

City of Gainesville, GA

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2012

Annual Budget

For the Fiscal Year Beginning July 1, 2012



CITY OF GAINESVILLE, GEORGIA
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2012



CITY OF GAINESVILLE, GEORGIA

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2012

***Prepared by the Administrative Services Department, Financial Services Group
Melody N. Marlowe,
Chief Financial Officer***



CITY OF GAINESVILLE, GEORGIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the fiscal year ended June 30, 2012

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OFFICIALS OF THE CITY OF GAINESVILLE

***LEGISLATIVE BRANCH
CITY COUNCIL***

Danny Dunagan (Ward 1)	Mayor
George Wangemann (Ward 4)	Mayor Pro Tem
Robert Hamrick (Ward 2)	Council Member
Myrtle Figueras (Ward 3)	Council Member
Ruth Bruner (Ward 5)	Council Member

OFFICERS OF THE COUNCIL

Denise Jordan	City Clerk
James E. Palmour, III	City Attorney

JUDICIAL BRANCH

G. Hammond Law, III	Municipal Court Judge and Administrative Hearing Officer
John Breakfield	City Solicitor

***EXECUTIVE BRANCH
CITY MANAGER AND DEPARTMENT DIRECTORS***

Kipling D. Padgett	City Manager
Angela Sheppard	Assistant City Manager
Melody N. Marlowe	Chief Financial Officer
Rodger Hogan	Director of Chattahoochee Golf Course
Catiel Felts	Director of Communication and Tourism
Perry R. Ligon	Director of Community Development
Phillippa L. Moss	Director of Community Service Center
Jerome Yarbrough	Interim Fire Chief
Vacant	Director of Georgia Mountains Center
J. Melvin Cooper	Director of Parks and Recreation
Brian Kelly	Chief of Police
Kelly J. Randall	Director of Public Utilities
David Dockery	Director of Public Works

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Gainesville
Georgia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

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.



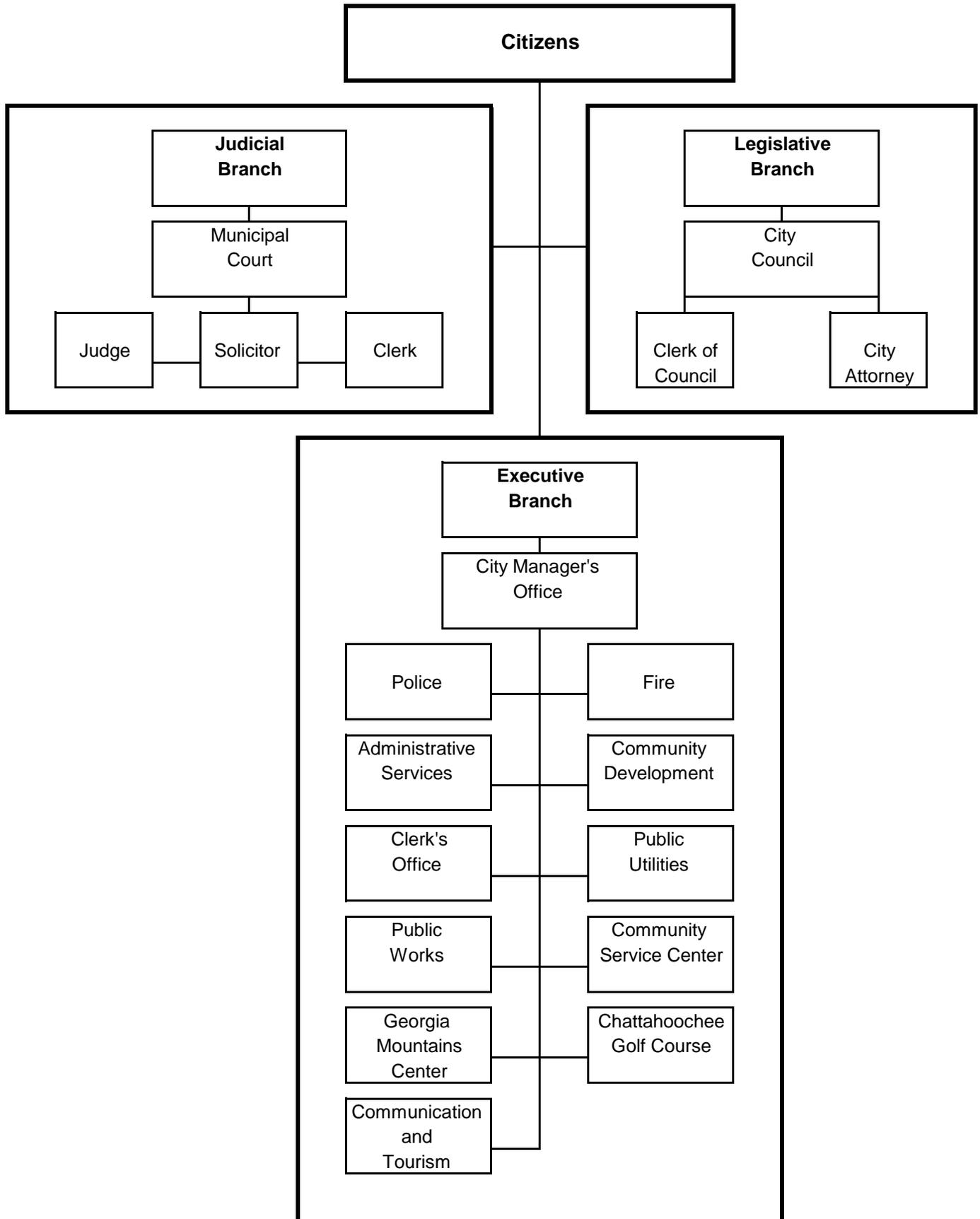
Linda C. Davison

President

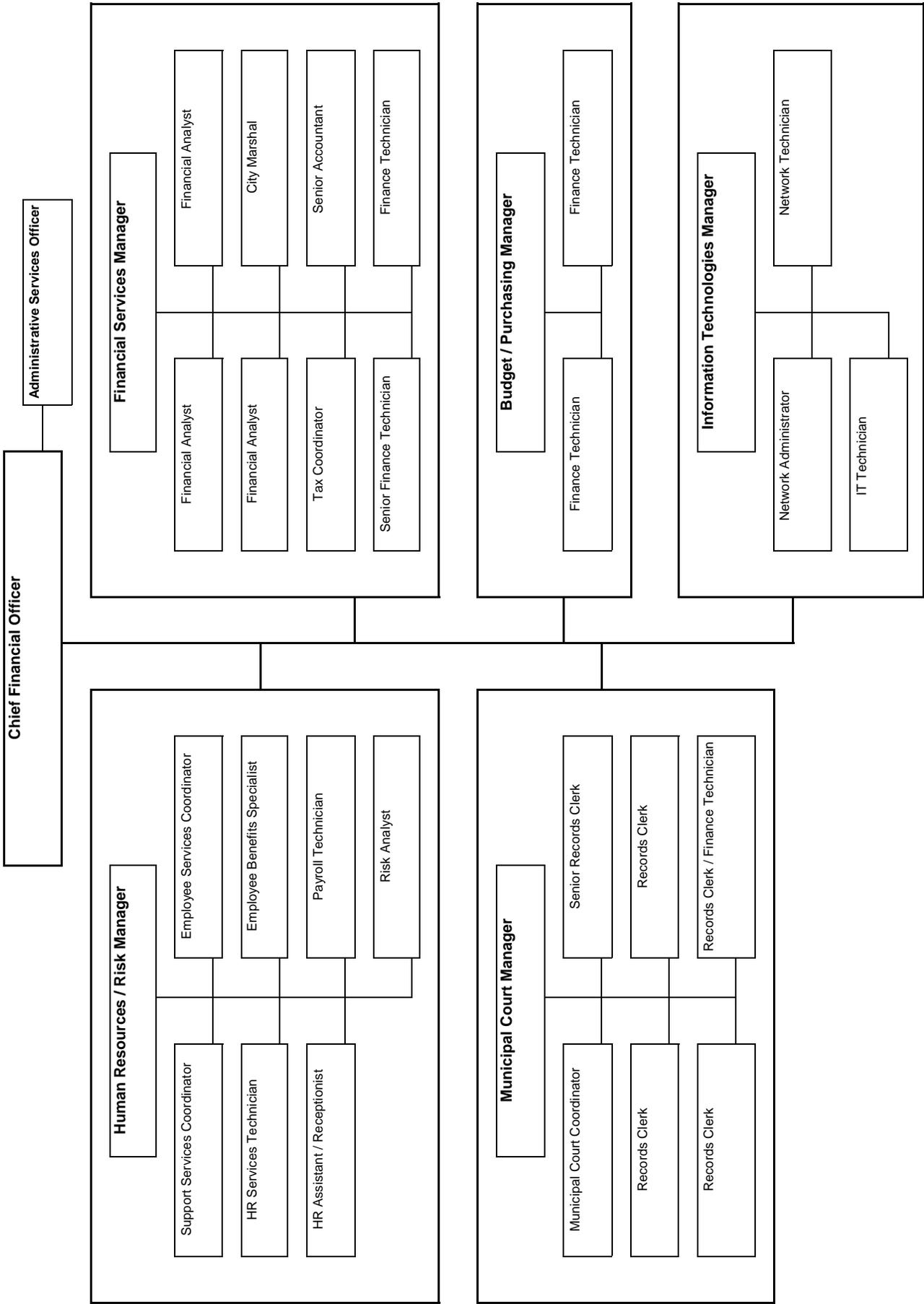
Jeffrey R. Emer

Executive Director

Gainesville City Government Organizational Chart By Governmental Branch and Department



ADMINISTRATIVE SERVICES DEPARTMENT





CITY OF GAINESVILLE

**OFFICE OF
FINANCIAL SERVICES
AND
INFORMATION
TECHNOLOGIES**

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November 20, 2012

**To the Honorable Mayor, Distinguished Members of the City Council and
Citizens of the City of Gainesville:**

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. Pursuant to that requirement, it is our pleasure to present the Comprehensive Annual Financial Report (CAFR) of the City of Gainesville (City) for the fiscal year ended June 30, 2012.

This report is published to provide you and other interested parties with detailed information concerning the financial condition of the City of Gainesville. The report consists of management's representations concerning the finances of the City of Gainesville, and was prepared by the staff of the Financial Services Group, which is a part of the City's Administrative Services Department. This report was prepared using the requirements as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34. Management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Gainesville's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, the financial report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City.

Rushton and Company, LLC, a firm of certified public accountants has audited the City of Gainesville's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Gainesville for the fiscal year ended June 30, 2012, are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by Management; and evaluating the overall financial statement presentation.

The independent auditor concluded, based upon the audit, that there was reasonable basis for rendering an unqualified opinion that the City of Gainesville's financial statements for the fiscal year ended June 30, 2012 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.



The independent audit of the financial statements of the City of Gainesville was part of a broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are presented in the Single Audit section of this 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 Gainesville’s MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Gainesville is located in Northeast Georgia, approximately 50 miles northeast of Atlanta. Gainesville is the principal city and county seat of Hall County. Bordered on the west by Lake Sidney Lanier, Hall County lies at the

southern edge of the Chattahoochee National Forest and the foothills of the Blue Ridge Mountains. According to the 2010 U.S. Census, Gainesville has a population of 33,804, while Hall County’s population is 179,684. Census Bureau estimates for 2011 show Gainesville with a population of 34,422 and Hall County with a population of 183,052. Estimated daytime population increases these numbers considerably, with approximately 100,000 people either living or employed in the City during workday hours. The City of Gainesville is empowered to levy a property tax on both real and personal property located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation, which it has done from time to time.

The City of Gainesville was incorporated on November 30, 1821 and operates under a Council-Manager form of government. Gainesville’s City Council is composed of a Mayor and four council members responsible for enacting ordinances, resolutions, and regulations governing the City, as well as appointing the members of various statutory and advisory boards and the City Manager. The City Manager is the chief executive officer of the City and is responsible for enforcement of laws and ordinances, as well as appointments and supervision of the various department directors of the municipal government. The City, under the guidance of the City Manager and the Council, provides a full

range of services. These services include police and fire protection; the maintenance of streets and infrastructure; parks; municipal golf course; recreational activities and cultural events; planning, zoning, and building inspection services; water and water pollution control services; solid waste collection; and an airport.

The Comprehensive Annual Financial Report includes all funds and activities directly under the control of the City Council. The City provides a full range of municipal services to the citizens of Gainesville and water and sewer services to most of Hall County.

The Gainesville Parks and Recreation Board meets the current guidelines of GASB Statement No. 14, and is, therefore, included as a component unit in the CAFR as part of the City of Gainesville's reporting entity. City Council appoints the Board members, exercises budgetary review, and establishes a designated tax levy. However, Gainesville Parks and Recreation serves both the residents of the City and Hall County with its program activities. Additional information on this legally separate entity can be found in the Notes to the Financial Statements.

The Community Service Center is jointly funded by the City and Hall County, but is included in this report because of the City's ability to impose its will, as all employees of the Center are City employees.

In addition, the City exercises fiduciary responsibility over the Employees' Pension Trust Fund.

The annual budget serves as the foundation for the City of Gainesville's financial planning and control. The City of Gainesville budget is adopted by City Council on or before June 30 at a regular Council meeting that is open to the public. The level of legal budgetary control is the department level. Department directors may request budget adjustments through the Administrative Services Department, provided that the budget adjustment does not increase the overall budget or personal

services allocation for that department. Equipment adjustments under \$5,000 must be approved by the City Manager, while equipment adjustments over \$5,000 and changes in personal services budgets require City Council approval.

Local Economy

As the regional employment center for Northeast Georgia, Gainesville holds the distinction of being the only Georgia metropolitan area to outpace the nation in employment growth rate since September 2010. The preliminary August 2012 unemployment rate projections brought good news as well, with rates dropping to 7.2 percent, improving from the previous month's rate of 7.7 percent and the 8.1 percent jobless rate reported in August 2011. Although unemployment still remains high, it's been tempered by job creation from new and existing businesses.

Among existing employers, IMS Gear, Kubota and ZF Windpower all announced major expansions within the past year. ZF, a manufacturer of wind turbine gearboxes, spent \$98 million on an expansion completed in September 2011, resulting in the hiring of 150 employees. In February 2012, IMS Gear announced a \$22 million capital investment to manufacture automotive parts; this expansion will bring 104 new jobs over the next 2-3 years. Additionally, in 2012 Kubota announced expansion plans adding 15 jobs to its existing 950 member workforce employed at the City of Gainesville site.

New business construction starts include the late fall groundbreaking of ProCare RX, a pharmacy benefits management business facility slated to house 120 employees, with 30-50 jobs to be created within the first year after completion. Also, groundbreaking is slated to begin in late 2012 on a new Kroger Superstore, a \$50 million investment projected to bring 400 jobs to the City upon opening sometime in 2014. The 68 acre site was annexed into the City in June 2012, and it's anticipated that other retail/business sites will follow Kroger's lead into this new center.

