2,125,455</u>
Capital assets, being depreciated:					
Water and plant distribution system	11,809,986	-	-	-	11,809,986
Sewer plant and extensions	32,073,501	-	-	-	32,073,501
Stormwater system	3,133,205	-	-	-	3,133,205
Equipment	1,233,086	145,138	(143,575)	-	1,234,649
Total	<u>48,249,778</u>	<u>145,138</u>	<u>(143,575)</u>	<u>-</u>	<u>48,251,341</u>
Less accumulated depreciation for:					
Water and plant distribution system	7,123,126	522,116	-	-	7,645,242
Sewer plant and extensions	10,750,830	895,990	-	-	11,646,820
Stormwater system	185,746	79,456	-	-	265,202
Equipment	1,175,183	28,101	(143,575)	-	1,059,709
Total	<u>19,234,885</u>	<u>1,525,663</u>	<u>(143,575)</u>	<u>-</u>	<u>20,616,973</u>
Total assets, being depreciated, net	<u>29,014,893</u>	<u>(1,380,525)</u>	<u>-</u>	<u>-</u>	<u>27,634,368</u>
Business-type activities capital assets, net	<u>\$ 31,129,798</u>	<u>\$ (1,369,975)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,759,823</u>

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

Governmental activities:	
General government	\$ 62,068
Public safety	386,697
Public works	725,565
Housing and development	11,258
Total depreciation expense - governmental activities	<u>\$ 1,185,588</u>
Business-type activities:	
Water and sewer	\$ 1,525,663
Total depreciation expense - business-type activities	<u>\$ 1,525,663</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. CAPITAL ASSETS (CONTINUED)

C. Discretely Presented Component Unit – Downtown Development Authority

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:					
Land	\$ 449,826	\$ -	\$ -	\$ -	\$ 449,826
Historical treasures	91,279	-	-	-	91,279
Construction in progress	39,960	230,042	-	(270,002)	-
Total	<u>581,065</u>	<u>230,042</u>	<u>-</u>	<u>(270,002)</u>	<u>541,105</u>
Capital assets, being depreciated:					
Land Improvements	306,337	-	-	-	306,337
Buildings	2,581,260	-	-	270,002	2,851,262
Total	<u>2,887,597</u>	<u>-</u>	<u>-</u>	<u>270,002</u>	<u>3,157,599</u>
Less accumulated depreciation for:					
Land Improvements	46,213	16,965	-	-	63,178
Buildings	463,869	66,400	-	-	530,269
Total	<u>510,082</u>	<u>83,365</u>	<u>-</u>	<u>-</u>	<u>593,447</u>
Total assets, being depreciated, net	<u>2,377,515</u>	<u>(83,365)</u>	<u>-</u>	<u>-</u>	<u>2,564,152</u>
Capital assets, net	<u>\$ 2,958,580</u>	<u>\$ 146,677</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,105,257</u>

NOTE 8. LONG-TERM DEBT

Revenue Bonds. During the year ended July 31, 2004, the City issued revenue bonds in the amount of \$14,205,000. The bond proceeds were used to refund the series 1996 revenue bonds. Revenue bonds outstanding at July 31, 2011, are as follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Due Date</u>	<u>Original Amount</u>	<u>Outstanding Amount</u>
Water & Sewer Fund	2.00 - 5.00%	21 years	2024	<u>\$ 14,205,000</u>	\$ 9,535,000
					93,405
					<u>(442,477)</u>
					<u>\$ 9,185,928</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG-TERM DEBT (CONTINUED)

Revenue Bonds (Continued). During the year ended July 31, 2010, the City issued revenue bonds in the amount of \$9,870,000. The bond proceeds were used to pay off a note payable to the Georgia Environmental Facilities Authority and to refund a portion of the series 2003 revenue bonds. Revenue bonds outstanding at July 31, 2011, are as follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Due Date</u>	<u>Original Amount</u>	<u>Outstanding Amount</u>
Water & Sewer Fund	3.00 - 4.50%	23 years	2032	\$ 9,870,000	\$ 9,870,000
					Less unamortized deferred refunding loss
					<u>(29,634)</u>
					<u>\$ 9,840,366</u>

Debt service requirements to maturity on the revenue bonds are as follows:

<u>Year Ending July 31,</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 565,000	\$ 818,038
2013	580,000	799,210
2014	600,000	778,923
2015	625,000	757,266
2016	650,000	734,148
2017-2021	3,640,000	3,260,387
2022-2026	4,585,000	2,313,764
2027-2031	5,840,000	1,148,099
2032-2033	<u>2,320,000</u>	<u>96,375</u>
Total	<u>\$ 19,405,000</u>	<u>\$ 10,706,210</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG-TERM DEBT (CONTINUED)

Revenue Bonds (Continued). The Downtown Development Authority issued revenue bonds during the year ended July 31, 2002 in the amount of \$2,220,000. The purpose of the bonds is to fund various capital outlay projects. The principal and interest on the bonds is payable from and secured by certain payments made to the Downtown Development Authority by the City pursuant to a contract between the Downtown Development Authority and the City. To fulfill its obligations under the contract, the City has agreed that it will, to the extent necessary, levy an annual tax on all taxable property located within the boundaries of the City, at such rate or rates, limited to 3 mills, as may be necessary to make the payments to the Downtown Development Authority for its services as called for by the contract. Revenue bonds outstanding at July 31, 2011, are as follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Due Date</u>	<u>Original Amount</u>	<u>Outstanding Amount</u>
Downtown Development Authority	4.55 - 4.95%	20 years	2021	\$ 2,220,000	\$ 1,835,000

Downtown Development Authority revenue bond debt service requirements to maturity are as follows:

<u>Year Ending July 31,</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 60,000	\$ 85,935
2013	60,000	83,265
2014	65,000	80,484
2015	175,000	75,056
2016	185,000	66,820
2017-2021	1,050,000	192,493
2022	240,000	5,940
Total	\$ 1,835,000	\$ 589,993

NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG-TERM DEBT (CONTINUED)

Notes Payable. The Downtown Development Authority has incurred debt to a financial institution to be used on specifically identified Main Street projects. In connection with this debt, a contract has been entered into between the Downtown Development Authority and the City of Fayetteville whereby the City is to levy an annual tax on all taxable property located within the boundaries of the City in order to produce revenues sufficient to pay the debt service on the Downtown Development Authority debt. In the event that payments of this tax by the City to the Downtown Development Authority each year are not sufficient to pay the debt service payment on the debt, the City will be liable for any difference. The note is as follows at July 31, 2011:

<u>Interest Rate</u>	<u>Term</u>	<u>Due Date</u>	<u>Original Amount</u>	<u>Outstanding Amount</u>
4.17%	15 years	2023	\$ 540,000	\$ 471,530

The Downtown Development Authority has also incurred debt to a nonprofit corporation to be used for the renovation of a specifically identified historic building. This debt is secured by a first mortgage, as well as an assignment of all leases and rents on the identified property. The Downtown Development Authority must also contribute approximately \$350,000 in acquisition and renovation costs to the property under the terms of the loan agreement. The note is as follows as of July 31, 2011:

<u>Interest Rate</u>	<u>Term</u>	<u>Due Date</u>	<u>Original Amount</u>	<u>Outstanding Amount</u>
3.00%	10 years	2021	\$ 250,000	\$ 245,482

The annual requirements to pay the Downtown Development Authority's notes outstanding are as follows:

<u>Year Ending July 31,</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 42,868	\$ 26,541
2013	44,615	24,890
2014	46,331	23,174
2015	48,115	21,340
2016	49,969	19,536
2017-2021	370,419	66,281
2022-2024	114,695	7,273
Total	\$ 717,012	\$ 189,035

NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG-TERM DEBT (CONTINUED)

Certificates of Participation. During the year ended July 31, 2005, the City entered into lease-purchase agreements with the Georgia Municipal Association for the construction of a new law enforcement center issuing certificates of participation in the amount of \$4,575,000. Certificates of participation outstanding at July 31, 2011 are as follows:

<u>Interest Rate</u>	<u>Term</u>	<u>Due Date</u>	<u>Original Amount</u>	<u>Outstanding Amount</u>
2.00 - 4.50%	20 years	2023	\$ 4,575,000	\$ 3,420,000
		Less unamortized discount		(35,146)
				<u>\$ 3,384,854</u>

Annual debt service requirements on the certificates of participation are as follows:

<u>Year Ending July 31,</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 210,000	\$ 133,501
2013	215,000	126,486
2014	225,000	118,894
2015	230,000	110,816
2016	240,000	102,176
2017-2021	1,350,000	355,335
2022-2024	950,000	64,587
Total	<u>\$ 3,420,000</u>	<u>\$ 1,011,795</u>

Capital Leases. The City has entered into lease agreements as lessee for financing the acquisition of various items of equipment. The lease agreements qualify as capital leases for accounting purposes (titles transfer at the end of the lease terms) and, therefore, have been recorded at the present values of the future minimum lease payments as of the date of their inception.

The following is an analysis of leased assets under capital leases as of July 31, 2011:

	<u>Governmental Activities</u>
Equipment	\$ 367,209
Less: Accumulated depreciation	(116,283)
	<u>\$ 250,926</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG-TERM DEBT (CONTINUED)

Capital Leases (Continued). The City's total capital lease debt service requirements to maturity are as follows:

Year Ending July 31,	Governmental Activities
2012	\$ 59,387
2013	59,387
2014	59,387
2015	59,387
Total minimum lease payments	237,548
Less amount representing interest	17,593
Present value of future minimum lease payments	\$ 219,955

Long-term liability activity for the year ended July 31, 2011 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Capital leases	\$ 353,854	\$ -	\$ (133,899)	\$ 219,955	\$ 52,005
Compensated absences	510,040	440,430	(432,374)	518,096	259,048
Certificates of participation:					
Certificates payable	3,625,000	-	(205,000)	3,420,000	210,000
Discount	(37,995)	-	2,849	(35,146)	-
Total certificates of participation	3,587,005	-	(202,151)	3,384,854	210,000
Governmental activity Long-term liabilities	\$ 4,450,899	\$ 440,430	\$ (768,424)	\$ 4,122,905	\$ 521,053
Business-type activities:					
Bonds payable:					
Revenue bonds	\$ 19,955,000	\$ -	\$ (550,000)	\$ 19,405,000	\$ 565,000
Deferred amounts:					
Premium	100,368	-	(6,963)	93,405	-
Deferred loss on refunding	(533,278)	-	61,167	(472,111)	-
Total bonds payable	19,522,090	-	(495,796)	19,026,294	565,000
Business-type activity Long-term liabilities	\$ 19,522,090	\$ -	\$ (495,796)	\$ 19,026,294	\$ 565,000

For governmental activities, compensated absences are generally liquidated by the General Fund.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG-TERM DEBT (CONTINUED)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Downtown Development Authority:					
Revenue bonds	\$ 1,890,000	\$ -	\$ (55,000)	\$ 1,835,000	\$ 60,000
Notes payable	499,768	250,000	(32,756)	717,012	42,868
Downtown Development Authority Long-term liabilities	<u>\$ 2,389,768</u>	<u>\$ 250,000</u>	<u>\$ (87,756)</u>	<u>\$ 2,552,012</u>	<u>\$ 102,868</u>

Defeasance of Debt. During prior years, the City defeased certain water and sewer bonds by placing part of the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. On July 31, 2011, the total outstanding amount of bonds considered defeased was \$4,740,700.