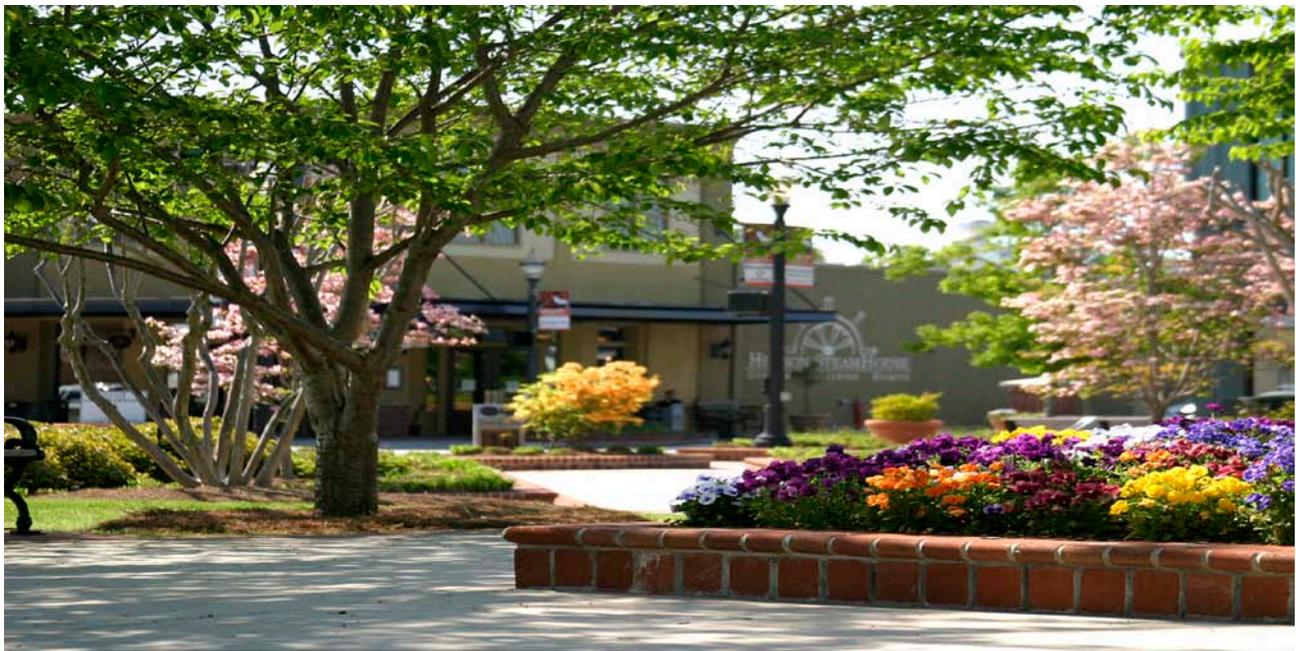
Other signs of business growth are evident along the Beachwood Crossing Shopping Center corridor, with the construction of a Buffalo Wild Wings Grill and Bar underway, alongside the recently opened Cheddars and Olive Garden Restaurants. In addition, Dick's Sporting Goods recently announced plans to build a freestanding facility at the City's Lakeshore Mall.

The Greater Hall Gainesville Chamber of Commerce has indicated that they are working approximately 75 active projects with a defined need and timeline to create jobs and investment in the area, along with the good news that their economic development activity has increased 60% from that reported two years ago.

In addition to the aforementioned robust business activity, Gainesville-Hall County holds the privilege of being the medical nucleus for the 14 county Northeast Georgia area with its top ranked hospital, Northeast Georgia Medical Center (NEGMC), and a number of highly recognized physician group practices. Three of these practices were listed in Atlanta's "Top 25 Physician Groups Practices" by the Atlanta Business Chronicle. NEGMC has won a myriad of awards in recent years; Healthgrades has

rated it as both the #1 hospital in Georgia and in the top 5% nationwide for health care, while Thomas Reuters named the facility as a top 100 hospital in the country. The medical facility had 72 new physicians join the business in 2011; over 50 specialties are served by more than 500 doctors on staff. Gainesville-Hall County has also been recognized as one of the best places to practice medicine by the physician's monthly magazine, Medical Economics. In addition, Northeast Georgia Medical Center was named one of the 10 Best Places to Work in Georgia, as cited by Georgia Trend Magazine.

Business development and employment opportunities continue to bring healthy growth to the Gainesville-Hall County area. According to 2010 Census totals, the County recognized a 29% population increase over the past decade, and in 2012, the Gainesville-Hall county MSA was cited as one of the top 50 rapidly growing metropolitan areas in the United States. Affordable housing and the aforementioned excellent medical facilities make the area particularly attractive to retirees. A number of organizations have recently recognized the City as an excellent place to retire, including AARP the Magazine, Barron's



Magazine and Where to Retire Magazine.

The sense of community found in Gainesville, coupled with easy access to large metropolitan areas makes Gainesville an attractive place to call home.

Major Initiatives. Development of the City's Midtown area continues, as the City's leaders remain focused on building an expanding economic base downtown, all while supporting a healthy quality of life for those who work and live in the region. Six years ago, the City designated a 270 acre tax allocation district, comprising a formerly industrial section of downtown Gainesville known as Midtown. The Tax Allocation District was established as a tool to foster redevelopment and provide funding to assist with the revitalization of Midtown. In addition, both the Midtown area and a portion of Downtown reside in a Georgia Opportunity Zone, a designation allowing employers a \$3,500 job tax credit for each new position generated, if they create two jobs. These financial tools combine to offer powerful incentives for business growth, and the City is doing its part in providing infrastructure to back up that growth.

The relocation of the City's public safety complex, completed during fiscal year 2011, was identified as a primary component of the Midtown project. Comprised of two buildings, one each for Police and Fire, the 13 acres site also houses the City's Municipal Court, and has room for future expansion when needed. The \$25 million complex affords a much better response time to emergencies, and is being paid with

a 1 per cent sales tax voted on by citizens in March 2009.

The demolition of the old Public Safety facility will allow new construction that's anticipated to change the complexion of the Midtown area significantly. Earlier discussions regarding a proposed center housing a major hotel, office and retail space, a conference area and parking has been postponed as interested parties wait for an improved business climate, but discussions continue between City Officials and developers. Considered a vital part of the Midtown project, new development at this site will benefit greatly by the newly constructed pedestrian bridge crossing over busy Jesse Jewell Parkway. The 450 foot long, 10 foot wide bridge, which opened in September 2012, provides easy access for pedestrians wanting to navigate between downtown activity and Midtown businesses and homes.

In addition, the City purchased valuable Midtown property in September 2012, paying \$7.2 million to Hall County for jail property currently leased to Corrections Corporation of America. The property currently operates as a private jail housing Immigration and Customs Enforcement detainees, with 14 years remaining on the lease. At the close of the lease, it's anticipated that the property will be developed in a manner more conducive with the Midtown vision.

It's expected that Midtown will get an additional boost with the recently signed





lease between the City and Brenau College, allowing Brenau access to the Georgia Mountains Center for its new Graduate School program in pharmaceutical technology and physical therapy. Considered a winning proposition for both parties, the agreement allows Brenau to significantly grow their program, while bringing an estimated 700 students to downtown Gainesville. The aforementioned new Pedestrian Bridge is located directly outside the proposed Graduate School, allowing these students easy access to both Downtown and Midtown restaurants and businesses.

The overall conceptualization for Midtown is to create an area where people will want to work, live and play. A major component of that ideal is accomplished with this year's completion of the first section of the Gainesville Midtown Greenway project. Currently spanning from Banks Street to Mule Camp Springs and its current end at Martin Luther King Street, the Midtown Greenway is a multiuse trail that is the first of its kind constructed in Georgia, utilizing stream restoration and an old rail line as a walkway. A new \$500,000 Georgia DOT grant will provide funding for sidewalks along Midtown's streets, connecting the beginning portion of the trail to the Pedestrian Bridge and Downtown Gainesville. The greenway will eventually encompass more than 6.5 miles when completed, spanning from Lake Lanier's Longwood Cove through downtown, tracking through Midtown, the Elachee trails and ending at Gainesville State College. Considered a keystone of the Midtown

redevelopment project, it is anticipated that the greenway, as well as the pedestrian bridge, anticipated hotel/office complex and new police facility will create private investment in the downtown area.

Regarding the very important issue of water, the City received positive news on June 25, 2012, when the US Supreme Court denied a hearing of the decision of the Eleventh Circuit Court of Appeals in the tri-state water case, affirming drinking water as an authorized use of Lake Lanier. This decision allows the City to move forward as the governors work together and come to a long-term agreement that will provide for the water needs of all three states. The original ruling severely restricted the City's use of Lake Lanier, creating a huge impact on the City's water revenue, as well as the area's potential for growth. The City had originally planned to begin construction on the Cedar Creek Reservoir in late 2011, but the original Court hearing in June 2011, followed by the upheld appeal decreased the immediate need of the facility, thereby allowing the City to postpone construction of the \$23.0 million plant for the time being. Consequently, the June 25th ruling brought a great sense of relief to the City and the three million Georgians reliant on Lake Lanier as a primary source of drinking water.

Long-term Financial Planning. The City of Gainesville maintains a flexible, yet thorough, five year capital improvement plan whereby capital needs are identified several years before funding and implementation, to allow adequate time for

planning. This plan also provides for the orderly replacement of facilities and equipment. The distressed economy emphasizes the importance of long term planning, as fewer funds are available to purchase, repair and upkeep the City's capital needs.

The City's current five year plan, excluding Public Utilities, has identified \$54.3 million in projected expenditures through fiscal year 2015; \$9.9 million of this is budgeted for the 2012 fiscal year. Leading the way in 2012 projected expenditures is \$7.0 million allotted to the Debt Service fund, in payment of the borrowing associated with the new Public Safety facility, as well as \$1.3 million assigned for street resurfacing, \$590,000 set aside for Police vehicle replacement, along with \$370,000 allocated for the Fire Department fleet replacement.

The City of Gainesville Public Utilities department maintains a separate capital improvement plan. The most recently adopted plan indicates that \$111.1 million will be required over the next five years to construct facilities to maintain, with some allowance for growth, the City's water and wastewater systems. For 2013, \$18.8 million in water system improvements are projected, with estimated distribution system enhancements anticipated to total \$7.0 million.

Relevant Financial Policies. The City of Gainesville has a policy of maintaining sound communications with bond rating agencies regarding the financial conditions of the City. By committing to continuous full disclosure and reporting to rating agencies and the investment community through the CAFR, depositories and bond official statements, the City remains committed to maintaining and enhancing existing underlying credit ratings with the established rating agencies, especially as the City seeks to obtain new and refunding bond debt in fiscal year 2013.

Awards and Acknowledgement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of

Achievement for Excellence in Financial Reporting to the City of Gainesville for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2011. This was the twenty-first consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. 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 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.

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the City of Gainesville for its annual budget for the fiscal year beginning July 1, 2011. This was the nineteenth year the City achieved this prestigious award. In order to receive this honor, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as 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 standards of the Distinguished Budget Presentation Award Program's requirements, and we are submitting it to GFOA to determine its eligibility for another award.

The preparation of this report could not have been accomplished without the efficient and dedicated services of our entire staff of the Financial Services Group, who contributed to its preparation. Special recognition is given to the City's Financial Services Manager, Beverly Williams, who is the person primarily responsible for the

CAFR preparation. Enormous thanks go to the staff of our accounting firm, Rushton and Company, CPAs (especially Chris Hollifield and John Holden) for their technical guidance and assistance to make this a quality report.

We would like to also thank the City Council for their consistent support for maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,



Kipling D. Padgett, ICMA-CM
City Manager



Melody N. Marlowe
Chief Financial Officer

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Gainesville, Georgia, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Gainesville, Georgia, management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Gainesville, Georgia, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison of the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2012, on our consideration of the City of Gainesville, Georgia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of 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 and the required supplementary information on pages 3 through 18 and 84 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 Gainesville, Georgia's financial statements as a whole. The introductory section, combining and individual fund financial statements, the state reporting section with the special purpose local option sales tax report, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual fund financial statements, the local option sales tax report, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 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 financial statements as a whole. The introductory and statistical sections have 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.

We also have previously audited, in accordance with auditing standards generally accepted in the United States, the City of Gainesville, Georgia's basic financial statements for the year ended June 30, 2011, which are not presented with the accompanying financial statements. In our report dated November 18, 2011, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Gainesville, Georgia's financial statements as a whole. The individual fund financial statements and schedules, related to the 2011 financial statements are presented for purposes of additional analysis and are not a required part of the 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 2011 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 2011 individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

Rushton & Company, LLC

Certified Public Accountants

Gainesville, Georgia
November 20, 2012

CITY OF GAINESVILLE



MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Gainesville, it is our pleasure to present this narrative discussion and analysis of the City of Gainesville's financial performance, providing an overview of the activities for the fiscal year ended June 30, 2012. The purpose of this narrative is to provide readers of financial statements with information that will help them make timely and meaningful financial decisions or draw conclusions about the City of Gainesville. This analytical information is designed to be read in conjunction with the Letter of Transmittal located on pages xv-xxii of this Comprehensive Annual Financial Report and with the City's financial statements, which follow this section.

Financial Highlights

- The City of Gainesville's assets exceeded its liabilities at June 30, 2012, by \$427.3 million (reported as *net assets*). Of this amount, \$32.8 million (reported as *unrestricted net assets*) may be used to meet the City's ongoing obligations.
- As of June 30, 2012, Gainesville's governmental funds reported combined ending fund balances of \$31.9 million. Approximately 18.5% of this total amount, \$5.9 million, is unassigned fund balance in the General Fund, which is available for spending at the City Council's discretion.

More detailed information regarding these activities and funds begins on page 8.

Overview of the Financial Statements

This discussion and analysis narrative is intended to serve as an introduction to the City of Gainesville's basic financial statements. The City of Gainesville's basic financial statements are composed of three elements: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information in addition to our basic financial statements.

Government-wide Financial Statements (Reporting the City as a whole)

The focus of the government-wide financial statements is on the overall financial position and activities of the City of Gainesville and is designed to provide readers with an overview of the City's financial activities in a manner similar to a private business enterprise.

The City's government-wide financial statements include the Statement of Net Assets and the Statement of Activities. These two statements report information about the City of Gainesville using the accrual basis of accounting, which is similar to the accounting used by most private-sector businesses. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The purpose of the **Statement of Net Assets** (pages 19-20) is to attempt to report all of the assets held and liabilities owed by the City. The City reports all of its assets when it acquires ownership over the assets and reports all of its liabilities when they are incurred. The difference between the total assets and total liabilities is labeled *net assets*. Although the purpose of the City is not to accumulate net assets, in general, as this amount increases it indicates that the financial position of the City is improving over time.

The **Statement of Activities** (page 21), on the other hand, presents the revenues and expenses of the City. This statement is prepared using the accrual basis of accounting mentioned earlier, where revenues are recognized when earned and expenses when incurred. Thus, revenues are reported even when they may not be collected for several weeks after the end of the accounting period and expenses are recorded even though they may not have used cash during the current period. The difference is described as *change in net assets*. The primary focus of the Statement of Activities is on the *net cost* of various activities provided by the City and identifies the extent to which each function of the City draws from general revenues or is self-financing through fees, grants, or other sources.

In the Statement of Net Assets and the Statement of Activities, we divide the City of Gainesville into three types of activities:

- **Governmental activities** – Most of the City's basic services are reported under this category, including police, fire, public works, and general administration. Sales tax, property taxes, and intergovernmental revenues finance most of these services.
- **Business-type activities** – The City charges fees to customers to assist in covering all or most of the cost for certain services it provides. The City's water and sewer system and garbage collection fees are reported in this category.
- **Discretely Presented Component Unit** – Component units are legally separate organizations for which the elected officials of the City are financially accountable. The Parks and Recreation Department, although legally separate, functions for all practical purposes as a department of the City of Gainesville, and therefore has been included as an integral part of the primary government.

The City's government-wide financial statements are presented on pages 19-21.

Fund Financial Statements (Reporting the City's Major Funds)

The focus of fund financial statements is directed to specific activities of the City and its most significant funds, not the City as a whole. A fund is an entity with a self-balancing set of accounts that the City uses to track specific resources and expenditures, either for management purposes or because of legal mandates. In addition to the major funds, individual fund data for the City's non-major funds can be found beginning on page 85. The City's funds are divided into three broad categories – governmental, proprietary, and fiduciary – and use different accounting approaches.

- **Governmental Funds** – These funds account for essentially the same functions reported as governmental activities in the government-wide financial statements; however, governmental fund financial statements focus on the short-term view of the City's general government operations and the basic services it provides. Governmental 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.