NOTE 9. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of July 31, 2011 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>				<u>Total</u>
	<u>General Fund</u>	<u>SPLOST Fund</u>	<u>Water and Sewer Fund</u>	<u>Nonmajor Governmental Fund</u>	
General Fund	\$ -	\$ 5,220	\$ 138,897	\$ 130,482	\$ 274,599
SPLOST Fund	-	-	-	537,793	537,793
Water and Sewer Fund	11,835	-	-	93,391	105,226
Nonmajor governmental funds	6,302	-	-	1,411	7,713
Nonmajor business-type funds	-	-	52,494	-	52,494
Total	<u>\$ 18,137</u>	<u>\$ 5,220</u>	<u>\$ 191,391</u>	<u>\$ 763,077</u>	<u>\$ 977,825</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. INTERFUND RECEIVABLE, PAYABLES AND TRANSFERS (CONTINUED)

Interfund transfers:

Transfers In	Transfers Out		Total
	General Fund	Nonmajor governmental funds	
General Fund	\$ -	\$ 960	\$ 960
SPLOST Fund	-	762,013	762,013
Nonmajor governmental funds	114,556	34,755	149,311
Total	\$ 114,556	\$ 797,728	\$ 912,284

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that the statute or budget requires to expend them, and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 10. JOINT VENTURE

Under Georgia law, the City, in conjunction with other cities and counties in the ten (10) county Atlanta area, is a member of the Atlanta Regional Commission (RC) and is required to pay annual dues thereto. During its fiscal year ended July 31, 2011, the City's membership dues were paid by Fayette County, Georgia. The City did not pay any annual dues. Membership in an RC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the RC in Georgia. The RC 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 RC. Separate financial statements may be obtained from:

Atlanta Regional Commission
 3715 Northside Parkway
 200 Northcreek Suite 300
 Atlanta, Georgia 30327

NOTES TO FINANCIAL STATEMENTS

NOTE 11. DEFINED BENEFIT PENSION PLAN

Plan Description

The City's defined benefit pension plan, City of Fayetteville Retirement Plan, provides retirement, disability, and death benefits to plan members and beneficiaries. The City of Fayetteville Retirement Plan is affiliated with the Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. The benefit provisions and all other requirements are established by City ordinance. GMEBS issues a publicly available financial report that includes financial statements and required supplementary information for the City of Fayetteville Retirement Plan. That report may be obtained by writing to Georgia Municipal Association, Employee Benefit Section, 201 Pryor Street, SW, Atlanta, Georgia 30303.

Funding Policy

The funding policy for the City of Fayetteville Retirement Plan is to contribute an actuarially determined amount equal to the recommended contribution each year. The City makes all contributions to the City of Fayetteville Retirement Plan. The City is required to contribute at an actuarially determined rate; the current rate is 11.09% of annual covered payroll.

Annual Pension Cost

For the year ended July 31, 2011, the City's annual pension cost was \$700,000 for the City of Fayetteville Retirement Plan. The City's annual recommended contribution for the pension plan year beginning January 1, 2011, (the most recent actuarial valuation date) was \$635,080. The difference between the City's actual contribution and the required contribution is due to the five month variance between the City's fiscal year and the contribution period. The recommended contribution was determined as part of the January 1, 2011 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return, (b) projected salary increases for inflation of 3.0% per year and for merit or seniority of .5% per year, and (c) no postretirement benefit increases or cost of living adjustments. The period, and related method, for amortizing the initial unfunded actuarial accrued liability varies for the bases, with a net effective amortization period of 11 years. These amortization periods are closed for this plan year.

NOTES TO FINANCIAL STATEMENTS

NOTE 11. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Trend Information

Trend information which gives an indication of the progress made in accumulating sufficient assets to pay benefits when due, is presented below.

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost</u>	<u>Actual City Contribution</u>	<u>Percentage of Annual Pension Cost Contributed</u>	<u>Net Pension Obligation</u>
7/31/2009	\$ 599,063	\$ 599,063	100 %	\$ -
7/31/2010	599,063	599,063	100	-
7/31/2011	700,000	700,000	100	-

As of the most recent valuation date, January 1, 2011, the funded status of the City of Fayetteville Retirement Plan was as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll</u>
01/01/11	\$ 8,920,853	\$ 10,094,207	\$ 1,173,354	88.4 %	\$ 5,612,831	20.9 %

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan net assets is increasing or decreasing over time relative to the actuarial accrued liability. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect long-term perspective. Calculations are based on the substantive plan in effect as of January 1, 2011.

NOTES TO FINANCIAL STATEMENTS

NOTE 12. DEFINED CONTRIBUTION PENSION PLAN

The City participates in the Georgia Municipal Association 401(a) Defined Contribution Plan (the Plan) which is administered by the Georgia Municipal Association through their service manager, MetLife. The Plan provides retirement benefits to plan participants and beneficiaries. Plan provisions and contribution requirements are established and may be amended by the City. Employees are not required to contribute to the Plan. The City contributes an amount equal to 10% of the amount contributed by participants to the City's deferred compensation plan, except that the City shall not match in excess of 6% of the participant's annual compensation. The City's contribution for each employee is 100% vested after five (5) years of continuous service. For the fiscal year ending July 31, 2011, the City's contribution to the Plan was \$13,702. The amount contributed by employees was \$194,311.

NOTE 13. RISK MANAGEMENT

The City is exposed to various risks of losses related to: torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; 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, public entity risk pools currently operating as common risk management and insurance programs 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 pools' 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 to allow the pools' agents and attorneys to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the funds.

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member City contract and in accordance with the Workers' 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 14. FUND EQUITY

A. Fund Balances:

- ***Nonspendable*** – The following fund balance is nonspendable because it is allocated to:

General Fund

Prepaid items	\$ 138,120
Inventories	7,501

- ***Restricted*** – The following fund balances are restricted for:

Special Revenue Funds

Confiscated Assets Fund - used to account for public safety-related expenditures funded by drug confiscations.	\$ 281,321
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Veterans Memorial Park Fund - used for the design and construction of a Veterans Memorial.	7,400
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Cemetery Fund - accounts for the revenues earned from a trust set up for cemetery improvements.	30,450
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Capital Projects Funds

SPLOST Fund - used to account for capital projects financed with SPLOST.	1,063,040
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Impact Fee Fund - accounts for capital projects activity funded by development impact fees.	1,331,963
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- ***Assigned*** – The following fund balance is assigned to:

General Fund

Prior year budget appropriations	\$ 42,189
Three-month operating reserve, as provided for in adopted City policy	2,316,751

Capital Projects Funds

Building Fund - accounts for various public improvements funded by a percentage of property taxes.	25,417
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NOTES TO FINANCIAL STATEMENTS

NOTE 15. COMMITMENTS AND CONTINGENCIES

Litigation:

The City is involved in several pending lawsuits. Liability, if any, which might result from these proceedings, would not, in the opinion of management and legal counsel, have a material adverse effect on the financial position of the City.

Contractual Commitments:

In addition to the liabilities enumerated in the balance sheet at July 31, 2011, the City has contractual commitments on uncompleted contracts of approximately \$116,567.

Grant Contingencies:

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to the disallowance of certain expenditures previously reimbursed by those agencies. Based upon prior experience, management of the City believes such disallowances, if any, will not be significant.

NOTE 16. HOTEL/MOTEL LODGING TAX

The City has levied a 5% lodging tax. The Official Code of Georgia Annotated 48-13-50 requires that all lodging taxes levied of 5% or more be expended or obligated contractually for the promotion of tourism, conventions, or trade shows. For the fiscal year ended July 31, 2011, the City collected \$94,776 of hotel/motel taxes. Management represents that \$94,779, or 100%, of the lodging tax received during the year ended July 31, 2011, was used for the promotion of tourism.

NOTE 17. EXCISE TAXES ON RENTAL MOTOR VEHICLES

Under the provisions of the Official Code of Georgia Annotated Section 48-13-93, the City has imposed and collected an excise tax on rental motor vehicles. The Code section requires the City to expend taxes collected for the purpose of promoting tourism, conventions, trade shows, etc., and promoting the City and business therein. During the year ended July 31, 2011, the City transferred all motor vehicle excise taxes to the Downtown Development Authority, where it was used for the promotion of tourism. The following schedule represents the revenue and expenditures pertaining to the tax for the year ended July 31, 2011:

Revenue	\$66,910
Expenditures	\$66,910

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FAYETTEVILLE, GEORGIA

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
09/01/05	\$ 4,988,033	\$ 6,418,052	\$ 1,430,019	77.7 %	\$ 4,783,301	29.9 %
09/01/06	5,732,501	6,684,957	952,456	85.8	4,893,624	19.5
09/01/07	6,558,197	7,823,385	1,265,188	83.8	5,593,930	22.6
09/01/08	7,361,955	8,628,483	1,266,528	85.3	5,402,223	23.4
01/01/10	8,178,368	9,966,537	1,788,169	82.1	5,745,395	31.1
01/01/11	8,920,853	10,094,207	1,173,354	88.4	5,612,831	20.9

The assumptions used in the preparation of the above schedule are disclosed in Note 11 in the Notes to the Financial Statements.

Note: The actuarial valuation date changed from September 1 to January 1 during fiscal year 2010.

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NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Vehicle Excise Tax Fund – This fund is used to account for revenues from an excise tax on rental motor vehicles, which must be used for the promotion of recreation, tourism and commerce and for the construction or repair of related facilities.

Confiscated Assets Fund – This fund is used to account for cash received either as a result of a cash confiscation or from the sale of capital assets acquired from a drug raid.

Hotel/Motel Tax Fund – This fund is used to account for hotel/motel taxes collected.

Veterans Memorial Park Fund – This fund is used to funds donated to the City for the design and construction of a Veterans Memorial, representing those persons from Fayette County, Georgia who have died in service of our country.

Cemetery Fund – This fund is used to account for revenues earned from a trust set up for cemetery improvements.

Capital Project Funds

Building Fund – This fund is used to account for the accumulation and expenditures of resources for various public improvements which are funded by a percentage of property taxes.

Impact Fee Fund – This fund is used to account for capital projects activity funded by development impact fees.

CITY OF FAYETTEVILLE, GEORGIA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JULY 31, 2011**

	Special Revenue Funds				
	Vehicle Excise Tax Fund	Confiscated Assets Fund	Hotel/Motel Tax Fund	Veterans Memorial Park Fund	Cemetery Fund
ASSETS					
Cash and cash equivalents	\$ 2	\$ 281,321	\$ 13,847	\$ 6,624	\$ 30,450
Taxes receivable	7,011	-	8,209	-	-
Due from other funds	-	-	-	796	-
Due from component units	-	-	-	-	-
Prepaid expenditures	-	-	-	-	-
Restricted assets	-	-	-	-	-
Total assets	\$ 7,013	\$ 281,321	\$ 22,056	\$ 7,420	\$ 30,450
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Due to other funds	\$ -	\$ -	\$ -	\$ 20	\$ -
Due to component unit	7,013	-	22,056	-	-
Total liabilities	7,013	-	22,056	20	-
FUND BALANCES					
Restricted	-	281,321	-	7,400	30,450
Assigned	-	-	-	-	-
Total fund balances	-	281,321	-	7,400	30,450
Total liabilities and fund balances	\$ 7,013	\$ 281,321	\$ 22,056	\$ 7,420	\$ 30,450

Capital Projects Funds		Total Nonmajor Governmental Funds
Building Fund	Impact Fee Fund	
\$ 51,718	\$ 1,964,662	\$ 2,348,624
-	-	15,220
5,059	1,858	7,713
102	-	102
14,847	-	14,847
82,191	-	82,191
<u>\$ 153,917</u>	<u>\$ 1,966,520</u>	<u>\$ 2,468,697</u>
\$ 128,500	\$ 634,557	\$ 763,077
-	-	29,069
<u>128,500</u>	<u>634,557</u>	<u>792,146</u>
-	1,331,963	1,651,134
25,417	-	25,417
<u>25,417</u>	<u>1,331,963</u>	<u>1,676,551</u>
<u>\$ 153,917</u>	<u>\$ 1,966,520</u>	<u>\$ 2,468,697</u>

CITY OF FAYETTEVILLE, GEORGIA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JULY 31, 2011**