Because the focus of the governmental fund financial statements is narrower than that of the government-wide financial statements and because of the different accounting methods used to prepare them, there are often significant differences between the totals presented in these financial statements. It is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. An analysis of the balance sheet and the statement of revenues, expenditures, and changes in fund balances that reconciles the two statements are provided after of each statement.

The City of Gainesville maintains eighteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, and SPLOST Capital Project Fund, which are considered major funds.

Data from the other fifteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements on pages 85-88 of this report.

The City of Gainesville adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The City's basic governmental fund financial statements are presented on pages 22-26 of this report.

- **Proprietary Funds** – When the City charges customers for the services it provides – whether to outside customers or to other departments of the City – these services are generally reported in proprietary funds. The City maintains two different types of proprietary funds: Enterprise funds and Internal Service funds. These proprietary funds are prepared using the same accrual basis of accounting as the government-wide financial statements.

Enterprise fund statements report the same functions presented in the business-type activities columns of the government-wide financial statements. The City of Gainesville uses enterprise funds to account for its Water and Sewer system, which is considered a major fund, for its Solid Waste functions, as well as the Lee Gilmer Airport and Chattahoochee Golf Course.

Internal service funds are an accounting device used to account for services provided and billed on an internal basis. The City utilizes internal services funds for Vehicle Services, General Insurance, and Employee Benefits. Because of the nature of the City's internal services funds, they are reported as governmental activities on the government-wide statement.

The City's proprietary fund financial statements are presented on pages 27-31.

- **Fiduciary Funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Gainesville's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City acts as a trustee or fiduciary for its employee pension plan. It is also responsible for other assets that, because of the nature of the trust or agency arrangement, can be used only for the trust or agent beneficiaries. These include the Community Private-Purpose Trust and Municipal Court.

Fiduciary funds are presented in the fund financial statements but are not reported in the government-wide financial statements.

The City's fiduciary fund financial statements are presented on pages 32-33.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 34-83 of this report.

Other Supplementary Information

Following the basic financial statements is other supplementary information, which includes combining financial statements for non-major governmental, proprietary, and fiduciary funds. These funds are added together by fund type and presented in single columns in the basic financial statements but are not reported individually, as with major funds, on the government-wide financial statements.

This report includes two schedules (pages 23 and 25), which reconcile the amounts reported on the governmental fund financial statements (modified accrual basis of accounting) with the governmental activities reported on the government-wide financial statements (accrual basis of accounting). The following summarizes the impact of transitioning from modified accrual to accrual accounting:

- Capital assets used in governmental activities on the government-wide statements are not reported on fund financial statements.
- Certain tax revenues that are earned, but not available, are reported as revenue on the government-wide statement but are reported as deferred revenue on the fund statements.
- Internal service funds are reported as governmental activities on the government-wide statements but are reported as proprietary funds in the fund financial statements.
- Unless due and payable, long-term liabilities, such as lease obligations, compensated absences, bonds and notes payable, and others only appear as liabilities in the government-wide statements.
- Capital outlay spending results in capital assets on the government-wide statements but is reported as expenditures on the governmental fund financial statements.
- Bond and note proceeds result in liabilities on the government-wide statements but are recorded as other financing sources on the governmental fund financial statements.
- Certain other outflows represent either increases or decreases in liabilities on the government-wide statements but are reported as expenditures on the governmental fund financial statements.
- Intergovernmental revenues for reimbursement payments of long-term debt are not reported on the governmental fund financial statements.
- Transfers of capital assets between governmental activities and business-type activities are not recorded in the governmental fund financial statements.

Overview of the City's Financial Position and Operations

The City's overall financial position and operations for this fiscal year is summarized as follows based on the information included in the government-wide financial statements (see pages 19-21):

City of Gainesville Net Assets (Financial Position) Fiscal Years 2012 and 2011

	Governmental Activities		Business Type Activities		Total	
	2012	2011	2012	2011	2012	2011
(In millions of dollars)						
Current assets	\$ 39.5	\$ 37.7	\$ 73.2	\$ 69.9	\$ 112.7	\$ 107.6
Capital assets	99.7	99.5	496.4	499.2	596.1	598.7
Other noncurrent assets	0.9	1.0	5.5	6.2	6.4	7.2
Total assets	<u>140.1</u>	<u>138.2</u>	<u>575.1</u>	<u>575.3</u>	<u>715.2</u>	<u>713.5</u>
Current liabilities	11.2	10.7	21.5	21.3	32.7	32.0
Noncurrent liabilities	34.9	39.2	220.3	234.7	255.2	273.9
Total liabilities	<u>46.1</u>	<u>49.9</u>	<u>241.8</u>	<u>256.0</u>	<u>287.9</u>	<u>305.9</u>
Net assets:						
Invested in capital assets, net of related debt	70.5	63.7	271.8	259.5	342.3	323.2
Restricted	11.6	4.9	40.6	43.7	52.2	48.6
Unrestricted	11.9	19.7	20.9	16.2	32.8	35.9
Total net assets	<u>\$ 94.0</u>	<u>\$ 88.3</u>	<u>\$ 333.3</u>	<u>\$ 319.4</u>	<u>\$ 427.3</u>	<u>\$ 407.7</u>

Net assets may serve over time as a useful indicator of a government's financial position. The City of Gainesville reported positive net asset growth for both governmental and business type activities, and experienced an overall \$19.6 million in growth from fiscal year 2011 to close the current fiscal year with \$427.3 million in net assets. However, much of these net assets either are restricted as to the purposes for which they can be used, or are invested in capital assets.

The largest portion of the City of Gainesville's net assets (80.1%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, infrastructure), less any related debt outstanding that was needed to construct or acquire the assets. The net investment in capital assets increased by \$19.1 million between the end of fiscal years 2011 and 2012, from \$323.2 million to \$342.3 million.

The City uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net assets are the next largest component, comprising 12.2% of total assets. Restricted net assets experienced an increase during the past year, jumping from \$48.6 million to \$52.2 million at the end of fiscal year 2012. Restricted net assets represent amounts that are subject to limitation in the manner which funds may be spent; these constraints are imposed by external sources, enabling legislation or constitutional provision.

The remaining balance represents unrestricted net assets. The statement reveals a \$32.8 million surplus at the end of this year, a decrease of \$3.1 million from fiscal year 2011. The evidence of a surplus does not mean that the City has resources available beyond its long-term commitments. Rather, it is the result of having currently available resources that are greater than long-term commitments.

Unrestricted net assets for governmental activities decreased by \$7.8 million, dropping from \$19.7 million to \$11.9 million, between 2011 and 2012, while increasing for business-type activities a total of \$4.7 million, from \$16.2 million to \$20.9 million. Although the unrestricted net assets of the City's business-type activities represents 63.7% of total unrestricted net assets, these resources cannot be used to add to the net asset surplus in governmental activities. The City generally can only use the \$20.9 million in business-type unrestricted net assets to finance the ongoing operations of the business-type activities, while the \$11.9 million balance in unrestricted net assets for governmental activities is available to meet the continuing obligations of governmental type activities.

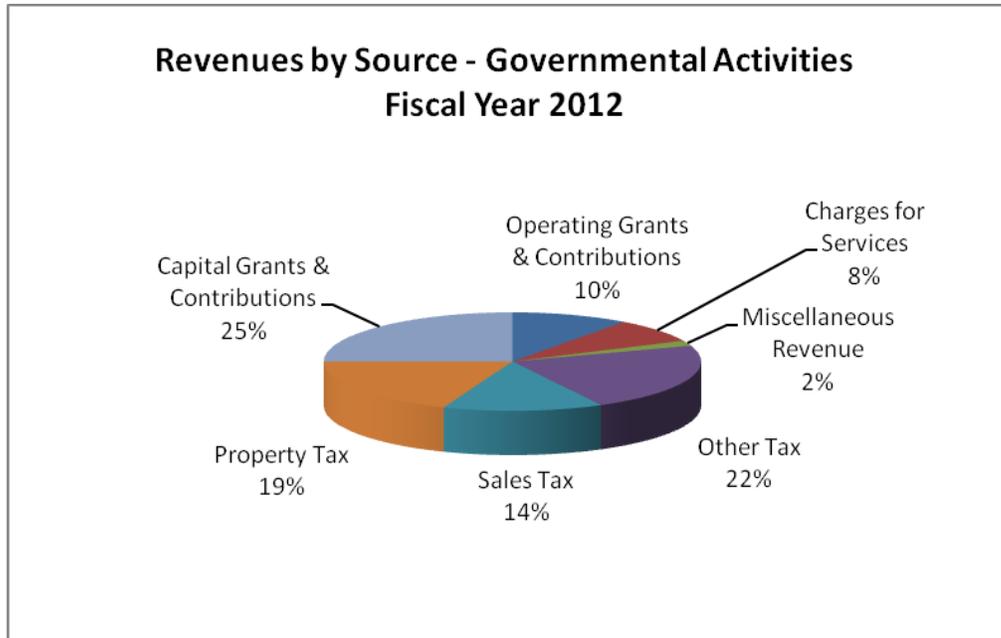
The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the City of Gainesville's net assets changed during the fiscal year.

**City of Gainesville
Changes in Net Assets
Fiscal Years 2012 and 2011**

	Governmental Activities		Business Type Activities		Total	
	2012	2011	2012	2011	2012	2011
(In millions of dollars)						
Revenues						
Program revenues:						
Charges for services	\$ 3.0	\$ 3.3	\$ 61.6	\$ 59.3	\$ 64.6	\$ 62.6
Operating grants and contributions	3.9	3.8	0.0	0.0	3.9	3.8
Capital grants and contributions	9.6	7.7	5.2	4.0	14.8	11.7
General revenues:						
Property taxes	7.3	7.9	0.0	0.0	7.3	7.9
Sales tax	5.2	5.0	0.0	0.0	5.2	5.0
Other taxes	8.6	8.1	0.0	0.0	8.6	8.1
Miscellaneous revenue	0.7	0.7	1.4	1.4	2.1	2.1
Total revenues	<u>38.3</u>	<u>36.5</u>	<u>68.2</u>	<u>64.7</u>	<u>106.5</u>	<u>101.2</u>
Expenses						
General government	4.0	4.0	0.0	0.0	4.0	4.0
Judicial	0.5	0.4	0.0	0.0	0.5	0.4
Public safety	17.9	16.1	0.0	0.0	17.9	16.1
Public works	7.6	6.6	0.0	0.0	7.6	6.6
Health and social services	3.4	3.4	0.0	0.0	3.4	3.4
Culture and recreation	1.2	1.2	0.0	0.0	1.2	1.2
Housing and development	1.2	1.3	0.0	0.0	1.2	1.3
Interest on long-term debt	1.4	1.7	0.0	0.0	1.4	1.7
Water and sewer	0.0	0.0	45.7	44.0	45.7	44.0
Airport	0.0	0.0	1.0	1.0	1.0	1.0
Solid waste	0.0	0.0	1.8	1.9	1.8	1.9
Golf course	0.0	0.0	1.2	1.4	1.2	1.4
Total expenses	<u>37.2</u>	<u>34.7</u>	<u>49.7</u>	<u>48.3</u>	<u>86.9</u>	<u>83.0</u>
Indirect Cost Allocation	<u>(1.3)</u>	<u>(1.3)</u>	<u>1.3</u>	<u>1.3</u>	<u>0.0</u>	<u>0.0</u>
Increase in net assets before transfers	<u>2.4</u>	<u>3.1</u>	<u>17.2</u>	<u>15.1</u>	<u>19.6</u>	<u>18.2</u>
Transfers	<u>3.3</u>	<u>3.0</u>	<u>(3.3)</u>	<u>(3.0)</u>	<u>0.0</u>	<u>0.0</u>
Increase in net assets	<u>5.7</u>	<u>6.1</u>	<u>13.9</u>	<u>12.1</u>	<u>19.6</u>	<u>18.2</u>
Net assets - beginning	<u>88.3</u>	<u>82.2</u>	<u>319.4</u>	<u>307.3</u>	<u>407.7</u>	<u>389.5</u>
Net assets - ending	<u>\$ 94.0</u>	<u>\$ 88.3</u>	<u>\$ 333.3</u>	<u>\$ 319.4</u>	<u>\$ 427.3</u>	<u>\$ 407.7</u>

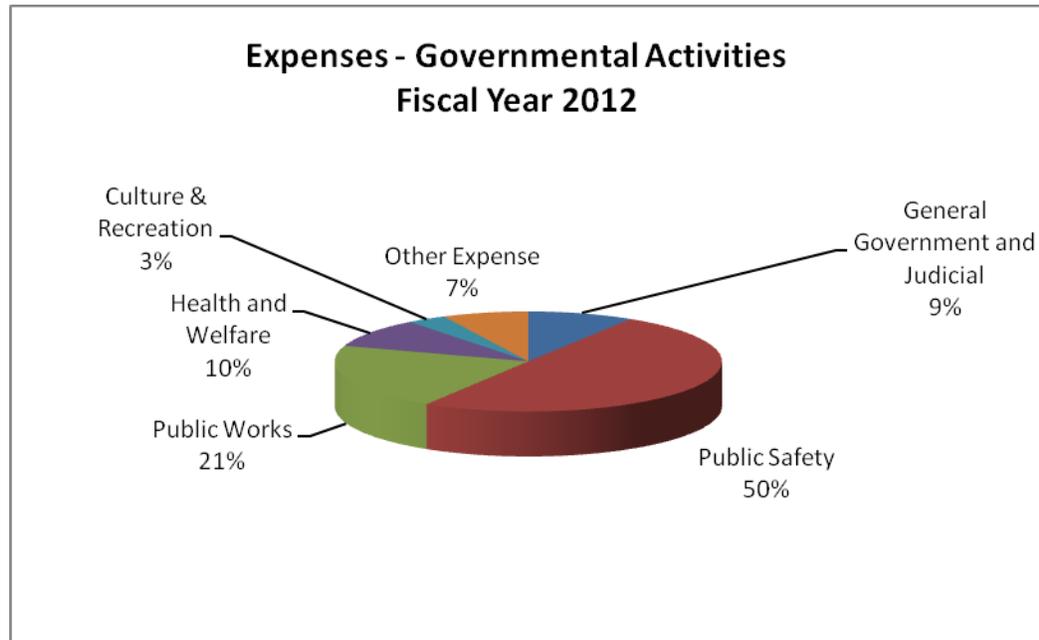
Governmental Activities –

The following chart depicts revenues of the governmental activities for the fiscal year:



The revenue chart indicates that capital grants and contributions, followed by other tax and property tax were the largest sources of revenue for governmental activities during the fiscal year 2012. Capital grants and contributions experienced a \$1.9 million increase over 2011, due largely to an additional \$1.0 million in receipts collected from a GEMA Fire Department grant in 2012. Capital contributions and other capital grants revenue also showed an escalation over 2011 totals, by \$220,000 and \$245,000 respectively. Other tax, which includes franchise, insurance premium and occupation taxes rose by \$468,169 over FY11 collections; the majority of this growth was due to a \$208,640 jump in insurance premium receipts. Franchise tax showed an overall \$167,681 boost in receipts over 2011 totals; 2012 Georgia Power and Jackson EMC totals exceeded 2011 numbers by \$215,169 and \$21,233 respectively, while the other franchise receipts remained flat or showed small declines in revenue. Property tax revenue decreased \$547,900 from FY11 collections, due mainly to declining property tax values and reassessments. Sales tax, which makes up 14% of total governmental activity revenue, showed a \$229,471 increase over FY11 totals, due to an uptick in local buying. Charges for services, comprising 8% of revenues showed a \$268,079 decline, due predominantly to a decrease in Municipal Court fines and fees revenue.

The following chart depicts the expenses of the governmental activities for the fiscal year:



The expense chart illustrates that the most significant governmental activities expense for the City of Gainesville during fiscal year 2012 was providing public safety services such as fire and police protection, followed by public works. Overall, expenses were up by \$2.5 million from 2011, with the largest portion of the increase stemming from public safety, which showed a \$1.8 million jump in costs. Additional personnel costs created the majority of this increase, which was due in part to further funding of firefighter salaries with the SAFER grant, as well as appreciation pay costs. Public Works expense indicated a \$1.0 million rise over FY11 costs; \$474,959 of this is due to first time depreciation costs on the new Public Safety Facility, along with \$512,625 surge in street resurfacing expense. Interest on long term debt, which is included in other expense on the above chart, recognized a \$300,741 drop in expense, of which \$241,250 is attributable to decreased interest paid on the Public Safety Facility debt.

Business-type Activities –

Business-type activities increased the City of Gainesville's assets by \$13.9 million, accounting for 70.9% of the total growth in the City's net assets. Key elements involving business-type activities are as follows:

- Total revenue for business-type activities was \$3.5 million higher in FY12 than collections made in FY11. This increase is due predominantly to a \$2.3 million rise in charges for services revenue. Public Utilities contributed \$2.1 million of this increase, which was due primarily to rate increases, 4% on water and 4.25% on sewer, that became effective January 2012. Solid Waste charges for services showed a \$242,077 jump, resulting from a \$7 monthly bill increase that became effective January 2011. Airport and Chattahoochee Golf Course revenue numbers came in essentially flat with FY11 totals.

- Capital grants and contributions showed a \$1.2 million jump, due largely to an \$892,303 increase in capital contributions, as well as \$653,573 in additional grant revenue received for Public Utility projects involving the restoration of Flat Creek and the replacement of pump stations at the Quiet Place in the Woods community.
- Overall, expenses for business-type activities were \$1.4 million above expenses recorded in 2011. A \$1.7 million jump in Public Utility costs accounted for this increase, comprised of a \$1.1 million surge in depreciation expense, with the remainder attributable to higher personnel costs due to the appreciation pay and surging health care costs. The Chattahoochee Golf Course showed a \$154,593 drop in expenses; 2011 costs had included a \$162,000 lease of golf carts.

Financial Analysis of the City's Funds

As noted earlier, the City of Gainesville uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As the City completed this year, its governmental funds reported a combined ending fund balance of \$31.9 million. Of this amount, \$5.9 million or 18.5% constitutes unassigned fund balance, meaning that that no constraints have been placed on how this money may be spent. The General Fund is the only governmental fund that can have positive unassigned fund balance. The remainder of fund balance is either nonspendable, restricted by a third party, committed to be spent in a specified matter by formal resolution, or assigned for a specific purpose, including the 2013 budget.

The **General Fund** is the chief operating fund of the City. Again, at the end of the current fiscal year, the unassigned fund balance of the General Fund was \$5.9 million, while total fund balance reached \$9.3 million. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 24.4% of total General Fund expenditures, while total fund balance represents 38.7% of that same amount. Of the \$9.3 total fund balance for the general fund, \$3.0 is assigned, comprised predominantly of \$1.8 million and \$1.0 million assigned for budget and community betterment respectively.

The General Fund's fund balance increased by \$773,038 during the current fiscal year. Key factors regarding the increase are as follows:

- Revenue exceeded the final budget by \$1.8 million, due mainly to higher than projected tax revenues, most notably, local option and property taxes, which exceeded budget by \$685,684 and \$350,108. In addition, franchise tax and insurance premium receipts also surpassed budget, by \$289,193 and \$225,550. Expenditures came in under budget by \$913,125;

personal services accounted for \$465,855 of this savings, while supplies and operating charges totals finished \$513,814 below budget.

- Transfers to the general fund totaled \$3.9 million, with \$3.4 million originating from Public Utilities, followed by \$419,475 transferred from the Grants Special Revenue fund. Transfers out of the General Fund totaled \$2.1 million; \$1.4 million of this total was transferred to General Government and Grant Capital Project funds, providing funding for various engineering projects and street resurfacing activities, while \$410,377 was transferred to the Community Service Center, providing assistance with operational costs.

The **Special Purpose Local Option Sales Tax (SPLOST) Capital Project Fund** has an \$8.3 million fund balance at year end, which is down \$664,315 from the prior year balance. Outflows to the fund totaled \$7.9 million, comprised mainly of \$6.9 million transfer to the Debt Service fund for payment of the capital lease principal and interest on the Public Safety Facility, while the \$7.3 million in inflows consisted primarily of intergovernmental inflows of SPLOST tax revenue totaling \$7.1 million for the year. Restricted fund balance totals 90.4% of the total fund balance; this \$7.5 million restriction is comprised of \$6.2 million in debt service obligations and \$1.3 million in unspent SPLOST tax revenue.

The **Debt Service Fund** has a \$1.5 million fund balance at fiscal year end, with \$1.3 million of that total identified as restricted and due to third parties. FY12 inflows to the Debt Service fund totaled \$8.6 million, which includes \$1.6 million in tax revenue, along with the \$7.0 million in transfers, including the aforementioned \$6.9 transfer from the SPLOST fund. Outflows amounting to \$8.5 million were comprised of principal and interest payments on the Public Safety Facility bond, as well as various other debt obligations of the City.

General Fund Budget Highlights

The original budget for the General Fund was amended by various appropriations approved after the beginning of the fiscal year. In addition, Council approved several adjustments to prevent budget overruns. The following highlights the differences between the original and the final budget amount:

- Increased Personnel expense (Special pay) by \$348,485 for appreciation pay granted to City employees for recognition of commitment and dedication shown in maintaining service levels despite decreasing budgets in recent years. Special pay was granted to employees meeting length of employment requirements.
- Increased Public Works utility expense by \$95,000 to cover shortfall in budgeted power for street lights and traffic signals.
- Increased budgeted fund balance to cover FY11 reappropriations.

- Increased/decreased various expenditure budgets for adjustments as needed.
- Contingency funds budget was decreased and reallocated as needed.

General Fund expenditures for fiscal 2012 were \$24.1 million, 96.3% of the final amended budget, and there were no net overexpenditures by General Fund departments. Total actual expenditures in the General Fund were lower than the final amended budget total by \$913,125; General Fund expenditures as a whole were less than the original budget numbers as well. The majority of savings was achieved by personal services costs coming in under budget.

Total actual revenues exceeded the final amended budget by a total of \$1.8 million, due to higher than anticipated tax collections. Local option, property and franchise taxes exceeded their budget by \$685,683, \$350,108 and \$289,193, respectively.

Enterprise Funds

The City of Gainesville’s enterprise funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the City’s four enterprise funds, prior to the adjustment to reflect the consolidation of internal service fund activities related to enterprise funds, totaled as follows:

▪ Public Utilities Department	\$18,236,981
▪ Nonmajor Funds (Airport, Solid Waste, Golf Course)	<u>1,331,293</u>
Total	<u>\$19,568,274</u>

Prior to the consolidation adjustment of internal service fund activity, the total increase in unrestricted net assets for all four enterprise funds was \$4.4 million, and the combined net assets showed a growth of \$13.6 million.

Other factors concerning the finances of these funds have already been addressed in the discussion of the City’s business-type activities.

Capital Assets and Debt Administration

Capital Assets. The City of Gainesville has invested \$596.2 million in capital assets (net of accumulated depreciation). Capital assets include infrastructure, land, buildings, and machinery and equipment. Approximately 83.3% of this investment is related to business-type activities while only 16.7% relates to governmental activities.

Capital assets held by the City at the end of the current fiscal year are summarized as follows:

City of Gainesville
Capital Assets (net of accumulated depreciation)
Fiscal Years 2012 and 2011

	Governmental Activities		Business Type Activities		Total	
	2012	2011	2012	2011	2012	2011
(In millions of dollars)						
Land	\$ 25.0	\$ 24.7	\$ 20.3	\$ 19.3	\$ 45.3	\$ 44.0
Buildings	48.7	48.6	73.1	73.1	121.8	121.7
Improvements other than buildings	3.4	3.1	16.3	16.3	19.7	19.4
Water and sewer facilities and lines	0.0	0.0	514.2	505.2	514.2	505.2
Vehicles and equipment	16.7	15.2	15.9	15.2	32.6	30.4
Infrastructure	36.5	28.8	0.0	0.0	36.5	28.8
Intangibles	2.0	1.8	6.6	5.6	8.6	7.4
Construction in progress	0.9	7.0	4.1	3.4	5.0	10.4
Total	133.2	129.2	650.5	638.1	783.7	767.3
Accumulated depreciation	(33.4)	(29.7)	(154.1)	(138.9)	(187.5)	(168.6)
Net Capital Assets	\$ 99.8	\$ 99.5	\$ 496.4	\$ 499.2	\$ 596.2	\$ 598.7

Major capital asset expenditures during the current fiscal year for governmental activities included the following:

- Street Resurfacing, \$819,580
- Midtown Greenway, \$585,081
- 14 New Police Vehicles, \$425,825
- Network Upgrade, \$231,992

Major capital asset expenses during the current fiscal year for business-type activities included the following:

- Water Meter Replacement, \$2.7 million
- Automated Meter Reading Project, \$2.3 million
- Telemetry System Improvements, \$961,861
- Flat Creek Restoration Project, \$609,355
- Transmission Main Improvements, \$563,720

Additional information on the City of Gainesville's capital assets can be found in Note 9 on pages 57-59 of this report.

Long-term debt. At June 30, 2012, the City of Gainesville had \$256.2 million in bonds, notes, and capital leases outstanding, net of unamortized bond premium and discount; this is a decrease in total of \$22.6 million over last year. This reduction in debt was due to payments made to reduce bonds, notes and capital leases outstanding, combined with reduced borrowing. Additional debt assumed by governmental activities totaled \$721,833, which included \$522,047 borrowed for a fire truck, while business activities incurred no additional debt during fiscal year 2012.

**City of Gainesville
Outstanding Debt
Fiscal Years 2012 and 2011**

	Governmental Activities		Business Type Activities		Total	
	2012	2011	2012	2011	2012	2011
(In millions of dollars)						
Capital Leases	\$ 29.0	\$ 35.7	\$ 30.6	\$ 32.3	\$ 59.6	\$ 68.0
General Obligation Bonds	-	-	-	-	-	-
Revenue Bonds	-	-	87.3	95.0	87.3	95.0
Unamortized Bond Premium	-	-	1.8	2.0	1.8	2.0
Unamortized Bond Discount	-	-	-	-	-	-
Notes Payable	-	-	107.5	113.8	107.5	113.8
Total	<u>\$ 29.0</u>	<u>\$ 35.7</u>	<u>\$ 227.2</u>	<u>\$ 243.1</u>	<u>\$ 256.2</u>	<u>\$ 278.8</u>

The City maintains a bond credit rating of Aa2 from Moody's on general obligation bonds and a rating of A1 on senior-lien revenue bonds.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10% of its total assessed valuation. The current debt limitation for the City of Gainesville is \$369.4 million, which is significantly in excess of the City's general obligation debt outstanding of \$29.0 million.

Additional information on the City's long-term debt can be found in Notes 10 and 11 on pages 60-66 of this report.

Economic Condition and Outlook

- According to the most recent U.S. Census numbers, population growth for Gainesville and Hall County has slowed, with current estimates showing a 1.87% increase in population for Hall County since 2010.
- Gainesville adopted a \$3.06 tax millage rate for fiscal year 2013. The gross property tax digest for the City of Gainesville declined from \$3.9 billion for fiscal year 2012 to \$3.7 billion for fiscal year 2013, which computes to a 5.1% projected decrease in the tax base.

- In September 2012, City Council voted to issue \$7.2 million in bond debt for the purchase of the Hall County Jail property on Main Street. The property is currently leased to Corrections Corp. of America (CCA), a private jail firm; debt will be paid from CCA lease proceeds toward the \$7.2 million debt. Because the property is leased to CCA, which is a for profit corporation, the bonds were not tax exempt, and carried a 2.50 per cent interest rate. Council also authorized the refinancing of other tax exempt City debt at a .99 percent interest rate.
- Local option sales tax collections, along with other fees, are tracking closely to budget at the end of the first quarter of fiscal year 2013. Departments are spending conservatively and continue to monitor their 2013 budgeted costs closely.

These were among the many factors taken into consideration when preparing the 2013 budget. Of the \$9.3 million fund balance in the General Fund, \$1.8 million has been appropriated for spending in the 2013 fiscal budget.

Contacting the City's Financial Services Group

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City of Gainesville's finances and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed as follows:

City of Gainesville
ATTN: Administrative Services Department
Financial Services
PO Box 2496
Gainesville, GA 30503

BASIC FINANCIAL STATEMENTS

CITY OF GAINESVILLE, GEORGIA
STATEMENT OF NET ASSETS
June 30, 2012

	Primary Government			Component Unit
	Governmental	Business-type	Total	City of
	Activities	Activities		Gainesville Parks and Recreation
ASSETS				
Current assets				
Cash and cash equivalents	\$ 34,215,670	\$ 22,784,106	\$ 56,999,776	\$ 2,360,582
Investments	1,692,383	0	1,692,383	0
Restricted assets				
Cash and cash equivalents	0	43,978,470	43,978,470	100,048
Receivables (net)				
Accounts	505,158	3,727,087	4,232,245	5,759
Intergovernmental	3,375,010	532,610	3,907,620	4,197
Property taxes	303,784	0	303,784	109,371
Interest	822	0	822	0
Notes	94,386	0	94,386	0
Internal balances	(887,110)	887,110	0	0
Inventories	184,874	1,291,383	1,476,257	0
Prepaid items	3,123	0	3,123	0
Total current assets	<u>39,488,100</u>	<u>73,200,766</u>	<u>112,688,866</u>	<u>2,579,957</u>
Noncurrent assets				
Receivables				
Notes	458,452	0	458,452	0
Capital assets				
Non-depreciable	25,928,449	26,373,953	52,302,402	3,576,819
Depreciable (net)	73,827,848	470,059,879	543,887,727	8,078,545
Other assets				
Debt issue costs (net)	419,104	2,438,474	2,857,578	0
Deferred interest expense (net)	0	3,077,250	3,077,250	0
Total noncurrent assets	<u>100,633,853</u>	<u>501,949,556</u>	<u>602,583,409</u>	<u>11,655,364</u>
Total assets	<u>140,121,953</u>	<u>575,150,322</u>	<u>715,272,275</u>	<u>14,235,321</u>
LIABILITIES				
Current liabilities				
Payables				
Accounts	1,458,583	740,708	2,199,291	98,893
Sales tax	805	8,133	8,938	12,749
Deposits	15,492	436	15,928	12,485
Intergovernmental	54,591	0	54,591	3,366
Interest	156,812	39,781	196,593	0
Accrued salaries	263,329	172,809	436,138	43,296
Compensated absences	927,336	556,962	1,484,298	86,951
Unearned revenue	185	0	185	8,000
Claims reserve	956,016	0	956,016	0
Capital lease payable	7,321,768	1,771,588	9,093,356	0
Notes payable	0	6,394,184	6,394,184	0
Other liabilities	10,184	27,079	37,263	6,771
Liabilities payable from restricted assets				
Payables				
Accounts	0	497,832	497,832	0
Retainages	0	20,166	20,166	0
Customer deposits	0	2,568,184	2,568,184	0
Interest	0	786,492	786,492	0
Revenue bonds payable	0	7,955,000	7,955,000	0
Total current liabilities	<u>11,165,101</u>	<u>21,539,354</u>	<u>32,704,455</u>	<u>272,511</u>

See accompanying notes to the financial statements.