	Special Revenue Funds				
	Vehicle Excise Tax Fund	Confiscated Assets Fund	Hotel/Motel Tax Fund	Veterans Memorial Park Fund	Cemetery Fund
Revenues:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes	66,908	-	94,776	-	-
Fines and forfeitures	-	44,951	-	-	-
Impact fees	-	-	-	-	-
Contributions	-	-	-	8,720	8,248
Interest income	2	534	3	1	92
Total revenues	<u>66,910</u>	<u>45,485</u>	<u>94,779</u>	<u>8,721</u>	<u>8,340</u>
Expenditures:					
Current:					
Public safety	-	43,158	-	-	-
Culture and recreation	-	-	-	1,321	-
Housing and development	66,910	-	94,779	-	-
Capital outlay:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Housing and development	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	<u>66,910</u>	<u>43,158</u>	<u>94,779</u>	<u>1,321</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>2,327</u>	<u>-</u>	<u>7,400</u>	<u>8,340</u>
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	(1,762)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,762)</u>
Net change in fund balances	-	2,327	-	7,400	6,578
Fund balances, beginning of year	<u>-</u>	<u>278,994</u>	<u>-</u>	<u>-</u>	<u>23,872</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 281,321</u>	<u>\$ -</u>	<u>\$ 7,400</u>	<u>\$ 30,450</u>

Capital Projects Funds		Total Nonmajor Governmental Funds
Building Fund	Impact Fee Fund	
\$ 714,343	\$ -	\$ 714,343
-	-	161,684
-	-	44,951
-	35,229	35,229
-	-	16,968
177	4,001	4,810
<u>714,520</u>	<u>39,230</u>	<u>977,985</u>
-	-	43,158
-	-	1,321
-	23,086	184,775
86,955	-	86,955
149,173	-	149,173
169,756	-	169,756
338,899	-	338,899
154,232	-	154,232
<u>899,015</u>	<u>23,086</u>	<u>1,128,269</u>
<u>(184,495)</u>	<u>16,144</u>	<u>(150,284)</u>
149,311	-	149,311
-	(795,966)	(797,728)
<u>149,311</u>	<u>(795,966)</u>	<u>(648,417)</u>
(35,184)	(779,822)	(798,701)
<u>60,601</u>	<u>2,111,785</u>	<u>2,475,252</u>
<u>\$ 25,417</u>	<u>\$ 1,331,963</u>	<u>\$ 1,676,551</u>

**CITY OF FAYETTEVILLE, GEORGIA
SPECIAL REVENUE FUNDS**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JULY 31, 2011**

	Vehicle Excise Tax Fund		
	Final Budget	Actual	Variance With Final Budget
Revenues:			
Other taxes	\$ 60,000	\$ 66,908	\$ 6,908
Fines and forfeitures	-	-	-
Interest income	-	2	2
Total revenues	<u>60,000</u>	<u>66,910</u>	<u>6,910</u>
Expenditures:			
Current:			
Public safety	-	-	-
Housing and development	60,000	66,910	(6,910)
Total expenditures	<u>60,000</u>	<u>66,910</u>	<u>(6,910)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources:			
Transfers in	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	-
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Confiscated Assets Fund

<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
\$ -	\$ -	\$ -
30,000	44,951	14,951
1,000	534	(466)
<u>31,000</u>	<u>45,485</u>	<u>14,485</u>
41,000	43,158	(2,158)
-	-	-
<u>41,000</u>	<u>43,158</u>	<u>(2,158)</u>
(10,000)	2,327	12,327
10,000	-	(10,000)
<u>10,000</u>	<u>-</u>	<u>(10,000)</u>
-	2,327	2,327
<u>278,994</u>	<u>278,994</u>	<u>-</u>
<u>\$ 278,994</u>	<u>\$ 281,321</u>	<u>\$ 2,327</u>

(Continued)

**CITY OF FAYETTEVILLE, GEORGIA
SPECIAL REVENUE FUNDS**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JULY 31, 2011**

	Hotel/Motel Tax Fund		
	Final Budget	Actual	Variance With Final Budget
Revenues:			
Other taxes	\$ 87,125	\$ 94,776	\$ 7,651
Contributions	-	-	-
Interest income	-	3	3
Total revenues	<u>87,125</u>	<u>94,779</u>	<u>7,654</u>
Expenditures:			
Current:			
Culture and recreation	-	-	-
Housing and development	87,125	94,779	(7,654)
Total expenditures	<u>87,125</u>	<u>94,779</u>	<u>(7,654)</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	-
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Veterans Memorial Park Fund

Final Budget	Actual	Variance With Final Budget
\$ -	\$ -	\$ -
11,000	8,720	(2,280)
-	1	1
<u>11,000</u>	<u>8,721</u>	<u>(2,279)</u>
-	1,321	(1,321)
-	-	-
<u>-</u>	<u>1,321</u>	<u>(1,321)</u>
11,000	7,400	(3,600)
11,000	7,400	(3,600)
-	-	-
<u>\$ 11,000</u>	<u>\$ 7,400</u>	<u>\$ (3,600)</u>

(Continued)

**CITY OF FAYETTEVILLE, GEORGIA
SPECIAL REVENUE FUNDS**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JULY 31, 2011**

	Cemetery Fund		
	Final Budget	Actual	Variance With Final Budget
Revenues:			
Contributions	\$ 6,000	\$ 8,248	\$ 2,248
Interest income	100	92	(8)
Total revenues	<u>6,100</u>	<u>8,340</u>	<u>2,240</u>
Expenditures:			
Current:			
Public works	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	<u>6,100</u>	<u>8,340</u>	<u>2,240</u>
Other financing sources (uses):			
Transfers in	23,872	-	(23,872)
Transfers out	<u>(29,972)</u>	<u>(1,762)</u>	<u>28,210</u>
Total other financing sources (uses)	<u>(6,100)</u>	<u>(1,762)</u>	<u>4,338</u>
Net change in fund balances	-	6,578	6,578
Fund balances, beginning of year	<u>23,872</u>	<u>23,872</u>	<u>-</u>
Fund balances, end of year	<u>\$ 23,872</u>	<u>\$ 30,450</u>	<u>\$ 6,578</u>

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**CITY OF FAYETTEVILLE, GEORGIA
CAPITAL PROJECTS FUNDS**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JULY 31, 2011**

	Building Fund		
	Final Budget	Actual	Variance With Final Budget
Revenues:			
Property taxes	\$ 717,126	\$ 714,343	\$ (2,783)
Impact fees	-	-	-
Interest income	100	177	77
Total revenues	<u>717,226</u>	<u>714,520</u>	<u>(2,706)</u>
Expenditures:			
Capital outlay:			
General government	89,000	86,955	2,045
Public safety	150,000	149,173	827
Housing and development	171,486	169,756	1,730
Debt service:			
Principal	343,105	338,899	4,206
Interest	171,535	154,232	17,303
Total expenditures	<u>925,126</u>	<u>899,015</u>	<u>26,111</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(207,900)</u>	<u>(184,495)</u>	<u>23,405</u>
Other financing sources (uses):			
Transfers in	147,900	149,311	1,411
Transfers out	-	-	-
Total other financing sources (uses)	<u>147,900</u>	<u>149,311</u>	<u>1,411</u>
Net change in fund balances	(60,000)	(35,184)	24,816
Fund balances, beginning of year	<u>60,601</u>	<u>60,601</u>	<u>-</u>
Fund balances, end of year	<u>\$ 601</u>	<u>\$ 25,417</u>	<u>\$ 24,816</u>

Impact Fee Fund		
Final Budget	Actual	Variance With Final Budget
\$ -	\$ -	\$ -
38,184	35,229	(2,955)
4,000	4,001	1
<u>42,184</u>	<u>39,230</u>	<u>(2,954)</u>
284	-	284
-	-	-
25,904	23,086	2,818
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
<u>26,188</u>	<u>23,086</u>	<u>3,102</u>
15,996	16,144	148
-	-	-
<u>(890,647)</u>	<u>(795,966)</u>	<u>94,681</u>
<u>(890,647)</u>	<u>(795,966)</u>	<u>94,681</u>
(874,651)	(779,822)	94,829
<u>2,111,785</u>	<u>2,111,785</u>	<u>-</u>
<u>\$ 1,237,134</u>	<u>\$ 1,331,963</u>	<u>\$ 94,829</u>

(Continued)

**CITY OF FAYETTEVILLE, GEORGIA
CAPITAL PROJECTS FUNDS**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JULY 31, 2011**

	Special Purpose Local Option Sales Tax Fund		
	Final Budget	Actual	Variance With Final Budget
Revenues:			
Intergovernmental	\$ 1,419,867	\$ 482,152	\$ (937,715)
Interest income	3,000	2,371	(629)
Total revenues	<u>1,422,867</u>	<u>484,523</u>	<u>(938,344)</u>
Expenditures:			
Capital outlay:			
General government	-	198	(198)
Public works	3,956,119	2,137,734	1,818,385
Total expenditures	<u>3,956,119</u>	<u>2,137,932</u>	<u>1,818,187</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,533,252)</u>	<u>(1,653,409)</u>	<u>879,843</u>
Other financing sources:			
Transfers in	894,981	762,013	(132,968)
Total other financing sources	<u>894,981</u>	<u>762,013</u>	<u>(132,968)</u>
Net change in fund balances	(1,638,271)	(891,396)	746,875
Fund balances, beginning of year	<u>1,954,436</u>	<u>1,954,436</u>	<u>-</u>
Fund balances, end of year	<u>\$ 316,165</u>	<u>\$ 1,063,040</u>	<u>\$ 746,875</u>

CITY OF FAYETTEVILLE, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS FOR THE FISCAL YEAR ENDED JULY 31, 2011

<u>Project</u>	<u>Original Estimated Cost</u>	<u>Current Estimated Cost</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Intersections	\$ 291,000	\$ 335,000	\$ 57,412	\$ 75,972	\$ 133,384
Roadways	2,196,494	2,289,374	467,615	745,976	1,213,591
Streetscapes/paths	<u>1,759,833</u>	<u>1,622,953</u>	<u>1,224,220</u>	<u>77,136</u>	<u>1,301,356</u>
Totals	<u>\$ 4,247,327</u>	<u>\$ 4,247,327</u>	<u>\$ 1,749,247</u>	<u>\$ 899,084</u>	<u>\$ 2,648,331</u>

NOTE: Included in the total expenditures of the SPLOST fund for the year ended July 31, 2011 are expenditures funded by grant revenues and transfers from other funds in the amounts of \$476,835 and \$762,013, respectively. These amounts are excluded from the above schedule.