CITY OF GAINESVILLE, GEORGIA
STATEMENT OF NET ASSETS
June 30, 2012

	Primary Government			Component Unit
	Governmental	Business-type	Total	City of
	Activities	Activities		Gainesville Parks and Recreation
Noncurrent liabilities				
Compensated absences	\$ 103,036	\$ 61,884	\$ 164,920	\$ 9,661
Pension obligation	266,914	177,942	444,856	0
OPEB obligation	12,929,375	8,956,289	21,885,664	1,220,467
Capital lease payable	21,642,944	28,803,585	50,446,529	0
Notes payable	0	101,142,591	101,142,591	0
Bonds payable	0	81,134,423	81,134,423	0
Total noncurrent liabilities	<u>34,942,269</u>	<u>220,276,714</u>	<u>255,218,983</u>	<u>1,230,128</u>
Total liabilities	<u>46,107,370</u>	<u>241,816,068</u>	<u>287,923,438</u>	<u>1,502,639</u>
NET ASSETS				
Invested in capital assets, net of related debt	70,549,134	271,791,712	342,340,846	11,655,364
Restricted for:				
General Government	53,771	0	53,771	0
Public Safety	462,084	0	462,084	0
Public Works	28,850	0	28,850	0
Health and Welfare	977,581	0	977,581	0
Culture and Recreation	206,256	0	206,256	5,255
Housing and Development	1,100,561	0	1,100,561	0
Debt service	7,357,406	6,136,235	13,493,641	0
Capital outlay	1,399,983	34,487,559	35,887,542	0
Unrestricted	<u>11,878,957</u>	<u>20,918,748</u>	<u>32,797,705</u>	<u>1,072,063</u>
Total net assets	<u>\$ 94,014,583</u>	<u>\$ 333,334,254</u>	<u>\$ 427,348,837</u>	<u>\$ 12,732,682</u>

See accompanying notes to the financial statements.

CITY OF GAINESVILLE, GEORGIA
STATEMENT OF ACTIVITIES
For the fiscal year ended June 30, 2012

FUNCTIONS/PROGRAMS	Expenses	Indirect Costs	Program Revenues			Net (Expense) Revenue
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government						
Governmental activities						
General Government	\$ 4,031,095	\$ (1,304,961)	\$ 708,578	\$ 90,059	\$ 0	\$ (1,927,497)
Judicial	460,066	0	0	0	0	(460,066)
Public Safety	17,932,227	0	1,369,278	940,101	8,131,633	(7,491,215)
Public Works	7,646,177	0	36,795	15,855	570,224	(7,023,303)
Health and Welfare	3,391,482	0	410,052	1,906,038	301,134	(774,258)
Culture and Recreation	1,185,988	0	377,754	11,128	202,703	(594,403)
Housing and Development	1,196,185	0	158,773	899,722	359,892	222,202
Interest on long-term debt	1,396,524	0	0	0	0	(1,396,524)
Total governmental activities	37,239,744	(1,304,961)	3,061,230	3,862,903	9,565,586	(19,445,064)
Business-type activities						
Public Utilities	45,669,774	1,022,416	57,492,303	0	5,185,913	15,986,026
Airport	1,007,743	200,000	832,971	0	71,475	(303,297)
Solid Waste	1,861,703	82,545	2,299,960	0	0	355,712
Golf Course	1,241,853	0	1,031,717	0	0	(210,136)
Total business-type activities	49,781,073	1,304,961	61,656,951	0	5,257,388	15,828,305
Total primary government	87,020,817	0	64,718,181	3,862,903	14,822,974	(3,616,759)
Component Unit						
Parks and Recreation						
Culture and Recreation	4,972,789	0	1,520,156	113	0	(3,452,520)
			Governmental Activities	Business-Type Activities	Total	Component Unit
Change in net assets						
Net (expense) revenue			\$ (19,445,064)	\$ 15,828,305	\$ (3,616,759)	\$ (3,452,520)
General revenues						
Taxes						
Property			7,338,537	0	7,338,537	2,497,957
Intangibles			81,841	0	81,841	0
Franchise			4,240,193	0	4,240,193	0
Occupational			1,139,926	0	1,139,926	0
Insurance premium			1,585,550	0	1,585,550	0
Alcoholic beverages			994,573	0	994,573	0
Hotel/Motel			563,902	0	563,902	0
Local option sales			5,259,684	0	5,259,684	0
Interest and Investment earnings			426,185	314,147	740,332	3,378
Gain on sale of assets			0	33,411	33,411	0
Miscellaneous			245,524	1,055,930	1,301,454	1,078
Transfers			3,254,637	(3,254,637)	0	0
Total general revenues and transfers			25,130,552	(1,851,149)	23,279,403	2,502,413
Change in net assets			5,685,488	13,977,156	19,662,644	(950,107)
Net assets - beginning			88,329,095	319,357,098	407,686,193	13,682,789
Net assets - ending			\$ 94,014,583	\$ 333,334,254	\$ 427,348,837	\$ 12,732,682

See accompanying notes to the financial statements.

CITY OF GAINESVILLE, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	<u>General</u>	<u>Debt Service</u>	<u>SPLOST Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals</u>
ASSETS					
Cash and cash equivalents	\$ 8,420,042	\$ 1,521,501	\$ 6,511,464	\$ 10,640,881	\$ 27,093,888
Investments	0	0	0	1,692,383	1,692,383
Receivables (net)					
Accounts	373,408	0	0	80,457	453,865
Intergovernmental	779,803	2,691	1,781,250	800,304	3,364,048
Property taxes	236,138	67,646	0	0	303,784
Interest	0	0	0	822	822
Notes	0	0	0	552,838	552,838
Prepaid items	3,123	0	0	0	3,123
Due from other funds	249,256	0	0	0	249,256
Advances to other funds	381,673	0	0	81,691	463,364
Total assets	<u>\$ 10,443,443</u>	<u>\$ 1,591,838</u>	<u>\$ 8,292,714</u>	<u>\$ 13,849,376</u>	<u>\$ 34,177,371</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Payables					
Accounts	\$ 639,852	\$ 0	\$ 10,681	\$ 359,451	\$ 1,009,984
Intergovernmental	47,503	0	0	7,088	54,591
Sales tax	0	0	0	805	805
Deposits	0	0	0	4,859	4,859
Retainages	0	0	0	0	0
Accrued salaries	231,773	0	0	27,906	259,679
Deferred revenue	204,849	58,783	85	469,755	733,472
Due to other funds	0	0	0	249,256	249,256
Other liabilities	10,184	0	0	0	10,184
Total liabilities	<u>1,134,161</u>	<u>58,783</u>	<u>10,766</u>	<u>1,119,120</u>	<u>2,322,830</u>
Fund balances					
Nonspendable	384,796	0	0	0	384,796
Restricted	0	1,270,703	7,492,388	2,451,774	11,214,865
Committed	10,054	0	0	105,374	115,428
Assigned	3,040,356	262,352	789,560	10,173,108	14,265,376
Unassigned	5,874,076	0	0	0	5,874,076
Total fund balances	<u>9,309,282</u>	<u>1,533,055</u>	<u>8,281,948</u>	<u>12,730,256</u>	<u>31,854,541</u>
Total liabilities and fund balances	<u>\$ 10,443,443</u>	<u>\$ 1,591,838</u>	<u>\$ 8,292,714</u>	<u>\$ 13,849,376</u>	<u>\$ 34,177,371</u>

See accompanying notes to the financial statements.

CITY OF GAINESVILLE, GEORGIA
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET ASSETS
June 30, 2012

Total fund balance - total governmental funds \$ 31,854,541

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

Some assets are not financial resources and, therefore, are not reported in the funds.

These are:

Capital assets, net of accumulated depreciation	\$ 99,756,297	
Debt issue costs, net of amortization	<u>419,104</u>	100,175,401

Long-term assets (receivables) are not available to pay current period expenditures and, therefore, are deferred in the funds.

These are:

Property taxes	\$ 263,631	
Notes receivable	<u>469,655</u>	733,286

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

These are:

Capital leases	\$ (28,964,712)	
Interest payable	(156,812)	
Compensated absences	(1,030,372)	
Net pension obligation	(266,914)	
Net OPEB obligation	<u>(12,929,375)</u>	(43,348,185)

Internal service funds are used by management to charge the costs of certain activities, such as risk management, employee benefits, and vehicle maintenance, to individual funds. Assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.

Internal service funds net assets	\$ 5,976,756	
Less internal balance resulting from allocation of internal service fund activities allocated to business-type activities	(1,350,474)	
Less capital assets included above	(37,733)	
Add compensated absences included above	<u>10,991</u>	<u>4,599,540</u>

Net assets of governmental activities \$ 94,014,583

See accompanying notes to the financial statements.

CITY OF GAINESVILLE, GEORGIA
STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the fiscal year ended June 30, 2012

	General	Debt Service	SPLOST Capital Projects	Nonmajor Governmental Funds	Totals
REVENUES					
Taxes	\$ 19,017,704	\$ 1,599,301	\$ 0	\$ 588,174	\$ 21,205,179
Licenses and permits	533,141	0	0	0	533,141
Fines, fees and forfeitures	1,068,886	0	0	73,180	1,142,066
Charges for services	1,773,322	0	0	967,199	2,740,521
Intergovernmental	464,736	0	7,125,000	4,866,838	12,456,574
Interest	26,682	3,425	0	5,732	35,839
Contributions	10,054	0	0	564,036	574,090
Other	137,242	0	0	107,968	245,210
Total revenues	23,031,767	1,602,726	7,125,000	7,173,127	38,932,620
EXPENDITURES					
Current					
General Government	2,942,206	0	0	374,937	3,317,143
Judicial	417,255	0	0	0	417,255
Public Safety	14,794,823	0	0	1,085,650	15,880,473
Public Works	4,415,291	0	0	0	4,415,291
Health and Welfare	12,500	0	0	3,041,011	3,053,511
Culture and Recreation	290,000	0	0	762,118	1,052,118
Housing and Development	1,198,138	0	0	528,487	1,726,625
Debt service					
Principal	0	7,112,064	0	0	7,112,064
Interest and other charges	0	1,436,754	0	41,486	1,478,240
Capital outlay	0	0	598,969	2,892,081	3,491,050
Total expenditures	24,070,213	8,548,818	598,969	8,725,770	41,943,770
Excess (deficiency) of revenues over (under) expenditures	(1,038,446)	(6,946,092)	6,526,031	(1,552,643)	(3,011,150)
Other financing sources (uses)					
Transfers in	3,885,978	7,044,875	151,625	3,332,047	14,414,525
Transfers out	(2,085,385)	0	(7,341,971)	(1,795,032)	(11,222,388)
Issuance of capital leases	0	0	0	721,833	721,833
Sales of capital assets	10,891	0	0	169	11,060
Total other financing sources (uses)	1,811,484	7,044,875	(7,190,346)	2,259,017	3,925,030
Net changes in fund balances	773,038	98,783	(664,315)	706,374	913,880
Fund balances, July 1	8,536,244	1,434,272	8,946,263	12,023,882	30,940,661
Fund balances, June 30	\$ 9,309,282	\$ 1,533,055	\$ 8,281,948	\$ 12,730,256	\$ 31,854,541

See accompanying notes to the financial statements.

CITY OF GAINESVILLE, 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 June 30, 2012

Net change in fund balances - total governmental funds \$ 913,880

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlays	\$ 4,099,939	
Depreciation	<u>(3,797,966)</u>	301,973

In the statement of activities, the loss on the disposal of capital assets is reported, whereas in the governmental funds, the proceeds from the sale of capital assets increase financial resources.

Cost of assets disposed	\$ (142,593)	
Related accumulated depreciation	<u>129,501</u>	(13,092)

Contributions of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds activities, because they are not financial resources.

Individual contributors		1,859
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These include recognition of unavailable deferred revenue.

49,989

The proceeds of debt issuance provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In addition, interest on long-term debt is not recognized in the governmental funds until due, but is recognized in the statement of activities as it accrues.

Debt principal repayments	\$ 7,494,002	
Debt proceeds	(721,833)	
Amortization of debt issue costs	(80,980)	
Net change in interest payable	<u>40,231</u>	6,731,420

Internal service funds are used by management to charge the cost of certain activities, such as risk management and vehicle maintenance, to individual funds. Net revenue (expense) of internal service funds is reported with governmental activities.

Add change in net assets of internal service funds	\$ 1,070,343	
Add depreciation expense included above	15,263	
Less consolidation of internal service fund activities allocated to business-type activities	<u>(359,789)</u>	725,817

Employer contributions to retirement plans in deficiency of annual pension cost are reported as expenditures in the governmental funds, but result in liabilities in the governmental activities. These included the net change in pension obligation.

(440,776)

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

Compensated absences	\$ 8,928	
Net OPEB obligation	<u>(2,594,510)</u>	<u>(2,585,582)</u>
Change in net assets of governmental activities		<u><u>\$ 5,685,488</u></u>

See accompanying notes to the financial statements.

CITY OF GAINESVILLE, GEORGIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET (GAAP) AND ACTUAL
For the fiscal year ended June 30, 2012

	Budget		Actual	Variance with
	Original	Final		Final Budget
REVENUES				
Taxes	\$ 17,205,089	\$ 17,205,089	\$ 19,017,704	\$ 1,812,615
Licenses and permits	505,600	505,600	533,141	27,541
Fines, fees and forfeitures	1,135,300	1,135,300	1,068,886	(66,414)
Charges for services	1,804,461	1,804,461	1,773,322	(31,139)
Intergovernmental	481,962	500,697	464,736	(35,961)
Interest	20,000	20,000	26,682	6,682
Contributions	0	0	10,054	10,054
Other	78,000	93,500	137,242	43,742
Total revenues	<u>21,230,412</u>	<u>21,264,647</u>	<u>23,031,767</u>	<u>1,767,120</u>
EXPENDITURES				
Current				
General Government				
City Manager's Office	832,703	864,450	827,019	37,431
Financial Services and IT	1,692,409	1,704,246	1,592,974	111,272
Human Resources	531,195	539,794	522,213	17,581
Judicial				
Municipal Court	450,482	457,361	417,255	40,106
Public Safety				
Police	8,285,675	8,406,988	8,165,366	241,622
Code Enforcement	234,545	237,985	229,625	8,360
Fire	6,407,692	6,533,325	6,399,832	133,493
Public Works				
Public Lands and Buildings	417,951	422,997	403,175	19,822
Engineering	635,617	643,643	621,411	22,232
Traffic	1,195,016	1,327,892	1,271,277	56,615
Street Maintenance	1,892,355	1,975,974	1,802,876	173,098
Cemetery	323,638	331,170	316,552	14,618
Health and Welfare				
Agency allocations	12,500	12,500	12,500	0
Culture and Recreation				
Agency allocations	0	290,000	290,000	0
Housing and Development				
Communications and Tourism	395,300	399,313	379,592	19,721
Planning	515,018	533,137	521,754	11,383
Inspection	268,483	273,069	267,298	5,771
GA Mountains Regional Commission	29,494	29,494	29,494	0
Total expenditures	<u>24,120,073</u>	<u>24,983,338</u>	<u>24,070,213</u>	<u>913,125</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,889,661)</u>	<u>(3,718,691)</u>	<u>(1,038,446)</u>	<u>2,680,245</u>
Other financing sources (uses)				
Transfers in (out)				
Transfers in	3,919,594	3,962,016	3,885,978	(76,038)
Transfers out	(2,052,750)	(2,122,598)	(2,085,385)	37,213
Contingency	(520,518)	(358,518)	0	358,518
Sales of capital assets	30,000	30,000	10,891	(19,109)
Total other financing sources (uses)	<u>1,376,326</u>	<u>1,510,900</u>	<u>1,811,484</u>	<u>300,584</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(1,513,335)</u>	<u>(2,207,791)</u>	<u>773,038</u>	<u>2,980,829</u>
Fund balances, July 1	<u>1,513,335</u>	<u>2,207,791</u>	<u>8,536,244</u>	<u>6,328,453</u>
Fund balances, June 30	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 9,309,282</u></u>	<u><u>\$ 9,309,282</u></u>

See accompanying notes to the financial statements.

CITY OF GAINESVILLE, GEORGIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2012

	Business-Type Activities			Governmental Activities
	Public Utilities	Nonmajor Enterprise Funds	Totals	Internal Service
ASSETS				
Current assets				
Cash and cash equivalents	\$ 20,133,008	\$ 2,651,098	\$ 22,784,106	\$ 7,121,782
Restricted assets				
Cash and cash equivalents	43,978,470	0	43,978,470	0
Receivables (net)				
Accounts	3,487,618	239,469	3,727,087	51,293
Intergovernmental	524,238	8,372	532,610	10,962
Inventories	1,291,383	0	1,291,383	184,874
	<u>69,414,717</u>	<u>2,898,939</u>	<u>72,313,656</u>	<u>7,368,911</u>
Total current assets				
Noncurrent assets				
Capital assets				
Non-depreciable	25,768,297	605,656	26,373,953	0
Depreciable (net)	454,105,072	15,954,807	470,059,879	37,733
Other assets				
Debt issue costs (net)	2,311,662	126,812	2,438,474	0
Deferred interest expense (net)	3,077,250	0	3,077,250	0
	<u>485,262,281</u>	<u>16,687,275</u>	<u>501,949,556</u>	<u>37,733</u>
Total noncurrent assets				
	<u>554,676,998</u>	<u>19,586,214</u>	<u>574,263,212</u>	<u>7,406,644</u>
Total assets				
LIABILITIES				
Current liabilities				
Payables				
Accounts	653,404	87,304	740,708	448,598
Deposits	0	436	436	10,633
Sales tax	0	8,133	8,133	0
Interest	0	39,781	39,781	0
Accrued salaries	152,887	19,922	172,809	3,650
Compensated absences	501,727	55,235	556,962	9,892
Claims reserve	0	0	0	956,016
Capital lease payable	1,261,588	510,000	1,771,588	0
Notes payable	6,394,184	0	6,394,184	0
Other liabilities	0	27,079	27,079	0
Liabilities payable from restricted assets:				
Payables				
Accounts	497,832	0	497,832	0
Retainages	20,166	0	20,166	0
Customer deposits	2,568,184	0	2,568,184	0
Interest	786,492	0	786,492	0
Revenue bonds payable	7,955,000	0	7,955,000	0
	<u>20,791,464</u>	<u>747,890</u>	<u>21,539,354</u>	<u>1,428,789</u>
Total current liabilities				

See accompanying notes to the financial statements.

CITY OF GAINESVILLE, GEORGIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2012

	Business-Type Activities			Governmental
	Public Utilities	Nonmajor Enterprise Funds	Totals	Activities Internal Service
Noncurrent liabilities				
Advances from other funds	\$ 0	\$ 463,364	\$ 463,364	\$ 0
Compensated absences	55,747	6,137	61,884	1,099
Pension obligation	177,942	0	177,942	0
OPEB obligation	7,969,221	987,068	8,956,289	0
Capital leases payable	22,708,585	6,095,000	28,803,585	0
Revenue bonds payable	81,134,423	0	81,134,423	0
Notes payable	101,142,591	0	101,142,591	0
	<hr/>	<hr/>	<hr/>	<hr/>
Total noncurrent liabilities	213,188,509	7,551,569	220,740,078	1,099
Total liabilities	<hr/>	<hr/>	<hr/>	<hr/>
	233,979,973	8,299,459	242,279,432	1,429,888
NET ASSETS				
Invested in capital assets, net of related debt	261,836,250	9,955,462	271,791,712	37,733
Restricted for:				
Capital outlay	34,487,559	0	34,487,559	0
Debt service	6,136,235	0	6,136,235	0
Unrestricted	18,236,981	1,331,293	19,568,274	5,939,023
	<hr/>	<hr/>	<hr/>	<hr/>
Total net assets	\$ 320,697,025	\$ 11,286,755	331,983,780	\$ 5,976,756
			<hr/>	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			1,350,474	
			<hr/>	
Net assets of business-type activities			\$ 333,334,254	
			<hr/>	

See accompanying notes to the financial statements.

CITY OF GAINESVILLE, GEORGIA
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the fiscal year ended June 30, 2012

	Business-Type Activities			Governmental Activities
	Public Utilities	Nonmajor Enterprise Funds	Totals	Internal Service
OPERATING REVENUES				
Charges for sales and services	\$ 57,492,303	\$ 4,164,648	\$ 61,656,951	\$ 0
Interfund services provided	0	0	0	11,295,762
Other	1,010,311	45,619	1,055,930	10,183
Total operating revenues	58,502,614	4,210,267	62,712,881	11,305,945
OPERATING EXPENSES				
Costs of sales and services	10,742,086	1,225,497	11,967,583	10,033,362
Personal services	13,677,092	1,722,533	15,399,625	257,906
Depreciation	14,378,888	1,104,700	15,483,588	15,263
Total operating expenses	38,798,066	4,052,730	42,850,796	10,306,531
Operating income (loss)	19,704,548	157,537	19,862,085	999,414
Non-operating revenues (expenses)				
Interest revenue	311,063	3,084	314,147	8,413
Interest expense	(8,009,136)	(327,565)	(8,336,701)	0
Amortization	(244,777)	(13,549)	(258,326)	0
Gain (loss) on sale of capital assets	18,305	15,106	33,411	16
Total non-operating revenues (expenses)	(7,924,545)	(322,924)	(8,247,469)	8,429
Income (loss) before capital contributions and transfers	11,780,003	(165,387)	11,614,616	1,007,843
Capital contributions				
Connection fees	926,093	0	926,093	0
Capital contributions	3,601,247	0	3,601,247	0
Intergovernmental revenue	658,573	71,475	730,048	0
Total capital contributions	5,185,913	71,475	5,257,388	0
Income (loss) before transfers	16,965,916	(93,912)	16,872,004	1,007,843
Transfers in (out)				
Transfers in	0	154,155	154,155	62,500
Transfers out	(3,408,792)	0	(3,408,792)	0
Total transfers in (out)	(3,408,792)	154,155	(3,254,637)	62,500
Change in net assets	13,557,124	60,243	13,617,367	1,070,343
Net assets, July 1	307,139,901	11,226,512	318,366,413	4,906,413
Net assets, June 30	\$ 320,697,025	\$ 11,286,755	\$ 331,983,780	\$ 5,976,756
Change in net assets - enterprise funds			\$ 13,617,367	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			359,789	
Change in net assets - business-type activities			<u>\$ 13,977,156</u>	

See accompanying notes to the financial statements.

CITY OF GAINESVILLE, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the fiscal year ended June 30, 2012

	Business-Type Activities			Governmental Activities
	Public Utilities	Nonmajor Enterprise Funds	Totals	Internal Service
Cash flows from operating activities:				
Receipts from customers	\$ 59,782,552	\$ 4,172,056	\$ 63,954,608	\$ 0
Receipts from interfund services provided	0	0	0	11,589,864
Payments to suppliers	(11,034,580)	(1,223,738)	(12,258,318)	(9,869,419)
Payments to employees	(12,033,793)	(1,566,034)	(13,599,827)	(266,707)
Other receipts	1,010,311	33,019	1,043,330	10,183
Net cash provided (used) by operating activities	<u>37,724,490</u>	<u>1,415,303</u>	<u>39,139,793</u>	<u>1,463,921</u>
Cash flows from non-capital financing activities:				
Receipts from other funds	0	136,662	136,662	62,500
Payments to other funds	(3,408,792)	0	(3,408,792)	0
Net cash provided (used) by non-capital financing activities	<u>(3,408,792)</u>	<u>136,662</u>	<u>(3,272,130)</u>	<u>62,500</u>
Cash flows from capital and related financing activities:				
Receipt of capital contributions	930,793	63,103	993,896	0
Receipts from others	153,757	0	153,757	0
Sale of capital assets	18,243	15,106	33,349	16
Interest paid	(7,714,300)	(330,633)	(8,044,933)	0
Acquisition of capital assets	(9,594,987)	(269,592)	(9,864,579)	(5,775)
Payment of capital related accounts payable	(263,762)	(63,363)	(327,125)	0
Principal payments - bonds	(7,710,000)	0	(7,710,000)	0
Principal payments - capital leases and promissory notes	(6,181,666)	(485,000)	(6,666,666)	0
Net cash provided (used) by capital and related financing activities	<u>(30,361,922)</u>	<u>(1,070,379)</u>	<u>(31,432,301)</u>	<u>(5,759)</u>
Cash flows from investing activities:				
Interest received	69,727	3,084	72,811	8,413
Net increase (decrease) in cash and cash equivalents	4,023,503	484,670	4,508,173	1,529,075
Cash and cash equivalents, July 1	<u>60,087,975</u>	<u>2,166,428</u>	<u>62,254,403</u>	<u>5,592,707</u>
Cash and cash equivalents, June 30	<u><u>\$ 64,111,478</u></u>	<u><u>\$ 2,651,098</u></u>	<u><u>\$ 66,762,576</u></u>	<u><u>\$ 7,121,782</u></u>

See accompanying notes to the financial statements.

CITY OF GAINESVILLE, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the fiscal year ended June 30, 2012

	Business-Type Activities			Governmental Activities
	Public Utilities	Nonmajor Enterprise Funds	Totals	Internal Service
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 19,704,548	\$ 157,537	\$ 19,862,085	\$ 999,414
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	14,378,888	1,104,700	15,483,588	15,263
(Increase) decrease in accounts receivable	1,621,541	(6,651)	1,614,890	260,284
(Increase) decrease in intergovernmental receivables	670,067	0	670,067	33,818
(Increase) decrease in inventory	(314,050)	0	(314,050)	(33,510)
(Increase) decrease in pension asset	115,173	0	115,173	0
Increase (decrease) in accounts payable	21,556	(2,752)	18,804	373,631
Increase (decrease) in sales tax payable	0	1,023	1,023	0
Increase (decrease) in accrued salaries and benefits	(252,091)	(34,598)	(286,689)	(8,801)
Increase (decrease) in deposits payable	(1,359)	436	(923)	(1,407)
Increase (decrease) in claims reserve	0	0	0	(174,771)
Increase (decrease) in pension obligation	177,942	0	177,942	0
Increase (decrease) in OPEB obligation	1,602,275	191,097	1,793,372	0
Increase (decrease) in other liabilities	0	4,511	4,511	0
Total adjustments	18,019,942	1,257,766	19,277,708	464,507
Net cash provided (used) by operating activities	<u>\$ 37,724,490</u>	<u>\$ 1,415,303</u>	<u>\$ 39,139,793</u>	<u>\$ 1,463,921</u>
Cash and cash equivalents reconciliation:				
Cash and cash equivalents	\$ 20,133,008	\$ 2,651,098	\$ 22,784,106	\$ 7,121,782
Restricted assets				
Cash and cash equivalents	<u>43,978,470</u>	<u>0</u>	<u>43,978,470</u>	<u>0</u>
Total cash and cash equivalents	<u>\$ 64,111,478</u>	<u>\$ 2,651,098</u>	<u>\$ 66,762,576</u>	<u>\$ 7,121,782</u>

Noncash investing, capital, and financing activities:

Contributions of capital assets from individuals totaled \$ 2,334,959 for the fiscal year ended June 30, 2012.
Acquisition of capital assets through accounts payable totaled \$517,998 for the fiscal year ended June 30, 2012.
Forgiveness of capital lease through capital contributions totaled \$1,261,588 for the fiscal year ended June 30, 2012.
Liquidation of notes payable through advances from other funds totaled \$81,691 for the fiscal year ended June 30, 2012.

See accompanying notes to the financial statements.

CITY OF GAINESVILLE, GEORGIA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2012

	<u>Community Private-Purpose Trust Fund</u>	<u>Employees' Pension Trust Fund</u>	<u>Municipal Court Agency Fund</u>
ASSETS			
Cash and cash equivalents	\$ 14,794	\$ 798,576	\$ 96,976
Investments, at fair value			
Common stock	0	8,715	0
Mutual funds			
Equity	0	32,018,803	0
Fixed income	0	33,863,641	0
Accounts receivables (net)	<u>0</u>	<u>0</u>	<u>701,127</u>
Total assets	<u>14,794</u>	<u>66,689,735</u>	<u>798,103</u>
LIABILITIES			
Accounts payable	0	16,755	0
Due to other agencies	<u>0</u>	<u>0</u>	<u>798,103</u>
Total liabilities	<u>0</u>	<u>16,755</u>	<u>798,103</u>
NET ASSETS			
Held in trust for pension benefits and other purposes	<u>\$ 14,794</u>	<u>\$ 66,672,980</u>	<u>\$ 0</u>

See accompanying notes to the financial statements.

CITY OF GAINESVILLE, GEORGIA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the fiscal year ended June 30, 2012

	Community Private-Purpose Trust Fund	Employees' Pension Trust Fund
ADDITIONS		
Contributions		
Employer contributions	\$ 0	\$ 2,829,095
Employee contributions	0	2,829,095
Employee donations	47,626	0
Total contributions and donations	47,626	5,658,190
Investment Income		
Net appreciation (depreciation) in fair value of investments	0	88,559
Interest	3	29
Dividends	0	1,811,217
Investment expense	0	(120,679)
Net investment income (loss)	3	1,779,126
Total additions (reductions)	47,629	7,437,316
DEDUCTIONS		
Benefits	0	5,497,109
Refunds	0	472,022
Distributions for assistance	51,377	0
Total deductions	51,377	5,969,131
Net increase (decrease)	(3,748)	1,468,185
Net assets held in trust for pension benefits and other purposes		
Net assets, July 1	18,542	65,204,795
Net assets, June 30	\$ 14,794	\$ 66,672,980

See accompanying notes to the financial statements.

CITY OF GAINESVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

1. Description of Government Unit

The City of Gainesville, Georgia (the City) is located in the Northeastern area of Georgia in Hall County about 50 miles northeast of Atlanta and about 100 miles southwest of Greenville, South Carolina, just north of Interstate 85 on the Chattahoochee River and Lake Sidney Lanier.

The City provides a full range of governmental services, including public safety, health and social services, recreational programs and economic development as well as water and sewer service, the operation of an airport, a convention center and funding support for certain other local agencies.

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

2. Summary of Significant Accounting Policies

A. Basis of Presentation

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

B. Reporting Entity

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

CITY OF GAINESVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

2. Summary of Significant Accounting Policies (continued)

B. Reporting Entity, continued

City of Gainesville Parks and Recreation Board

The City of Gainesville Parks and Recreation Board was established as a legally separate entity through a special election in 1924 and operates pursuant to the Official Code of Georgia Annotated section 36-64-1. The Board consists of nine members appointed by the City Council. The City Council levies a recreation tax which can be not less than 0.75 mills and not greater than 1.0 mills. The Parks and Recreation Board provides leisure services to the citizens of the City of Gainesville and the citizens of Hall County. The Board undertakes special projects and assignments for City management. In many respects it functions similar to a City department through regular participation in department director meetings, budget approval, accounting, payroll, etc.

The City of Gainesville Parks and Recreation is reported in a separate column to emphasize that it is legally separate from the City. Individual financial statements are presented as part of the City's Comprehensive Annual Report in the section labeled "Component Unit". (See Exhibit J). Gainesville Parks and Recreation has a June 30 year-end. There is no separately issued stand-alone financial report for this component unit.

C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements.

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

CITY OF GAINESVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

2. Summary of Significant Accounting Policies (continued)

C. Government-wide and Fund Financial Statements, continued

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

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

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

The City's government-wide financial statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of Governmental and Business-Type activities for the City. Fiduciary activities of the City are not included in these statements.

These statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Agency funds have no measurement focus. Accordingly, all the City's assets and liabilities, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in assets. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

CITY OF GAINESVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

2. Summary of Significant Accounting Policies (continued)

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

The types of transaction reported as program revenues for the City are reported in three categories: 1) charges for services to customers who directly benefit from goods, services or privileges provided by a given function, 2) operating grants and contributions that are restricted to meeting the operational needs requirements of a particular function and 3) capital grants and contributions that are restricted to meeting the capital needs requirements of a particular function.