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**COMPONENT UNIT –
DOWNTOWN DEVELOPMENT AUTHORITY**

CITY OF FAYETTEVILLE, GEORGIA

**BALANCE SHEET
COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY
JULY 31, 2011**

ASSETS

Current assets:

Cash	\$	420,518
Investments		84,072
Accounts receivable		49,500
Due from primary government		7,013
Prepaid expenditures		3,088
Restricted cash		<u>50,554</u>

Total current assets 614,745

Total assets \$ 614,745

LIABILITIES AND FUND BALANCE

LIABILITIES

Current liabilities:

Accounts payable	\$	3,565
Accrued liabilities		526
Due to primary government		<u>3,936</u>

Total current liabilities 8,027

Total liabilities 8,027

FUND BALANCE

Restricted for:

Capital projects 50,554

Committed to:

Special projects 5,033

Job Incentive Program 50,000

Unassigned 556,164

Total fund balance 606,718

Total liabilities and fund balance \$ 614,745

CITY OF FAYETTEVILLE, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY
FOR THE FISCAL YEAR ENDED JULY 31, 2011

Revenues:	
Contributions	\$ 268,215
Interest income	920
Other revenues	271
Total revenues	<u>269,406</u>
Expenditures:	
Current:	
Housing and development	<u>317,792</u>
Debt service:	
Principal	87,756
Interest	114,049
Total debt service	<u>201,805</u>
Total expenditures	<u>519,597</u>
Deficiency of revenues under expenditures	(250,191)
Other financing sources:	
Proceeds from issuance of debt	<u>250,000</u>
Net change in fund balance	(191)
Fund balance, beginning of year	<u>606,909</u>
Fund balance, end of year	<u>\$ 606,718</u>

**COMPONENT UNIT –
MAIN STREET TOURISM ASSOCIATION**

CITY OF FAYETTEVILLE, GEORGIA

**STATEMENT OF CASH FLOWS
COMPONENT UNIT - MAIN STREET TOURISM ASSOCIATION
FOR THE FISCAL YEAR ENDED JULY 31, 2011**

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$	186,979
Payments to suppliers and service providers		(329,164)
Payments to employees		(96,483)
		(238,668)
Net cash used in operating activities		(238,668)

**CASH FLOWS FROM NONCAPITAL
FINANCING ACTIVITIES**

Contributions		239,319
		239,319
Net cash provided by noncapital financing activities		239,319

Decrease in cash and cash equivalents		732
---------------------------------------	--	-----

Cash and cash equivalents:

Beginning of year		40,774
End of year	\$	41,506

**Reconciliation of operating loss to net cash
used in operating activities:**

Operating loss	\$	(192,259)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Decrease in accounts receivable		1,714
Increase in inventories		(1,185)
Increase in due from primary government		(11,683)
Decrease in prepaid expenses		313
Decrease in accounts payable		(34,111)
Increase in accrued liabilities		1,881
Decrease in deferred revenue		(2,003)
Decrease in due to primary government		(1,335)
		(1,335)
Net cash used in operating activities	\$	(238,668)

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STATISTICAL SECTION

STATISTICAL SECTION

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

<u>Contents</u>	<u>Page</u>
Financial Trends	71 - 84
<i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	
Revenue Capacity	85 - 94
<i>These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.</i>	
Debt Capacity	95 - 100
<i>These schedules contain information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	101 and 102
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i>	
Operating Information	103 - 105
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.</i>	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive financial reports for the relevant year. The City implemented GASB Statement 34 for the year ended July 31, 2003; schedules presenting financial information include information beginning in that year.

CITY OF FAYETTEVILLE, GEORGIA

NET ASSETS BY COMPONENT LAST NINE FISCAL YEARS (ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year			
	2003	2004	2005	2006
Governmental Activities				
Invested in capital assets, net of related debt \$	5,261,475	\$ 7,882,963	\$ 10,294,750	\$ 57,100,929 (1)
Restricted	-	3,068,384	87,098	849,422
Unrestricted	3,274,292	558,402	4,259,448	5,187,583
Total governmental activities net assets	<u>\$ 8,535,767</u>	<u>\$ 11,509,749</u>	<u>\$ 14,641,296</u>	<u>\$ 63,137,934</u>
Business-Type Activities				
Invested in capital assets, net of related debt \$	5,884,794	\$ 7,901,010	\$ 9,606,017	\$ 11,267,649
Restricted	1,879,325	8,270,414	7,253,854	4,005,622
Unrestricted	3,723,709	(3,818,597)	(3,204,854)	(555,976)
Total business-type activities net assets	<u>\$ 11,487,828</u>	<u>\$ 12,352,827</u>	<u>\$ 13,655,017</u>	<u>\$ 14,717,295</u>
Primary Government				
Invested in capital assets, net of related debt \$	11,146,269	\$ 15,783,973	\$ 19,900,767	\$ 68,368,578
Restricted	1,879,325	11,338,798	7,340,952	4,855,044
Unrestricted	6,998,001	(3,260,195)	1,054,594	4,631,607
Total primary government net assets	<u>\$ 20,023,595</u>	<u>\$ 23,862,576</u>	<u>\$ 28,296,313</u>	<u>\$ 77,855,229</u>

(1) The City has retroactively reported major general infrastructure assets as allowed by provisions of GASB Statement No. 34 in fiscal year 2006.

2007	2008	2009	2010	2011
\$ 60,009,707	\$ 60,352,897	\$ 60,089,837	\$ 60,622,894	\$ 64,398,879
1,214,750	1,566,870	1,954,676	2,036,624	2,714,174
5,768,939	5,197,192	5,586,322	5,239,070	2,763,931
<u>\$ 66,993,396</u>	<u>\$ 67,116,959</u>	<u>\$ 67,630,835</u>	<u>\$ 67,898,588</u>	<u>\$ 69,876,984</u>
\$ 12,776,513	\$ 12,195,150	\$ 13,532,153	\$ 11,607,708	\$ 10,733,529
1,923,585	1,091,708	134,721	1,350,819	1,507,269
1,061,924	2,707,452	2,422,675	2,730,595	2,844,349
<u>\$ 15,762,022</u>	<u>\$ 15,994,310</u>	<u>\$ 16,089,549</u>	<u>\$ 15,689,122</u>	<u>\$ 15,085,147</u>
\$ 72,786,220	\$ 72,548,047	\$ 73,621,990	\$ 72,230,602	\$ 75,132,408
3,138,335	2,658,578	2,089,397	3,387,443	4,221,443
6,830,863	7,904,644	8,008,997	7,969,665	5,608,280
<u>\$ 82,755,418</u>	<u>\$ 83,111,269</u>	<u>\$ 83,720,384</u>	<u>\$ 83,587,710</u>	<u>\$ 84,962,131</u>

CITY OF FAYETTEVILLE, GEORGIA

CHANGES IN NET ASSETS LAST NINE FISCAL YEARS (ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year			
	2003	2004	2005	2006
Expenses				
Governmental activities:				
General government	\$ 998,498	\$ 1,160,759	\$ 1,115,440	\$ 1,095,054
Judicial	479,081	478,385	589,178	647,666
Public safety	4,586,837	5,062,070	5,496,987	5,735,782
Public works	977,985	954,545	957,095	1,605,451 (4)
Culture and recreation	-	-	-	3,424
Housing and development	1,180,063	1,185,628	1,290,549	1,046,976
Interest on long-term debt	22,220	131,923	211,500	207,795
Total governmental activities expenses	<u>8,244,684</u>	<u>8,973,310</u>	<u>9,660,749</u>	<u>10,342,148</u>
Business-type activities:				
Water and sewer	4,411,577	4,322,669	5,040,537	5,307,856
Stormwater	-	241,349 (2)	90,529	101,641
Solid waste	583,866	555,902	507,009	610,478
Total business-type activities	<u>4,995,443</u>	<u>5,119,920</u>	<u>5,638,075</u>	<u>6,019,975</u>
Total primary government	<u>\$ 13,240,127</u>	<u>\$ 14,093,230</u>	<u>\$ 15,298,824</u>	<u>\$ 16,362,123</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 406,725	\$ 555,174	\$ 543,057	\$ 651,798
Judicial	920,263	838,928	1,093,293	1,247,609
Public safety	94,629	40,703	469,591	278,211
Public works	336,830	611,386	391,703	701,641
Culture and recreation	97,758	70,127	30,817	42,523
Housing and development	84,534	59,384	58,369	-
Operating grants and contributions	89,165	82,320	261,203	121,874
Capital grants and contributions	243,074	2,827,656 (1)	2,417,294	5,245,516 (3)
Total governmental activities program revenues	<u>2,272,978</u>	<u>5,085,678</u>	<u>5,265,327</u>	<u>8,289,172</u>
Business-type activities:				
Charges for services:				
Water and sewer	3,389,526	3,760,435	3,741,066	4,147,603
Stormwater	-	219,296 (2)	450,192	466,776
Solid waste	595,608	564,450	514,424	617,366
Capital grants and contributions	1,525,326	1,353,804	2,057,053	1,531,513
Total business-type activities program revenues	<u>5,510,460</u>	<u>5,897,985</u>	<u>6,762,735</u>	<u>6,763,258</u>
Total primary government program revenues	<u>\$ 7,783,438</u>	<u>\$ 10,983,663</u>	<u>\$ 12,028,062</u>	<u>\$ 15,052,430</u>

(Continued)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$	1,349,586	\$ 1,217,486	\$ 1,158,496	\$ 1,084,097	\$ 1,020,074
	849,251	860,758	896,534	820,922	719,103
	6,144,495	6,520,196	6,847,442	6,676,928	6,589,191
	1,751,093	2,786,357 (6)	1,883,585	1,765,659	1,629,730
	39,053	39,053	-	-	1,321 (17)
	1,100,831	1,100,831	1,034,348	946,682	820,882
	205,627	205,627	186,816	177,001	165,407
	<u>11,439,936</u>	<u>12,730,308</u>	<u>12,007,221</u>	<u>11,471,289</u>	<u>10,945,708</u>
	5,403,258	5,403,258	5,490,099	5,460,020	5,736,799
	142,592	142,592	273,320 (11)	294,409	423,132
	697,810	697,810	716,104	616,359 (15)	628,225
	<u>6,243,660</u>	<u>6,243,660</u>	<u>6,479,523</u>	<u>6,370,788</u>	<u>6,788,156</u>
\$	<u>17,683,596</u>	<u>18,973,968</u>	<u>18,486,744</u>	<u>17,842,077</u>	<u>17,733,864</u>
\$	423,077	\$ 348,843	\$ 469,854	\$ 271,628 (16)	\$ 261,382
	1,679,139	1,188,335	1,620,845	1,748,018	1,192,244
	35,609	127,415	449,589	81,738	73,026
	- (5)	115,816 (7)	74,522 (7)	-	(208)
	-	-	-	-	-
	710,715 (5)	384,464 (8)	122,168 (8)	38,190 (8)	35,500
	112,863	126,400	448,281 (14)	365,152 (14)	283,528
	<u>2,932,053</u>	<u>1,194,669</u>	<u>1,001,476</u>	<u>1,107,764</u>	<u>2,756,869</u>
	<u>5,893,456</u>	<u>3,485,942</u>	<u>4,186,735</u>	<u>3,612,490</u>	<u>4,602,341</u>
	4,526,852	4,624,121	4,905,681 (12)	4,810,109	4,956,688
	474,224	489,195	493,799	494,976	494,238
	697,958	726,883	718,570	632,549 (15)	631,930
	1,319,076	650,687 (9)	452,785 (9)	32,686 (9)	88,690
	<u>7,018,110</u>	<u>6,490,886</u>	<u>6,570,835</u>	<u>5,970,320</u>	<u>6,171,546</u>
\$	<u>12,911,566</u>	<u>9,976,828</u>	<u>10,757,570</u>	<u>9,582,810</u>	<u>10,773,887</u>

CITY OF FAYETTEVILLE, GEORGIA

CHANGES IN NET ASSETS LAST NINE FISCAL YEARS (ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year			
	2003	2004	2005	2006
Net (expense)/revenue				
Governmental activities	\$ (5,971,706)	\$ (3,887,632)	\$ (4,395,422)	\$ (2,052,976)
Business-type activities	515,017	778,065	1,124,660	743,283
Total primary government net expense	<u>\$ (5,456,689)</u>	<u>\$ (3,109,567)</u>	<u>\$ (3,270,762)</u>	<u>\$ (1,309,693)</u>
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Taxes				
Property taxes	\$ 1,716,999	\$ 1,856,492	\$ 2,111,885	\$ 2,287,451
Sales taxes	2,026,571	2,235,325	2,384,936	3,210,939
Other taxes	2,611,572	2,715,674	2,860,975	3,115,776
Unrestricted investment earnings	44,395	44,827	102,383	205,016
Gain on sale of capital assets	11,675	24,728	41,791	13,558
Transfers	-	(15,432)	24,999	-
Total governmental activities	<u>6,411,212</u>	<u>6,861,614</u>	<u>7,526,969</u>	<u>8,832,740</u>
Business-type activities:				
Unrestricted investment earnings	71,411	71,502	202,529	318,995
Gain on sale of capital assets	-	-	-	-
Transfers	-	15,432	(24,999)	-
Total business-type activities	<u>71,411</u>	<u>86,934</u>	<u>177,530</u>	<u>318,995</u>
Total primary government	<u>\$ 6,482,623</u>	<u>\$ 6,948,548</u>	<u>\$ 7,704,499</u>	<u>\$ 9,151,735</u>
Change in Net Assets				
Governmental activities	\$ 439,506	\$ 2,973,982	\$ 3,131,547	\$ 6,779,764
Business-type activities	586,428	864,999	1,302,190	1,062,278
Total primary government	<u>\$ 1,025,934</u>	<u>\$ 3,838,981</u>	<u>\$ 4,433,737</u>	<u>\$ 7,842,042</u>

- (1) Donations of capital assets (streets and roadways).
- (2) Collection of new stormwater program fees implemented in fiscal year 2004.
- (3) The net effect of various public works sales, trade-ins and donations of capital assets.
- (4) Depreciation expense has been recorded in fiscal year 2006 due to GASB Statement 34 (retroactively reporting of major general infrastructure assets).
- (5) Reclassification of impact fees (program revenues) from public works to housing and
- (6) Multiple transportation and sidewalk construction projects.
- (7) State of Georgia Local Assistance Road Program (LARP) for street maintenance.
- (8) Decrease in residential and commercial building; therefore, decrease in impact fees collected.

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ (5,546,480)	\$ (9,229,746)	\$ (7,820,486)	\$ (7,858,799)	\$ (6,343,367)
774,450	150,602	91,312	(400,468)	(616,610)
<u>\$ (4,772,030)</u>	<u>\$ (9,079,144)</u>	<u>(7,729,174)</u>	<u>\$ (8,259,267)</u>	<u>\$ (6,959,977)</u>
\$ 2,489,094	\$ 2,670,751	\$ 2,764,455	\$ 2,670,285	\$ 2,651,885
3,294,819	3,127,513	2,147,990 (13)	2,259,642	2,215,415
3,286,540	3,326,490	3,381,128	3,171,974	3,409,190
331,489	182,744 (10)	40,789 (10)	13,315 (10)	11,940
-	45,811	-	11,336	33,333
-	-	-	-	-
<u>9,401,942</u>	<u>9,353,309</u>	<u>8,334,362</u>	<u>8,126,552</u>	<u>8,321,763</u>
270,277	81,686 (10)	3,927 (10)	41 (10)	2,443
-	-	-	-	10,192
-	-	-	-	-
<u>270,277</u>	<u>81,686</u>	<u>3,927</u>	<u>41</u>	<u>12,635</u>
<u>\$ 9,672,219</u>	<u>\$ 9,434,995</u>	<u>\$ 8,338,289</u>	<u>\$ 8,126,593</u>	<u>\$ 8,334,398</u>
\$ 3,855,462	\$ 123,563	\$ 513,876	\$ 267,753	\$ 1,978,396
1,044,727	232,288	95,239	(400,427)	(603,975)
<u>\$ 4,900,189</u>	<u>\$ 355,851</u>	<u>\$ 609,115</u>	<u>\$ (132,674)</u>	<u>\$ 1,374,421</u>

(9) Business-activities did not receive any contribution of infrastructure during fiscal year 2008.

(10) Drastic decrease in interest rates due to the current economic recession.

(11) Reallocation of public works salaries and benefits to stormwater program.

(12) Increase in sewer rates.

(13) Special Purpose Local Option Sales Taxes were reclassified to intergovernmental revenues.

(14) Public Safety SAFER grant received by the City.

(15) Renewed contractual services through RFP and bid process, resulting in lower cost.

(16) One time payment for prior years rent owed on downtown tower.

(17) Veterans Memorial Park Fund opened.

CITY OF FAYETTEVILLE, GEORGIA

**GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
LAST NINE FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

Fiscal Year	Property Tax	Sales Tax	Franchise Tax	Alcoholic Beverage Tax	Insurance Premium Tax	Business and Occupation Tax
2003	\$ 1,716,999	\$ 2,026,571	\$ 820,915	\$ 303,255	\$ 444,312	\$ 752,542
2004	1,856,492	2,235,325	839,639	316,115	478,864	761,193
2005	2,111,885	2,384,936	955,592	358,800	518,958	760,525
2006	2,287,451	3,210,939 (1)	1,032,289	323,977	558,331	857,935
2007	2,489,094	3,294,819	1,075,645	323,232	584,154	912,002
2008	2,670,751	3,127,513	1,134,982	315,813	609,337	903,792
2009	2,764,455	2,147,990 (2)	1,267,033	320,781	623,934	855,782
2010	2,670,285	2,259,642	1,150,101	309,881	618,080	817,237
2011	2,651,885	2,215,415	1,324,949	318,257	600,117	814,309

(1) The City began collecting Special Purpose Local Option Sales Taxes from the County at the end of fiscal year 2005.

(2) Beginning in 2009, Special Purpose Local Option Sales Taxes received from the County were reclassified as Capital Contributions.

<u>Other Taxes</u>	<u>Total</u>
\$ 290,548	\$ 6,355,142
319,863	6,807,491
267,100	7,357,796
343,244	8,614,166
391,507	9,070,453
362,566	9,124,754
313,598	8,293,573
276,675	8,101,901
351,558	8,276,490

CITY OF FAYETTEVILLE, GEORGIA

FUND BALANCES OF GOVERNMENTAL FUNDS LAST TEN FISCAL YEARS (MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year			
	2002	2003	2004	2005
General Fund				
Reserved	\$ 139,842	\$ 224,023	\$ 191,238	\$ 201,701
Unreserved	2,324,845	2,453,341	2,663,047	2,173,967
Nonspendable	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total General Fund	<u>\$ 2,464,687</u>	<u>\$ 2,677,364</u>	<u>\$ 2,854,285</u>	<u>\$ 2,375,668</u>
All Other Governmental Funds				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:				
Special revenue funds	126,045	147,655	115,103	80,476
Capital project funds	259,147	674,054	3,742,412 (1)	2,047,978
Restricted, reported in:				
Special revenue funds	-	-	-	-
Capital project funds	-	-	-	-
Assigned, reported in:				
Capital project funds	-	-	-	-
Total all other governmental funds	<u>\$ 385,192</u>	<u>\$ 821,709</u>	<u>\$ 3,857,515</u>	<u>\$ 2,128,454</u>

- (1) The increase of fund balance is due to the financing of the Law Enforcement Center through Certificates of Participation (COPS).
- (2) The increase of fund balance is due to the collection of special purpose local option sales taxes that began at the end of fiscal year 2005.
- (3) Prepaid expenditures.
- (4) The City adopted and implemented GASB 54 during fiscal year 2011.

2006	2007	2008	2009	2010	2011
\$ 221,603	\$ 294,565	\$ 233,337	\$ 251,234	\$ 193,539	\$ -
2,741,170	3,168,063	2,903,291	2,896,626	2,904,019	-
-	-	-	-	-	145,621 (4)
-	-	-	-	-	2,358,940 (4)
-	-	-	-	-	545,370 (4)
<u>\$ 2,962,773</u>	<u>\$ 3,462,628</u>	<u>\$ 3,136,628</u>	<u>\$ 3,147,860</u>	<u>\$ 3,097,558</u>	<u>\$ 3,049,931</u>
\$ -	\$ -	\$ -	\$ 14,847 (3)	\$ -	\$ -
83,864	75,970	136,193	409,933	302,866	-
3,215,686 (2)	3,733,553	3,766,360	4,205,072	4,126,822	-
-	-	-	-	-	319,171 (4)
-	-	-	-	-	2,395,003 (4)
-	-	-	-	-	25,417 (4)
<u>\$ 3,299,550</u>	<u>\$ 3,809,523</u>	<u>\$ 3,902,553</u>	<u>\$ 4,629,852</u>	<u>\$ 4,429,688</u>	<u>\$ 2,739,591</u>

CITY OF FAYETTEVILLE, GEORGIA

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS LAST TEN FISCAL YEARS (MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year			
	2002	2003	2004	2005
Revenues				
Taxes	\$ 5,826,916	\$ 6,354,389	\$ 6,828,255	\$ 7,337,120
Licenses and permits	373,336	336,138	387,670	479,681
Intergovernmental	699,564	165,226	483,421	96,542
Fines and forfeitures	800,390	948,205	850,897	1,100,542
Charges for services	120,060	75,051	119,287	14,065
Main Street	107,197	73,718	58,634	58,369
Impact fees	396,366	472,465	701,270	922,321
Contributions	1,453,703	147,280	7,888	278,301
Interest income	76,143	44,395	44,827	102,383
Other revenues	72,155	54,895	59,036	32,927
Total revenues	9,925,830	8,671,762	9,541,185	10,422,251
Expenditures				
General government	792,108	936,396	1,072,138	1,029,781
Judicial	321,155	477,836	477,543	585,993
Public safety	4,242,754	4,482,098	5,277,726	5,645,529
Public works	846,761	732,198	922,451	928,637
Culture and recreation	-	-	-	-
Housing and development	1,227,056	1,091,648	914,415	849,263
Capital outlay	2,611,317	433,054	2,354,857 (1)	3,378,871
Debt service				
Principal	360,489	343,942	322,110	292,780
Interest	36,775	23,796	82,296	210,876 (3)
Issuance costs	-	-	202,696 (2)	-
Total expenditures	10,438,415	8,520,968	11,626,232	12,921,730
Excess of revenues over (under) expenditures	(512,585)	150,794	(2,085,047)	(2,499,479)
Other financing sources (uses)				
Capital leases	127,479	229,542	763,384	205,942
Issuance of certificates of participation	-	-	4,575,000 (2)	-
Discount on certificates of participation	-	-	(56,989)	-
Proceeds from sale of assets	-	11,675	31,811	60,860
Transfers in	454,616	256,178	280,024	574,468
Transfers out	(454,616)	(256,178)	(295,456)	(549,469)
Total other financing sources (uses)	127,479	241,217	5,297,774	291,801
Net change in fund balances	\$ (385,106)	\$ 392,011	\$ 3,212,727	\$ (2,207,678)
Debt service as a percentage of noncapital expenditures	4.4%	4.5%	6.8%	5.4%

- (1) Fiscal year 2004 and 2005 capital outlay increase is due to the construction of the new Law Enforcement Center (LEC)
- (2) In fiscal year 2004, the City of Fayetteville issued Certificates of Participation (COPS) to finance the new LEC.
- (3) The increase in debt service interest expenditure is due to the COPS issue.
- (4) The Main Street function has been moved from the General Fund to the Main Street Tourism Association.
- (5) Capital outlay has decreased due to the completion of the Law Enforcement Center.
- (6) The decrease in impact fees is due to the decline in new construction during fiscal year 2007.
- (7) The decrease in impact fees and permits is due to the continual decline in new construction during fiscal year 2008, 2009 and 2010.
- (8) The City received a federal grant for Downtown Pedestrian Improvements.
- (9) During fiscal year 2008, the City experienced an increase in jail population, therefore reducing the collection of fines.