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

Governmental Fund Financial Statements

Governmental Fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

CITY OF GAINESVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

2. Summary of Significant Accounting Policies (continued)

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

Governmental Fund Financial Statements (continued)

Those revenues susceptible to accrual include property taxes, sales taxes, licenses, interest revenue and charges for services. Sales taxes collected and held by the state at year-end on behalf of the government also are recognized as revenue. The City considers property taxes as available in the period for which they were levied if they are collected within 60 days subsequent to year-end. A 60-day availability period is also used for revenue recognition for all other governmental fund revenue.

The City reports the following major governmental funds:

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

Debt Service Fund - This fund is used to account for the accumulation of resources and payment of general government long-term debt principal and interest from governmental resources.

Special Purpose Local Option Sales Tax Capital Projects Fund - This fund is used to account for long-term capital projects financed by the passage of a special purpose local option sales tax.

The City reports the following major proprietary fund:

Public Utilities Enterprise Fund - This fund is used to account for activities connected with the development, operation, and maintenance of water and sewer service in the City of Gainesville and parts of Hall County.

CITY OF GAINESVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

2. Summary of Significant Accounting Policies (continued)

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

Additionally, the City reports the following fund types:

Governmental Fund Types

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

Capital Projects Funds - This fund type is used to account for financial resources to be used for the acquisition or construction of capital assets (other than those financed by the proprietary or fiduciary funds).

Proprietary Fund Types

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

Internal Service Funds - These funds are used to account for the financing of goods and services provided to the departments of the government on a cost reimbursement basis. The City's internal service funds are used to account for the financing of risk management services and vehicle repair and maintenance services to other departments or funds of the City on a cost-reimbursement basis.

CITY OF GAINESVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

2. Summary of Significant Accounting Policies (continued)

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

Fiduciary Fund Types

Trust Funds - These funds are used to account for assets held by the City as a trustee or agent to be expended or invested in accordance with the conditions of a trust or in its agency capacity. The City has a private-purpose trust fund to account for the activity of the Community Trust Fund, and a pension trust fund to account for a single employer retirement system administered by the City for the benefit of its eligible employees.

Agency Funds – Agency Funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that are held either for the City or for others. The City has an agency fund to account for the activity of the Municipal Court.

Component Unit

The Gainesville Parks and Recreation Component Unit is accounted for using a current financial resources measurement focus and uses the modified accrual basis of accounting. Under this method, revenues are recognized when susceptible to accrual (i.e. when they both become measurable and available).

CITY OF GAINESVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

2. Summary of Significant Accounting Policies (continued)

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds and internal services funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

CITY OF GAINESVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

2. Summary of Significant Accounting Policies (continued)

E. Budgets and Budgetary Accounting

The City Council adopts an operating budget for all governmental fund types, except for the Capital Projects Funds, for the upcoming fiscal year, prior to July 1. Capital budgets are adopted for Capital Projects Funds; additional capital projects are budgeted by the City Council as capital projects are approved throughout the year. The adopted budget includes proposed expenditures and the means of financing them. The budget is legally enacted by the passage of a resolution.

The budget process begins each year with a budget priority-setting workshop in which members of the City Council indicate various issues of importance to be considered in the budget. Once the priorities are established, the Budget Officer prepares estimates of both the current and proposed fiscal year revenue for all funds. Expenditure estimates for the current and proposed fiscal year are initially prepared by the respective department directors. All budget estimates are then reviewed by the City Manager, who makes the final decisions regarding the proposed budget. The proposed budget is then presented to the City Council and interested citizens during public hearings. These hearings are publicized in the local newspaper at least one week before the first hearing, and the budget document is made available for public inspection during this period. The final proposed budget is then adopted by the City Council on or before June 30 during a regular Council meeting, which is also open to the public.

The level of legal budgetary control (the level at which expenditures may not exceed appropriations) is the department level. Changes may be made within an operating budget by departmental request through the Budget and Purchasing Manager except for equipment requests under \$5,000 which must be approved by the City Manager, and equipment requests over \$5,000 and changes in personal services budgets, which must be approved by the City Council. All operating budget transfers between departments and all changes to Capital Projects budgets must be approved by City Council. Formal budgetary integration is employed as a management control device during the year.

CITY OF GAINESVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

2. Summary of Significant Accounting Policies (continued)

E. Budgets and Budgetary Accounting, continued

Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) at the legal level of budgetary control, which is the department level. Expenditures may not exceed the appropriations within a fund. Budgets, as reported in the financial statements, are as originally passed by ordinance and subsequently amended. During the year, several supplementary appropriations are made as needed. The results are increases and decreases to the appropriations within the funds. All annual appropriations lapse at year-end.

Encumbrance accounting (under which purchase orders, contracts, and other commitments for the expenditure of money are recorded in order to reserve that portion of the applicable appropriation) is employed as an extension of formal budgetary integration in all funds. Encumbrances outstanding at year-end are reported as restrictions, commitments, or assignments of fund balances since they do not constitute expenditures or liabilities.

F. Cash and Investments

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

G. Intergovernmental Receivables

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

H. Inventories

Inventories for the General Fund are valued at average cost and recorded as expenditures when consumed. Inventories of the Public Utilities Enterprise Fund are valued at cost on the first-in, first-out method.

CITY OF GAINESVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

2. Summary of Significant Accounting Policies (continued)

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2012, are recorded as prepaid items. Prepaid items in the governmental funds are recorded as expenditures when consumed.

J. Capital Assets

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

GASB Statement No. 34 required the City to report and depreciate new infrastructure assets effective with the fiscal year ended June 30, 2003. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are among the largest asset classes of the City. Prior to July 1, 2006, neither their historical costs, nor related depreciation, had been reported in the financial statements. The City implemented the requirements for retroactive reporting of major general infrastructure assets during the fiscal year ended June 30, 2007. The City elected not to report general infrastructure assets placed into service prior to July 1, 1980.

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

CITY OF GAINESVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

2. Summary of Significant Accounting Policies (continued)

J. Capital Assets, continued

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

	Useful Life	Capitalization
	in Years	Threshold
Buildings	7 to 60	\$ 5,000
Sewer lines	40 to 80	\$ 25,000
Water lines	50 to 67	\$ 25,000
Water and sewer treatment facilities	60	\$ 25,000
Roads	20 to 50	\$ 200,000
Storm drains	25 to 40	\$ 50,000
Sidewalks	25 to 30	\$ 50,000
Bridges/culverts	40 to 50	\$ 100,000
Bike paths	20 to 30	\$ 50,000
Parking lots	15 to 35	\$ 100,000
Traffic signals	15 to 20	\$ 60,000
Airport runways	10 to 40	\$ 25,000
Equipment	3 to 20	\$ 5,000
Vehicles	3 to 15	\$ 5,000
Furniture and fixtures	3 to 8	\$ 5,000
Computer software	3	\$ 20,000

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

CITY OF GAINESVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

2. Summary of Significant Accounting Policies (continued)

K. Restricted Assets and Restricted Net Assets

Restricted assets of the Enterprise Funds primarily represent unexpended money collected and receivables consisting of extension and renewal receipts which remain restricted for future construction of specific projects for the improvement and expansion of the Water and Sewer system. Restricted assets for debt redemption of the Public Utilities Enterprise Fund represent resources set aside for the repayment of revenue bonds and notes payable outstanding. The assets are maintained in a separate bank account and their use is limited by application of debt covenants.

Restricted net assets are equal to the excess of the restricted assets funded from operations over the liabilities to be paid with restricted assets which are due in one year or less. Restricted assets exclude bond proceeds for calculation of reserve.

L. Fund Balances – Governmental Funds

The City of Gainesville implemented GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in fiscal year 2011. In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts reported as nonspendable at June 30, 2012, by the City are nonspendable in form. The City has not reported any amounts that are legally or contractually required to be maintained intact.

Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

CITY OF GAINESVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

2. Summary of Significant Accounting Policies (continued)

L. Fund Balances – Governmental Funds, continued

Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the City Council, the City of Gainesville's highest level of decision making authority, which include the language "committed for the purpose of". Commitments may be modified or rescinded only through adoption of a subsequent resolution, which shall refer to the original resolution by its number. A resolution committing amounts must be adopted prior to the end of the fiscal year; however, the amount to be committed may be determined within 120 days of fiscal year-end.

Assigned – includes amounts that the City intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the City's adopted policy, amounts may be assigned by the City Manager, under the authorization of the City Council, through a written memorandum. Amounts appropriated to eliminate a projected deficit in the subsequent fiscal year's budget shall constitute assignments and are documented by adoption of the City's annual operating budget. Equity amounts reported in special revenue funds, capital project funds, debt service funds, or permanent funds not otherwise classified as nonspendable, restricted, or committed shall constitute assignments of fund balance.

Unassigned – includes amounts that do not fall into one of the above four categories. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The General Fund is the only fund that should report this category of fund balance.

For the purposes of fund balance classification, the City considers restricted amounts spent first when an expenditure is incurred for which both restricted and unrestricted fund balance is available. Furthermore, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance can be used, then committed amounts are spent first, followed by assigned amounts, and then unassigned amounts.

CITY OF GAINESVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

2. Summary of Significant Accounting Policies (continued)

M. Compensated Absences

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

N. Long-Term Obligations

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

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

CITY OF GAINESVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

2. Summary of Significant Accounting Policies (continued)

O. Capital Contributions

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

P. Comparative Data and Reclassifications

Comparative total data of the prior period has been presented in the accompanying individual fund financial statements in order to provide an understanding of changes in the City's financial position and operations. Certain 2011 amounts have been reclassified to conform to the 2012 presentation.

3. Deposit and Investment Risk

Custodial credit risk – Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned. The City's policies require that all deposits be federally insured or fully collateralized. The Employees' Pension Trust Fund is exempt from the City's policy requiring that all deposits be federally insured or fully collateralized.

Investment policies - Credit, concentration of credit, and interest rate risk

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

The City's financial policies limit investments to a maximum one year maturity to minimize interest rate risk. The City Manager may approve exceptions to the one-year maturity limit, and such exceptions will be disclosed to City Council.

CITY OF GAINESVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

3. Deposit and Investment Risk (continued)

In general, the Employees' Pension Trust Fund is exempt from the City investment and cash management policies. The City has adopted a separate investment policy for the Pension Trust Fund.

The City participates in the State of Georgia Local Government Investment Pool (Georgia Fund 1). The City policy limits investments in Georgia Fund 1 to 40% of the City's investments. Assets in this pool are invested in the Georgia Fund 1, created by OCGA 36-83-8, which is a stable net asset investment pool that follows Standard and 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 (\$1.00 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 participant's shares sold and redeemed based on \$1.00 per share. Georgia Fund 1 is managed by the Georgia Office of the State Treasurer. The investment policies of Georgia Fund 1 are established by the Georgia State Depository Board.

The Georgia Fund 1 is rated AAAM by Standard & Poor's. The weighted average maturity at June 30, 2012 was 48 days. At June 30, 2012, the City's balance in Georgia Fund 1 was \$24,379,443.

Investment policies – Employees' Pension Trust Fund

The assets of the Employees' Pension Trust Fund are held in several mutual funds and separate account portfolios, which are all overseen by one investment consultant. Pension Trust Fund investments follow State of Georgia Code Sections 47-20-82, 47-20-83, and 47-20-84 for authorized investments.

City policy limits investment in equity securities to 55% (at cost) of the Fund's total asset value. No more than 5% (at cost) of an investment manager's equity portfolio may be invested in the shares of a single corporate issuer. Direct investment in foreign equities traded on foreign exchanges is prohibited. Equities may be managed through the purchase of open-ended, no-load mutual funds or commingled funds as long as these funds in aggregate adhere to the equity guidelines of the policy.

CITY OF GAINESVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

3. Deposit and Investment Risk (continued)

City policy requires that fixed income portfolio should bear an average credit quality of “A” or higher. Investments in Collateralized Mortgage Obligations shall be limited to 15% of the market value of the investment manager’s total portfolio. No more than 5% (at cost) of an investment manager’s total fixed income portfolio shall be invested in the securities of any single corporate issuer. There is no limit imposed on investments in fixed income securities issued directly by the US government or any agency or instrumentality thereof. Investments in corporate fixed income securities shall be limited to securities issued by a corporation organized under the laws of the United States, any state or organized territory of the United States, or the District of Columbia. The duration of the fixed income portfolio should be less than 135% of the duration of the Barclays Capital US Aggregate Bond Index. At June 30, 2012, the duration for the index was 5.1 years. Investments in corporate fixed income securities shall be limited to those securities rated “BAA” or higher by Moody’s or “BBB” or higher by Standard & Poor’s rating services. Fixed income securities may be managed through the purchase of open-ended, no-load mutual funds or commingled funds as long as these funds in aggregate adhere to the fixed income guidelines of the policy.

Investment	Fair Value	Average Maturity (in years)	Standard and Poor's Credit Rating
PIMCO Investment Grade Bond Fund	\$ 5,873,486	11.3	N/A
PIMCO Real Return Fund	2,571,528	9.6	N/A
PIMCO Total Return Fund	23,319,651	7.0	N/A
PIMCO Unconstrained Bond Fund	2,098,976	0.4	N/A
	<u>\$ 33,863,641</u>		

Foreign currency risk

The City has no investments denominated in a foreign currency.

Investments

The investments reported in the Economic Development Special Revenue Fund are property held for resale.

CITY OF GAINESVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

4. Accounts Receivable

Net accounts receivable at June 30, 2012 consist of the following:

Primary Government:

Major Funds

General Fund		\$ 373,408
Public Utilities Enterprise Fund	\$ 4,264,516	
Less: Allowance for Uncollectibles	<u>(776,898)</u>	3,487,618

Nonmajor Funds

Special Revenue Funds		
Community Service Center	1,049	
Economic Development	22,028	
Georgia Mountains Center	10,221	
Hotel/Motel Tax	46,659	
Grants	100	
Cemetery Trust	<u>400</u>	80,457

Enterprise Funds

Airport	27,078	
Less: Allowance for Uncollectibles	(17,303)	
Solid Waste	213,439	
Less: Allowance for Uncollectibles	(57,246)	
Golf Course	<u>73,501</u>	239,469

Internal Service Funds

General Insurance	2,581	
Employee Benefits	48,473	
Vehicle Services	<u>239</u>	<u>51,293</u>

Total Primary Government		<u><u>\$ 4,232,245</u></u>
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Component Units:

Parks and Recreation		<u><u>\$ 5,759</u></u>
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Fiduciary Funds

Agency Funds		
Municipal Court	\$ 1,290,961	
Less: Allowance for Uncollectibles	<u>(589,834)</u>	<u><u>\$ 701,127</u></u>

CITY OF GAINESVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

5. Intergovernmental Receivables

Intergovernmental receivables at June 30, 2012 consist of the following:

Primary Government:

Major Funds

General Fund		
State of Georgia	\$ 469,808	
Hall County, Georgia	<u>309,995</u>	\$ 779,803
Debt Service Fund		
Hall County, Georgia		2,691
SPLOST Capital Projects Fund		
Hall County, Georgia		1,781,250
Public Utilities Enterprise Fund		
US Treasury	99,816	
State of Georgia	405,000	
Hall County, Georgia	<u>19,422</u>	524,238

Nonmajor Funds

Special Revenue Funds		
Community Service Center		
State of Georgia	39,396	
Hall County, Georgia	302,377	
Georgia Mountain Center		
Hall County, Georgia	457	
Confiscated Assets		
State of Georgia	3,346	
Grants		
US Treasury	314,648	
HUD Grant		
US Treasury	56,861	
Government Access Cable TV		
Hall County, Georgia	<u>10,008</u>	727,093
Grants Capital Projects Fund		
State of Georgia		73,211
Airport Enterprise Fund		
US Treasury	59	
State of Georgia	<u>8,313</u>	8,372
Vehicle Services Internal Service Fund		
Gainesville City School System		<u>10,962</u>
Total Primary Government		<u><u>\$ 3,907,620</u></u>

Component Unit:

Parks and Recreation		
Hall County, Georgia		<u><u>\$ 4,197</u></u>

CITY OF GAINESVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

6. Property Taxes

Property tax rates are set by the City Council each year and are limited by statutory or constitutional provision. Property values are assessed as of January 1st each year. Property taxes for fiscal year 2012, based upon the assessments of January 1, 2011 and the levy date of October 18, 2011, were final billed on October 20, 2011 and due on December 20, 2011. Tax liens are issued 90 days after the due date. The City of Gainesville bills and collects its own property taxes with property tax collections appearing as revenues to the respective funds (General, Tax Allocation District, Debt Service, and Parks and Recreation Component Unit) according to the tax rates set by City Council.