	2006	2007	2008	2009	2010	2011
\$	8,623,312	\$ 9,067,548	\$ 9,102,276	\$ 8,252,754 (12)	\$ 8,076,848	\$ 8,319,973
	533,974	404,811	300,705 (7)	261,485 (7)	217,086 (7)	217,496
	132,601	82,039	801,844 (8)	1,187,335 (12)	1,450,723 (16)	745,573 (16)
	1,247,609	1,685,084	1,292,402 (9)	2,040,086 (13)	1,798,758	1,236,945
	64,132	34,833	146,998	112,990	41,443	34,528
	- (4)	-	-	-	-	-
	1,063,092	710,715 (6)	384,064 (7)	121,768 (7)	37,890 (7)	35,229
	77,874	58,608	20,460	12,079	18,146	21,472
	205,016	331,489	182,744 (10)	40,789 (10)	17,262 (10)	14,311
	12,975	13,097	51,597	200,649 (14)	44,497	37,746
	<u>11,960,585</u>	<u>12,388,224</u>	<u>12,283,090</u>	<u>12,229,935</u>	<u>11,702,653</u>	<u>10,663,273</u>
	1,025,695	1,122,977	1,172,837	1,026,932	1,019,212	959,036
	642,889	825,873	862,715	895,312	828,909	718,830
	5,335,737	5,807,045	5,965,835	6,429,522	6,304,775	6,167,299
	1,014,991	1,101,204	1,176,544	1,087,963	1,007,576	912,264
	-	-	-	-	-	1,321 (18)
	828,463	846,697	850,737	851,542	743,571	640,226
	886,963 (5)	1,320,032	2,246,574 (11)	573,427 (15)	1,526,584 (17)	2,543,618 (17)
	490,586	468,652	474,107	456,149	378,721	338,899
	195,437	192,204	185,217	173,579	165,971	154,232
	-	-	-	-	-	-
	<u>10,420,761</u>	<u>11,684,684</u>	<u>12,934,566</u>	<u>11,494,426</u>	<u>11,975,319</u>	<u>12,435,725</u>
	<u>1,539,824</u>	<u>703,540</u>	<u>(651,476)</u>	<u>735,509</u>	<u>(272,666)</u>	<u>(1,772,452)</u>
	204,819	284,664	367,209	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	13,558	21,624	51,297	3,022	22,200	34,728
	500,467	574,958	531,041	112,490	400,811	912,284
	(500,467)	(574,958)	(531,041)	(112,490)	(400,811)	(912,284)
	<u>218,377</u>	<u>306,288</u>	<u>418,506</u>	<u>3,022</u>	<u>22,200</u>	<u>34,728</u>
\$	<u>1,758,201</u>	<u>1,009,828</u>	<u>(232,970)</u>	<u>738,531</u>	<u>(250,466)</u>	<u>(1,737,724)</u>
	7.2%	6.3%	5.5%	5.7%	5.1%	4.9%

(10) Drastic decrease in interest rates due to the current economic recession.

(11) Costs associated with the Downtown Pedestrian Improvements project and other transportation and sidewalk projects.

(12) Beginning in 2009, Special Purpose Local Option Sales Taxes received from the County were reclassified as Intergovernmental revenues.

(13) Increase in fine fees and confiscated assets.

(14) Collection adjustment of tower rental.

(15) No major cost associated with transportation or sidewalk projects.

(16) The City has received several grants for transportation and sidewalk projects.

(17) Cost associated with transportation and sidewalk projects.

(18) Veterans Memorial Park Fund opened.

CITY OF FAYETTEVILLE, GEORGIA

**GENERAL GOVERNMENT TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

Fiscal Year	Property Tax	Sales Tax	Franchise Tax	Alcoholic Beverage Tax	Insurance Premium Tax
2002	\$ 1,550,213	\$ 1,917,851	\$ 779,296	\$ 303,884	\$ 404,941
2003	1,716,246	2,026,571	820,915	303,255	444,312
2004	1,877,256	2,235,325	839,639	316,115	478,864
2005	2,091,209	2,384,936	955,592	358,800	518,958
2006	2,296,597	3,210,939 (1)	1,032,289	354,818	558,331
2007	2,486,189	3,294,819	1,075,645	349,428	584,154
2008	2,648,273	3,127,513	1,134,982	341,816	609,337
2009	2,723,636	2,147,990 (2)	1,267,033	349,069	623,934
2010	2,645,232	2,259,642	1,150,101	339,515	618,080
2011	2,695,368	2,215,415	1,324,949	350,585	600,117

(1) The City began collecting Special Purpose Local Option Sales Taxes from the County at the end of fiscal year 2005.

(2) Beginning in 2009, Special Purpose Local Option Sales Taxes received from the County were reclassified as Intergovernmental revenues.

Business and Occupation Tax	Other Taxes	Total
\$ 685,550	\$ 185,181	\$ 5,826,916
752,542	290,548	6,354,389
761,193	319,863	6,828,255
760,525	267,100	7,337,120
857,935	312,403	8,623,312
912,002	365,311	9,067,548
903,792	336,563	9,102,276
855,782	285,310	8,252,754
817,237	247,041	8,076,848
814,309	319,230	8,319,973

CITY OF FAYETTEVILLE, GEORGIA

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY LAST TEN FISCAL YEARS

Fiscal Year	Assessed Value					Motor Vehicle
	Residential	Commercial	Industrial	Agricultural	Utility	
2002	\$ 236,025,759	\$ 195,655,894	\$ 7,864,505	\$ 1,534,460	\$ 7,128,616	\$ 33,660,380
2003	272,530,275	228,890,427	9,278,780	3,641,909	8,032,951	35,615,900
2004	310,515,295	254,935,371	8,977,075	3,030,349	7,801,976	36,278,270
2005	337,492,765	309,075,403	10,431,109	1,361,596	7,531,135	37,328,240
2006	380,193,347	318,175,668	10,168,393	678,036	7,466,898	37,336,640
2007	431,942,747	341,533,006	10,755,712	214,976	7,683,612	39,031,150
2008	470,285,294	365,896,540	11,109,738	154,976	8,193,162	42,481,910
2009	480,596,431	385,936,262	10,779,452	154,976	7,926,971	49,614,470
2010	472,686,132	383,151,099	11,317,909	154,976	8,790,447	51,646,580
2011	415,908,249	367,331,508	10,757,511	111,440	8,184,468	42,264,380

SOURCE:

City of Fayetteville, Georgia and Fayette County, Georgia tax records.

(1) Includes heavy duty equipment, timber, and conservation use.

(2) State of Georgia requires 40% assessment of actual value.

<u>Other (1)</u>	<u>Less: Tax-Exempt Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Taxable Value</u>	<u>Assessed Value as a Percentage of Actual Value (2)</u>
\$ 552,439	\$ 357,844	482,064,209	3.220	1,205,160,523	40%
430,632	595,133	557,825,741	3.110	1,394,564,353	40%
374,095	1,019,891	620,892,540	3.033	1,552,231,350	40%
373,502	1,350,081	702,243,669	3.033	1,755,609,173	40%
532,228	1,272,459	753,278,751	3.033	1,883,196,878	40%
959,228	2,042,492	830,077,939	2.990	2,075,194,848	40%
1,278,367	1,328,760	898,071,227	2.990	2,245,178,068	40%
873,427	1,809,096	934,072,893	2.988	2,335,182,233	40%
390,463	1,379,107	926,758,499	2.988	2,316,896,248	40%
351,732	1,479,328	843,429,960	3.240	2,108,574,900	40%

CITY OF FAYETTEVILLE, GEORGIA

**PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
(PER \$1,000 OF ASSESSED VALUE)
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>State</u>	<u>County</u>	<u>County School District</u>	<u>City of Fayetteville</u>			<u>Total</u>
				<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total City</u>	
2002	0.25	6.64	25.56	2.47	0.75	3.22	35.67
2003	0.25	6.20	21.69	2.36	0.75	3.11	31.25
2004	0.25	6.82	22.70	2.28	0.75	3.03	32.80
2005	0.25	6.38	22.68	2.28	0.75	3.03	32.34
2006	0.25	6.08	18.75	2.28	0.75	3.03	28.11
2007	0.25	5.98	22.15	2.24	0.75	2.99	31.37
2008	0.25	5.95	23.92	2.24	0.75	2.99	33.11
2009	0.25	5.95	23.42	2.24	0.75	2.99	32.61
2010	0.25	5.95	23.42	2.24	0.75	2.99	32.61
2011	0.25	5.95	21.65	2.37	0.87	3.24	31.09

SOURCE:

City of Fayetteville, Georgia and Fayette County, Georgia tax records.

CITY OF FAYETTEVILLE, GEORGIA

PRINCIPAL PROPERTY TAXPAYERS CURRENT YEAR AND NINE YEARS AGO

Taxpayer	Fiscal Year 2011			Fiscal Year 2002		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
DDRTC Fayette Pavilion I & II	\$ 71,970,511	1	7.77%	\$ -		-
DDRTC Fayette Pavilion III & IV	43,446,800	2	4.69%	-		-
Piedmont Hospital Inc	17,856,570	3	1.93%	4,808,368	2	1.00%
Piedmont Fayette Medical & Office Bldg	14,689,885	4	1.59%	-		-
CP Summit Retail LLC	14,143,690	5	1.53%	-		-
Banks Crossing Assoc. LLC & BC Plaza	14,121,000	6	1.52%	3,756,000	4	0.78%
Fayetteville Towne Center C/O Retail	13,541,360	7	1.46%	-		-
Norbelle LLC & Lasalle Investment	13,059,840	8	1.41%	-		-
CA New Plan Acquisition Fund & LLC	12,607,000	9	1.36%	-		-
General Electric Credit Equities, Inc.	11,660,600	10	1.26%	-		-
Fourth Quarter Properties I	-		-	34,829,148	1	7.23%
BellSouth Telecommunication	-		-	4,742,202	3	0.98%
Parkway Fayette, LP	-		-	3,711,048	5	0.77%
JDN Realty Corporation	-		-	3,626,400	6	0.75%
Wal-Mart Stores, Inc.	-		-	3,211,929	7	0.67%
FAI LTD C/O Alexander Properties Inc	-		-	3,209,200	8	0.67%
Lowe's Home Centers, Inc.	-		-	3,147,296	9	0.65%
Home Depot USA, Inc.	-		-	2,169,637	10	0.45%
Total	<u>\$ 227,097,256</u>		<u>24.50%</u>	<u>\$ 67,211,228</u>		<u>13.94%</u>

SOURCE:

City of Fayetteville, Georgia and Fayette County, Georgia tax records.

CITY OF FAYETTEVILLE, GEORGIA

PROPERTY TAX LEVIES AND COLLECTIONS LAST TEN FISCAL YEARS

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2002	\$ 1,457,954	\$ 1,410,538	96.7 %	\$ 22,325	\$ 1,432,863	98.3 %
2003	1,567,067	1,486,650	94.9	17,257	1,503,907	96.0
2004	1,885,197	1,835,197	97.3	45,783	1,880,980	99.8
2005	2,016,641	1,852,886	91.9	31,764	1,884,650	93.5
2006	2,170,958	2,051,676	94.5	37,762	2,089,438	96.2
2007	2,364,823	2,239,406	94.7	28,502	2,267,908	95.9
2008	2,556,835	2,379,452	93.1	38,608	2,418,060	94.6
2009	2,642,618	2,456,059	92.9	37,999	2,494,058	94.4
2010	2,614,719	2,471,256	94.5	51,526	2,522,782	96.5
2011	2,595,776	2,431,436	93.7	119,790	2,551,226	98.3

SOURCE:

City of Fayetteville, Georgia and Fayette County, Georgia tax records.

CITY OF FAYETTEVILLE, GEORGIA

WATER SOLD BY CUSTOMER TYPE LAST NINE FISCAL YEARS (MILLIONS OF GALLONS)

Type of Customer	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Residential (1)	368.13	398.30	391.96	403.51	383.18	335.84	321.75	300.96	289.10
Commercial (1)	49.75	53.83	53.06	54.00	113.27	112.95	44.51	91.13	95.51
Senior (1)	60.44	65.39	64.40	70.20	40.70	39.61	82.33	58.79	69.20
Other (1)	14.29	15.46	15.48	16.04	11.76	11.94	15.23	11.17	16.50
Total usage	<u>492.61</u>	<u>532.98</u>	<u>524.90</u>	<u>543.75</u>	<u>548.91</u>	<u>500.34</u>	<u>463.82</u>	<u>462.05</u>	<u>470.31</u>
Total direct rate per 1,000 gallons (2)	\$ 2.40	\$ 2.40	\$ 2.40	\$ 2.65	\$ 2.65	\$ 2.90	\$ 2.90	\$ 2.90	\$ 2.90

(1) City of Fayetteville billing registers.

(2) City of Fayetteville ordinances.

Note: Information prior to fiscal year 2003 is not readily available.

CITY OF FAYETTEVILLE, GEORGIA

WATER AND SEWER USER RATES LAST TEN FISCAL YEARS

Fiscal Year	Water (Residential)		Water (Commercial)		Water (Senior)	
	Monthly Base Rate	Rate per 1000 Gallons	Monthly Base Rate	Rate per 1000 Gallons	Monthly Base Rate	Rate per 1000 Gallons
2002	\$ 12.00	\$ 2.40	\$ 22.00	\$ 2.40	\$ 9.00	\$ 2.40
2003	12.00	2.40	22.00	2.40	9.00	2.40
2004	12.00	2.40	22.00	2.40	9.00	2.40
2005	12.00	2.40	22.00	2.40	9.00	2.40
2006	13.20	2.65	24.20	2.65	11.22	2.65
2007	13.20	2.65	24.20	2.65	11.22	2.65
2008	14.50	2.90	26.60	2.90	12.33	2.90
2009	14.50	2.90	26.60	2.90	12.33	2.90
2010	14.50	2.90	26.60	2.90	12.33	2.90
2011	14.50	2.90	26.60	2.90	12.33	2.90

SOURCE:

City of Fayetteville, Georgia ordinances.

Sewer (Residential)		Sewer (Commercial)		Sewer (Senior)	
Monthly	Rate per	Monthly	Rate per	Monthly	Rate per
Base Rate	1000 Gallons	Base Rate	1000 Gallons	Base Rate	1000 Gallons
\$ 10.00	\$ 1.65	\$ 20.00	\$ 1.65	\$ 9.00	\$ 1.65
10.00	1.65	20.00	1.65	9.00	1.65
10.00	1.65	20.00	1.65	9.00	1.65
10.00	1.65	20.00	1.65	9.00	1.65
12.00	2.00	23.00	2.00	10.20	2.00
12.00	2.00	23.00	2.00	10.20	2.00
15.95	2.85	27.95	2.85	13.56	2.85
15.95	2.85	27.95	2.85	13.56	2.85
15.95	2.85	27.95	2.85	13.56	2.85
15.95	2.85	27.95	2.85	13.56	2.85

CITY OF FAYETTEVILLE, GEORGIA

TEN LARGEST WATER CUSTOMERS CURRENT YEAR AND EIGHT YEARS AGO

Taxpayer	Fiscal Year 2011			Fiscal Year 2003		
	Total Water Revenue	Rank	Percentage of Total Water Revenue	Total Water Revenue	Rank	Percentage of Total Water Revenue
Banks Station	\$ 32,544	1	1.36%	\$ 25,338	1	1.38%
Fayette County Board of Education	29,791	2	1.24%	-		-
Bay Branch Condo	18,309	3	0.76%	6,437	7	0.35%
Swanbrook	16,008	4	0.67%	16,061	2	0.88%
Cobblestone of Fayette	14,451	5	0.60%	5,885	10	0.32%
Fayette County Jail Complex	21,345	6	0.89%	-		-
HCCC, Inc.	22,173	7	0.93%	7,927	6	0.43%
Fayette County Board of Commissioners	14,040	8	0.59%	11,782	3	0.64%
Summit Retail	14,010	9	0.58%	-		-
Fayetteville Towne Center	5,229	10	0.22%	7,938	5	0.43%
Marksman Landscaping	-		-	6,416	8	0.35%
Walker Concrete	-		-	9,087	4	0.50%
Holiday Inn Express	-		-	6,063	9	0.33%
Subtotal (10 Largest)	187,900		7.84%	102,934		5.62%
Balance from Other Customers	2,208,885		92.16%	1,729,926		94.38%
Total	<u>\$ 2,396,785</u>		<u>100.00%</u>	<u>\$ 1,832,860</u>		<u>100.00%</u>

SOURCE:

City of Fayetteville, Georgia Water/Sewer Department records.

Note: Information prior to fiscal year 2003 is not readily available.

CITY OF FAYETTEVILLE, GEORGIA

TEN LARGEST SEWER CUSTOMERS CURRENT YEAR AND EIGHT YEARS AGO

Taxpayer	Fiscal Year 2011			Fiscal Year 2003		
	Total Sewer Revenue	Rank	Percentage of Total Sewer Revenue	Total Sewer Revenue	Rank	Percentage of Total Sewer Revenue
Fayette Community Hospital	\$ 132,304	1	5.18%	\$ -		-
Inland Group	47,431	2	1.86%	-		-
Banks Station	32,933	3	1.29%	19,756	1	1.29%
Marksman Landscaping	23,237	4	0.91%	5,022	6	0.33%
Bay Branch Condo	22,432	5	0.88%	4,444	8	0.29%
Fayette County Board of Education	21,834	6	0.85%	-		-
Fayette County Jail Complex	21,019	7	0.82%	-		-
Swanbrook	17,604	8	0.69%	12,972	2	0.85%
Cobblestone of Fayette	15,507	9	0.61%	4,552	7	0.30%
Fayette County Board of Commissioners	14,760	10	0.58%	10,674	3	0.70%
Fayetteville Towne Center	-		-	6,275	4	0.41%
HCCC, Inc.	-		-	5,826	5	0.38%
Holiday Inn Express	-		-	4,236	9	0.28%
Magnolia Park Daycare	-		-	3,313	10	0.22%
Subtotal (10 Largest)	349,061		13.66%	77,070		5.04%
Balance from Other Customers	2,206,637		86.34%	1,451,138		94.96%
Total	<u>\$ 2,555,698</u>		<u>100.00%</u>	<u>\$ 1,528,208</u>		<u>100.00%</u>

SOURCE:

City of Fayetteville, Georgia Water/Sewer Department records.

Note: Information prior to fiscal year 2003 is not readily available.

CITY OF FAYETTEVILLE, GEORGIA

RATIOS OF OUTSTANDING DEBT BY TYPE LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities			Business-type Activities		
	Certificates of Participation	Capital Leases	Total	Revenue Bonds	Notes Payable	Total
2002	\$ -	\$ 575,341	\$ 575,341	\$ 7,475,000	\$ 2,853,432	\$ 10,328,432
2003	-	460,941	460,941	7,135,000	2,613,115	9,748,115
2004	4,575,000	902,215	5,477,215	14,205,000	2,382,219	16,587,219
2005	4,575,000	815,377	5,390,377	13,710,000	2,202,916	15,912,916
2006	4,395,000	709,610	5,104,610	13,120,000	3,215,038	16,335,038
2007	4,210,000	710,622	4,920,622	12,510,000	7,824,049	20,334,049
2008	4,020,000	793,724	4,813,724	11,890,000	9,519,481	21,409,481
2009	3,825,000	532,575	4,357,575	11,250,000	8,316,684	19,566,684
2010	3,625,000	353,854	3,978,854	19,955,000	-	19,955,000
2011	3,420,000	219,955	3,639,955	19,405,000	-	19,405,000

NOTES:

Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) See the Schedule of Demographic and Economic Statistics for personal income and population data.

Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
\$ 10,903,773	2.23 %	830
10,209,056	2.05	767
22,064,434	4.16	1,600
21,303,293	4.37	1,480
21,439,648	4.15	1,426
25,254,671	4.63	1,639
26,223,205	4.73	1,734
23,924,259	4.94	1,581
23,933,854	5.38	1,586
23,044,955	5.44	1,445

CITY OF FAYETTEVILLE, GEORGIA

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JULY 31, 2011**

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
Fayette County School District	\$ 79,728,368	10 %	\$ 7,972,837
Fayette County Public Facilities Authority	40,300,000	10 %	<u>4,030,000</u>
Total overlapping debt			12,002,837
City of Fayetteville direct debt			<u>3,639,955</u>
Total direct and overlapping debt			<u><u>\$ 15,642,792</u></u>

SOURCES:

Fayette County School District and Fayette County Public Facilities Authority.

NOTE:

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

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

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CITY OF FAYETTEVILLE, GEORGIA

LEGAL DEBT MARGIN INFORMATION LAST TEN FISCAL YEARS

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Debt limit	\$ 48,242,205	\$ 55,842,087	\$ 62,191,243	\$ 70,359,375
Total net debt applicable to limit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal debt margin	<u>\$ 48,242,205</u>	<u>\$ 55,842,087</u>	<u>\$ 62,191,243</u>	<u>\$ 70,359,375</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%

NOTE:

Under Georgia law, the City of Fayetteville's outstanding general obligation debt should not exceed 10% of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying the general obligation bonds.

Fiscal Year					
2006	2007	2008	2009	2010	2011
\$ 75,455,121	\$ 83,212,043	\$ 89,939,999	\$ 93,588,199	\$ 92,813,761	\$ 84,490,929
-	-	-	-	-	-
<u>\$ 75,455,121</u>	<u>\$ 83,212,043</u>	<u>\$ 89,939,999</u>	<u>\$ 93,588,199</u>	<u>\$ 92,813,761</u>	<u>\$ 84,490,929</u>
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Legal Debt Margin Calculation for Fiscal Year 2010

Assessed value	\$ 843,429,960
Add back: exempt real property	<u>1,479,328</u>
Total assessed value	844,909,288
Debt limit (10% of assessed value)	84,490,929
Debt applicable to limit:	
General obligation bonds	-
Less: Amount set aside for repayment of General obligation debt	<u>-</u>
Total net debt applicable to limit	-
Legal debt margin	<u>\$ 84,490,929</u>

CITY OF FAYETTEVILLE, GEORGIA

**PLEDGED-REVENUE COVERAGE
LAST TEN FISCAL YEARS**

Fiscal Year	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Principal	Interest	Coverage
2002	\$ 3,563,597	\$ 2,676,013	\$ 887,584	\$ 320,000	\$ 407,788	\$ 1.22
2003	3,389,526	2,986,627	402,899	340,000	392,933	0.55
2004	3,979,731	2,883,941	1,095,790	350,000	415,386	1.43
2005	4,191,258	3,353,886	837,372	495,000	531,196	0.82
2006	4,614,379	3,503,080	1,111,299	590,000	517,431	1.00
2007	5,001,076	3,715,636	1,285,440	610,000	506,889	1.15
2008	5,113,316	3,760,191	1,353,125	620,000	494,279	1.21
2009	5,399,480	3,675,834	1,723,646	640,000	480,089	1.54
2010	5,305,085	3,337,598	1,967,487	655,000	506,369	1.69
2011	5,450,926	3,716,167	1,734,759	550,000	840,828	1.25

NOTES:

Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Utility service charges include tap fees, but exclude interest.

Operating expenses do not include interest, depreciation, or amortization expense.

CITY OF FAYETTEVILLE, GEORGIA

DEMOGRAPHIC AND ECONOMIC STATISTICS LAST TEN FISCAL YEARS

Fiscal Year	Population (1)	Personal Income (thousands) (2)	Per Capita Personal Income (2)	Median Age (1)	School Enrollment (3)	Unemployment Rate (4)
2002	13,133	\$ 487,970	\$ 37,156	N/A	20,817	2.6 %
2003	13,306	497,432	37,384	36.1	21,239	3.0
2004	13,792	530,882	38,492	36.1	21,624	2.7
2005	14,395	487,976	33,899	36.1	22,338	4.6
2006	15,033	517,240	34,407	36.1	22,291	4.0
2007	15,408	545,320	35,392	36.1	22,190	3.8
2008	15,126	554,670	36,670	36.1	21,597	4.7
2009	15,136	484,322	31,998	36.1	21,899	8.8
2010	15,093	445,002	29,484	36.1	20,756	8.6
2011	15,945	423,356	26,551	36.1	20,607	8.3

SOURCES:

- (1) City of Fayetteville records.
- (2) Bureau of Economic Analysis, U.S. Department of Commerce.
- (3) Fayette County Board of Education.
- (4) Bureau of Labor Statistics, U.S. Department of Labor.

CITY OF FAYETTEVILLE, GEORGIA

PRINCIPAL EMPLOYERS CURRENT YEAR AND NINE YEARS AGO

Employer	Fiscal Year 2011			Fiscal Year 2002		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Fayette County Board of Education	3,394	1	33.34%	799	1	5.24%
Fayette Hospital	1,388	2	13.64%	571	2	3.75%
Fayette County Board of Commissioners	703	3	6.91%	450	3	2.95%
Kroger	401	4	3.94%	125	5	0.82%
Wal-Mart Stores, Inc.	341	5	3.35%	125	6	0.82%
Publix	212	6	2.08%	-		-
Lafayette Nursing Home	190	7	1.87%	120	7	0.79%
Target	180	8	1.77%	-		-
Brent Scarbrough & Company	136	9	1.34%	105	9	0.69%
City of Fayetteville	136	10	1.34%	110	8	0.72%
Home Depot	-		-	150	4	0.98%
Leslie Contracting	-		-	100	10	0.66%
Total	7,081		69.56%	2,655		17.42%

SOURCE:

City of Fayetteville, Georgia records.

CITY OF FAYETTEVILLE, GEORGIA

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION LAST TEN FISCAL YEARS

Function	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General government	14	14	15	15	15	13	13	10	14	14
Judicial	3	3	3	3	2	2	2	2	2	2
Public safety										
Police	44	47	48	48	48	49	54	48	45	45
Fire	24	27	27	27	27	26	30	36	36	36
Public works	11	11	12	12	14	14	14	13	12	12
Housing and development	11	11	11	12	10	9	9	6	5	5
Main Street Tourism	2	2	2	2	2	2	2	2	2	2
Water and Sewer										
Water	18	18	18	18	18	12	12	10	10	10
Wastewater	5	5	7	7	7	14	14	11	10	10
Total	<u>132</u>	<u>138</u>	<u>143</u>	<u>144</u>	<u>143</u>	<u>141</u>	<u>150</u>	<u>138</u>	<u>136</u>	<u>136</u>

SOURCE:

City of Fayetteville, Georgia records

CITY OF FAYETTEVILLE, GEORGIA

OPERATING INDICATORS BY FUNCTION LAST EIGHT CALENDAR YEARS

Function	2004	2005	2006	2007	2008	2009	2010	2011
Mayor And Council								
Citizen contacts	-	1,745	5,871	4,859	4,626	7,000	5,000	5,000
Council meetings	23	26	25	25	26	24	26	26
Correspondence generated	67	74	55	85	81	150	100	100
Finance and Administration								
A/P checks processed	4,638	4,044	4,472	4,869	4,354	4,066	4,282	4,200
Business licenses processed	2,212	2,168	2,015	2,157	2,337	2,250	2,092	2,100
Utility bills generated	84,641	88,274	97,494	99,286	100,337	101,877	101,010	101,051
Information Technology								
Number of work orders received	1,055	523	468	529	530	528	600	600
Hits on City website per year	80,455	110,255	121,322	181,776	164,475	115,882	125,000	150,000
Municipal Court								
Citations processed	8,369	7,210	8,218	10,033	8,060	7,742	8,704	8,000
Cases adjudicated	7,894	8,736	9,708	11,990	7,319	7,900	9,131	9,000
Average inmates per month	12	12	11	16	20	12	14	12
Police								
Number of arrests	1,332	1,164	1,385	1,427	1,434	1,392	1,521	1,431
Number of traffic accidents	1,506	1,618	1,507	1,396	1,148	1,621	1,084	1,351
Citations/warnings issued	8,577	8,897	11,777	7,869	9,752	11,624	10,969	10,398
Fire								
Emergency calls	2,367	2,387	2,570	2,560	2,656	2,691	2,737	2,800
Hydrants maintained	947	1,089	1,117	1,250	1,250	1,289	1,300	1,315
Inspections completed	1,795	1,660	1,446	1,431	1,391	1,436	1,391	1,400
Public Works								
Miles resurfaced	2.0	2.0	2.5	1.3	1.3	1.3	1.5	1.5
Miles of cracks sealed	1.5	1.5	1.5	2.0	1.0	1.0	1.0	1.0
Miles of right of way mowed	370	380	430	435	445	455	465	465
Housing And Development								
Building permit inspections	5,487	5,484	7,020	4,097	3,087	3,087	2,294	2,300
Development plan applications	38	33	37	28	15	9	-	8
Erosion control inspections	3,668	3,672	3,452	2,085	1,643	1,060	461	460
Water And Sewer								
Water - gallons processed (X 1,000)	584,183	540,480	474,920	388,624	195,180	147,849	80,899	118,835
Wastewater - gallons processed (X 1,000)	768,169	833,790	770,502	716,985	684,408	561,675	630,894	637,203
New meter installations	156	153	168	54	25	11	13	15

NOTE:

Operating indicator information was not maintained by the City prior to 2004.

SOURCE:

City of Fayetteville, Georgia records.

CITY OF FAYETTEVILLE, GEORGIA

CAPITAL ASSET STATISTICS BY FUNCTION LAST TEN FISCAL YEARS

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Government										
Phone system	-	-	-	1	1	1	1	1	1	1
Computer system	1	1	1	1	1	1	1	1	1	1
Buildings	1	1	1	1	2	2	2	2	2	2
Police										
Station	0.5	0.5	0.5	1	1	1	1	1	1	1
Fire										
Stations	1.5	1.5	1.5	2	2	2	2	2	2	2
Fire trucks	2	2	3	3	3	3	3	3	3	3
Public Works										
Parks	3	3	3	4	5	5	5	5	5	5
Highways/streets	40.83	47.12	53.41	56.55	62.83	63.30	63.30	63.30	63.30	63.30
Building	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Bridge	1	1	1	1	1	1	1	1	1	1
Traffic signals	3	3	3	3	3	3	3	3	3	3
Cemetery	1	1	1	1	1	1	1	1	1	1
Lake	1	1	1	1	1	1	3	3	3	3
Water And Sewer										
Buildings	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Lift stations	19	20	21	22	24	24	24	24	24	24
Miles of sewer lines	85	92	99	107	122	126	126	126	126	126
Miles of water lines	N/A	N/A	N/A	N/A	104	108	108	108	108	108
Manholes	1,980	2,138	2,309	2,494	2,798	2,798	2,798	2,798	2,798	2,798
Stormwater detention	-	-	-	1	1	1	1	1	1	1
Lake	-	-	-	1	1	1	1	1	1	1
Wells	3	3	3	3	3	3	3	3	3	3

SOURCE:

City of Fayetteville, Georgia records.

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CONTINUING DISCLOSURE SECTION

CITY OF FAYETTEVILLE, GEORGIA

**WATER SUPPLY BY SOURCE
LAST TEN CALENDAR YEARS
(IN THOUSAND GALLONS)**

<u>Calendar Year</u>	<u>Fayette County</u>		<u>System Well/Water Plant</u>		<u>Total Usage</u>	<u>Percent Change</u>
	<u>Volume</u>	<u>Percent</u>	<u>Volume</u>	<u>Percent</u>		
2002	87,253	15.7 %	467,034	84.3 %	554,287	3.0 %
2003	28,147	4.6	585,799	95.4	613,946	10.8
2004	59,077	9.8	542,820	90.2	601,897	(2.0)
2005	30,836	5.4	541,150	94.6	571,986	(5.0)
2006	118,026	21.7	426,439	78.3	544,465	(4.8)
2007	231,331	41.3	328,434	58.7	559,765	2.8
2008	153,581	31.5	334,700	68.5	488,281	(12.8)
2009	115,328	22.9	387,705	77.1	503,033	3.0
2010	118,314	23.0	395,035	77.0	513,349	2.1
2011	149,076	31.6	322,906	68.4	471,982	(8.1)

Source: City of Fayetteville, Georgia records.

CITY OF FAYETTEVILLE, GEORGIA

WASTEWATER TREATMENT PLANT AVERAGE FLOW LAST TEN CALENDAR YEARS (IN MILLION GALLONS PER DAY)

<u>Calendar Year</u>	<u>Average Daily Flow MGD</u>	<u>Average Weekly Peak Flow MGD</u>
2002	2.15	2.38
2003	2.27	2.50
2004	2.11	2.31
2005	2.28	2.54
2006	2.29	2.10
2007	1.96	2.24
2008	1.86	1.81
2009	1.54	1.51
2010	1.73	1.90
2011	1.63	1.88

Note: The City's sewerage system consists of a modern secondary wastewater treatment facility, twenty-four (24) pumping stations and approximately one hundred twenty-two (122) miles of collector and transmission lines. The Whitewater Creek wastewater treatment plant was expanded and upgraded in 1992 to 3.75 MGC and in 2008 to 5.0 MGC through 2003 Water and Sewer Bonds and a GEFA Loan.

Source: City of Fayetteville, Georgia records.

CITY OF FAYETTEVILLE, GEORGIA

WATER AND SEWER CUSTOMERS LAST TEN CALENDAR YEARS

<u>Calendar Year</u>	<u>Number of Water Customers</u>	<u>% Increase Water Customers</u>	<u>Number of Sewer Customers</u>	<u>% Sewer to Water Customers</u>
2002	6,240	1.1 %	6,044	96.9 %
2003	6,263	0.4	6,183	98.7
2004	6,322	0.9	6,494	102.7
2005	6,576	4.0	6,748	102.6
2006	6,640	1.0	6,870	103.5
2007	6,643	0.0	8,062	121.4
2008	6,631	(0.2)	8,051	121.4
2009	6,585	(0.7)	8,032	122.0
2010	6,615	0.5	8,035	121.5
2011	6,607	(0.1)	8,027	121.5

SOURCE:

City of Fayetteville, Georgia records.

CITY OF FAYETTEVILLE, GEORGIA

WATER AND SEWER USER FEES AND CHARGES

In accordance with the requirements of Rule 15c-2-12 promulgated by the Securities and Exchange Commission (“SEC”), the City has covenanted to disclose the following annual financial information.

User fees are set by the Mayor and Council to recover independently the cost of providing water and sewerage service, to pay principal and interest on debt obligations of the System and to general reserves for emergencies and expansion of the System. The Mayor and Council last adopted a schedule for rates, tolls, assessments and fees charged by the System in August 2009. The City has covenanted in the Ordinance to revise and adjust such schedules of rates, fees and charges for water sewerage services and facilities to the extent necessary to produce funds at least equal to the amount necessary to: (1) operate and maintain the System on a sound businesslike basis but before provision for depreciation or amortization; (2) produce an amount equal to 115% of the Debt Service Requirement for the then current Sinking Fund Year, (3) create and maintain in the Debt Service Reserve Fund an amount equal to the Debt Service Reserve Requirement and (4) make the payments then required to be made into the Renewal and Extension Fund.

The minimum water and sewer bill is based on the first 2,000 gallons of water usage. In addition to the charges outlined below for water and sewerage usage, the City charges a minimum water meter fee of \$900.00 and has adopted a proportionate share fee system for new sewer service based on land uses and square footage. The proportionate share sewer fee is imposed to recover transmission and other costs associated with developing new sewer collection basins and service areas. These charges range from \$1,576.80 for a single family residential dwelling to \$350.40 per 1,000 square feet of retail, \$292.00 per 1,000 square feet of standard office and \$438.00 per 1,000 square feet of medical space.

Based on the current rate structure and average residential water of usage of 6,500 gallons per month, the average water bill for a residential customer is approximately \$27.55 per month. The average residential sewer bill is approximately \$28.78 per month.

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