The City bills one half of the previous year taxes for real estate on unchanged property on July 1 of each year. The balances of the taxes due are billed when the tax digest is completed and are due in accordance with the above schedule.

7. Intradepartmental Billings

Total operating revenues and total operating expenses in the Public Utilities Enterprise Fund includes \$160,076 of intradepartmental billings for water and sewer usage for fiscal year 2012.

CITY OF GAINESVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

8. Interfund Receivables, Payables, and Transfers

A summary of interfund receivables and payables as of June 30, 2012 is as follows:

	Due from:		
	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	Total
Due to:			
Major Funds			
General	\$ 249,256	\$ 381,673	\$ 630,929
Nonmajor Funds			
Governmental	0	81,691	81,691
Total	\$ 249,256	\$ 463,364	\$ 712,620

The balance reported as Due to/Due from represent loans between the borrower funds and the lender. Balances reported between in the General Fund and nonmajor governmental funds resulted from transactions to alleviate equity in pooled cash deficits at year-end. The \$381,673 and \$81,691 are reported in the General Fund and Economic Development Special Revenue Fund, respectively, as advances to other funds and as advances from other funds in the Chattahoochee Golf Course Enterprise Fund; this balance is not expected to be repaid within one year.

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

CITY OF GAINESVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

8. Interfund Receivables, Payables, and Transfers (continued)

A summary of interfund transfers is as follows:

<u>Transfer Out Fund</u>	<u>Transfer In Fund</u>	<u>Amount</u>
General	Nonmajor Governmental	\$ 1,931,230
	Nonmajor Enterprise	154,155
Public Utilities	General	3,397,792
	Nonmajor Governmental	11,000
SPLOST Capital Projects	Debt Service	6,880,875
	Nonmajor Governmental	461,096
Nonmajor Governmental	General	488,186
	Debt Service	164,000
	SPLOST Capital Projects	151,625
	Nonmajor Governmental	928,721
	Internal Service	62,500
		<u>\$ 14,631,180</u>

Interfund transfers were used to transfer unrestricted revenues from payor funds to subsidize operations in payee funds in accordance with budgetary authorizations, to transfer City matching funds in accordance with grant agreements, to transfer funds to Capital Projects Funds for capital projects in accordance with budgetary authorizations, and to move capital assets between governmental activities and business-type activities. The transfer from the Public Utilities Fund to the General Fund is in accordance with City policy, and is common practice for government-owned utility systems. Transfers are eliminated in the government-wide financial statements if the interfund transfer is within the governmental fund group or business-type fund group.

CITY OF GAINESVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

9. Capital Assets

Capital asset activity for the primary government for the year ended June 30, 2012 was as follows:

	Balance June 30, 2011	Increases	Decreases	Balance June 30, 2012
Governmental activities				
Non-depreciable assets				
Land	\$ 24,650,912	\$ 396,056	\$ (5,212)	\$ 25,041,756
Construction in progress	7,009,951	2,139,940	(8,263,198)	886,693
Total non-depreciable assets	<u>31,660,863</u>	<u>2,535,996</u>	<u>(8,268,410)</u>	<u>25,928,449</u>
Depreciable assets				
Buildings	48,560,355	146,962	0	48,707,317
Land improvements	3,124,046	280,291	0	3,404,337
Vehicles and equipment	15,178,919	1,664,262	(142,496)	16,700,685
Intangibles	1,843,016	164,475	0	2,007,491
Infrastructure	28,839,495	7,614,776	(3,750)	36,450,521
Total depreciable assets	<u>97,545,831</u>	<u>9,870,766</u>	<u>(146,246)</u>	<u>107,270,351</u>
Less accumulated depreciation				
Buildings	(7,833,803)	(1,410,454)	0	(9,244,257)
Land improvements	(898,605)	(137,525)	0	(1,036,130)
Vehicles and equipment	(12,077,280)	(1,100,496)	138,366	(13,039,410)
Intangibles	(883,386)	(183,228)	0	(1,066,614)
Infrastructure	(8,053,838)	(1,002,254)	0	(9,056,092)
Total accumulated depreciation	<u>(29,746,912)</u>	<u>(3,833,957)</u>	<u>138,366</u>	<u>(33,442,503)</u>
Total depreciable assets, net	<u>67,798,919</u>	<u>6,036,809</u>	<u>(7,880)</u>	<u>73,827,848</u>
Governmental activities capital assets, net	<u>\$ 99,459,782</u>	<u>\$ 8,572,805</u>	<u>\$ (8,276,290)</u>	<u>\$ 99,756,297</u>
Business-type activities				
Non-depreciable assets				
Land	\$ 19,280,998	\$ 1,030,478	\$ (62)	\$ 20,311,414
Intangibles	1,957,919	0	0	1,957,919
Construction in progress	3,373,217	9,736,399	(9,004,996)	4,104,620
Total non-depreciable assets	<u>24,612,134</u>	<u>10,766,877</u>	<u>(9,005,058)</u>	<u>26,373,953</u>
Depreciable assets				
Buildings	73,051,137	74,777	0	73,125,914
Land improvements	16,261,255	13,498	0	16,274,753
Distribution system	505,235,084	8,933,765	0	514,168,849
Intangibles	3,692,120	970,369	0	4,662,489
Vehicles and equipment	15,248,185	972,235	(322,234)	15,898,186
Total depreciable assets	<u>613,487,781</u>	<u>10,964,644</u>	<u>(322,234)</u>	<u>624,130,191</u>
Less accumulated depreciation				
Buildings	(5,903,590)	(1,456,199)	0	(7,359,789)
Land improvements	(5,883,802)	(685,033)	0	(6,568,835)
Distribution system	(113,164,246)	(12,279,095)	0	(125,443,341)
Intangibles	(912,748)	(202,426)	0	(1,115,174)
Vehicles and equipment	(13,035,707)	(869,700)	322,234	(13,583,173)
Total accumulated depreciation	<u>(138,900,093)</u>	<u>(15,492,453)</u>	<u>322,234</u>	<u>(154,070,312)</u>
Total depreciable assets, net	<u>474,587,688</u>	<u>(4,527,809)</u>	<u>0</u>	<u>470,059,879</u>
Business-type activities capital assets, net	<u>\$ 499,199,822</u>	<u>\$ 6,239,068</u>	<u>\$ (9,005,058)</u>	<u>\$ 496,433,832</u>

CITY OF GAINESVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

9. Capital Assets (continued)

Capital asset activity for the Parks and Recreation Component Unit for the year ended June 30, 2012 was as follows:

	<u>Balance June 30, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2012</u>
Parks & Recreation Component Unit				
Non-depreciable assets				
Land	\$ 3,534,724	\$ 1,579	\$ (53,014)	\$ 3,483,289
Construction in progress	383,952	636,597	(927,019)	93,530
Total non-depreciable assets	<u>3,918,676</u>	<u>638,176</u>	<u>(980,033)</u>	<u>3,576,819</u>
Depreciable assets				
Buildings	9,915,118	184,585	0	10,099,703
Land improvements	3,515,073	0	0	3,515,073
Vehicles and equipment	1,267,853	0	(72,638)	1,195,215
Intangibles	148,170	0	0	148,170
Infrastructure	2,830,424	0	0	2,830,424
Total depreciable assets	<u>17,676,638</u>	<u>184,585</u>	<u>(72,638)</u>	<u>17,788,585</u>
Less accumulated depreciation				
Buildings	(6,386,351)	(303,521)	0	(6,689,872)
Land improvements	(842,991)	(263,163)	0	(1,106,154)
Vehicles and equipment	(1,099,355)	(37,520)	67,503	(1,069,372)
Intangibles	(140,957)	(1,467)	0	(142,424)
Infrastructure	(572,921)	(129,297)	0	(702,218)
Total accumulated depreciation	<u>(9,042,575)</u>	<u>(734,968)</u>	<u>67,503</u>	<u>(9,710,040)</u>
Total depreciable assets, net	<u>8,634,063</u>	<u>(550,383)</u>	<u>(5,135)</u>	<u>8,078,545</u>
Parks & Recreation Component Unit capital assets, net	<u>\$ 12,552,739</u>	<u>\$ 87,793</u>	<u>\$ (985,168)</u>	<u>\$ 11,655,364</u>

CITY OF GAINESVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

9. Capital Assets (continued)

Depreciation expense was charged to functions/programs as follows:

Primary Government

Governmental activities

General Government	\$ 111,802
Public Safety	906,757
Public Works	2,183,656
Health and Welfare	146,267
Culture and Recreation	198,260
Housing and Development	235,961
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>15,263</u>
Total depreciation expense for governmental activities	<u><u>\$ 3,797,966</u></u>

Business-type activities

Public Utilities	\$ 14,378,888
Airport	717,240
Solid Waste	121,082
Golf Course	<u>266,378</u>
Total depreciation expense for business-type activities	<u><u>\$ 15,483,588</u></u>

Component Unit

Parks and Recreation	<u><u>\$ 734,968</u></u>
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	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Component Unit</u>
Current year depreciation expense	\$ 3,797,966	\$ 15,483,588	\$ 734,968
Prior accumulated depreciation on assets transferred between governmental, business-type activities, and component unit	<u>35,991</u>	<u>8,865</u>	<u>0</u>
Additions to accumulated depreciation	<u><u>\$ 3,833,957</u></u>	<u><u>\$ 15,492,453</u></u>	<u><u>\$ 734,968</u></u>

CITY OF GAINESVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

10. Capital and Operating Leases Agreements

The City has entered into agreements for the lease of certain equipment. The terms of the agreements meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, which defines a capital lease generally as one which transfers benefits and risk of ownership to the lessee. The balances of these leases at June 30, 2012, are \$28,964,712 and \$30,575,173 for governmental and business-type activities, respectively.

Total assets leased under capital leases are \$51,526,830 and \$41,193,318 for governmental and business-type activities, respectively, and are classified as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Airport improvements	\$ 0	\$ 5,332,220
Golf Course improvements	0	4,321,397
Water and sewer system	0	31,539,701
Land	7,203,693	0
Buildings	36,327,724	0
Vehicles and equipment	1,187,763	0
Infrastructure	6,807,650	0
Total assets under capital leases	<u>\$ 51,526,830</u>	<u>\$ 41,193,318</u>

The following is a schedule of the future minimum lease payments together with the present value of the net minimum lease payments as of June 30, 2012:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2013	\$ 8,814,061	\$ 2,076,901
2014	8,684,125	2,075,401
2015	1,328,350	2,077,497
2016	1,348,289	2,078,015
2017	1,244,204	2,081,797
2018-2022	6,388,456	9,385,354
2023-2027	6,152,574	7,579,529
2028-2031	975,891	5,046,352
Total minimum lease payments	34,935,950	32,400,846
Less amounts representing interest	<u>(5,971,238)</u>	<u>(1,825,673)</u>
Present value of minimum lease payments	<u>\$ 28,964,712</u>	<u>\$ 30,575,173</u>

CITY OF GAINESVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

10. Capital and Operating Leases Agreements (continued)

The City has entered into an agreement to participate in a pooled lease program sponsored by the Georgia Municipal Association. Certificates of Participation in the amount of \$150,126,000 were issued in connection with the lease program, with the City's pro rata share of the principal being \$1,166,000. At June 30, 2012, the City has a balance of \$312,343 of the certificate proceeds for the purpose of financing the acquisition of equipment and is included with other leases above. These amounts are presented as capital leases in the governmental activities on the government-wide Statement of Net Assets. The remaining balance of the certificate proceeds is held in trust pursuant to the certificate, and is not considered legal debt of the City.

On July 13, 2004, the Gainesville Redevelopment Authority issued \$5,000,000 in the Series 2004 Revenue Bonds, with interest rates of 5.18% for the \$2,290,000 tax-exempt series and 6.10% for the \$2,710,000 taxable series. An intergovernmental contract became effective, on the date of issuance, between the Gainesville Redevelopment Authority and the City of Gainesville. The Authority will provide for the acquisition, construction, installation, and equipping of improvements to the Lee Gilmer Memorial Airport. The City will possess, operate and maintain, and have use of the airport, and pay for the use thereof in amounts sufficient to enable the Authority to pay the principal of and interest on the Series 2004 Bonds as the same become due and payable. This intergovernmental contract has been recorded as a capital lease payable by the City.

On December 29, 2005, the Gainesville Redevelopment Authority issued \$4,200,000 in the Series 2005 Revenue Bonds, with an interest rate of 4.012%. An intergovernmental lease became effective, on the date of issuance, between the Gainesville Redevelopment Authority and the City of Gainesville. Under the lease, bond proceeds of the Authority issue will be applied to construct and equip the 2005 Project, which includes renovations to the Chattahoochee Golf Course to be made by the City, and the Golf Course and the 2005 Project will be leased to the City. In return, the City will make payments to the trustee for the bonds on behalf of the Authority sufficient to pay the principal and interest on the bonds. In conjunction with the issuance of the bonds, the City conveyed title to the Golf Course and improvements thereon to the Authority. The City will continue to operate, maintain, repair and have use of the Golf Course.

CITY OF GAINESVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

10. Capital and Operating Leases Agreements (continued)

On January 17, 2006, the City of Gainesville entered into an intergovernmental lease and management agreement with Hall County, Georgia, for the operation of the Hall County Water System. The lease, in the original amount of \$31,539,701, has a 25 year term with an interest rate of 0.00%. In the lease agreement, the City received \$34,781,050 in capital assets, \$156,739 in intergovernmental receivables from White County, Georgia, and assumed \$3,398,088 in notes payable and accrued interest. Hall County will transfer 1/25th of the system value, \$1,261,588, annually, beginning January 17, 2007, to offset the lease payment. If the lease agreement is terminated prior to the end of the lease term, Hall County will pay the City for all costs associated with capital improvements made to the system after January 17, 2006, plus the percentage change in the Consumer Price Index since January 17, 2006. Hall County will also pay the City for the portion of the system already transferred at the time of termination.

On May 1, 2007, the Gainesville Redevelopment Authority issued \$11,885,000 in the Series 2007 Revenue Bonds, with interest rates of 4.00-5.00%. An intergovernmental lease became effective, on the date of issuance, between the Gainesville Redevelopment Authority and the City of Gainesville. Under the lease, bond proceeds of the Authority issue will be applied to construct and equip the 2007 Project, which includes the purchase of land and the construction of the Frances Meadows Community Center, to be made by the City, and the 2007 Project will be leased to the City. In return, the City will make payments to the trustee for the bonds on behalf of the Authority sufficient to pay the principal and interest on the bonds. In conjunction with the issuance of the bonds, the City conveyed title to the land and the Center thereon to the Authority. The City will continue to operate, maintain, repair and have use of the Center.

On May 20, 2009, the Gainesville Redevelopment Authority issued \$6,230,000 in the Series 2009A Revenue Bonds, with interest rates of 3.00-4.625%. An intergovernmental lease became effective, on the date of issuance, between the Gainesville Redevelopment Authority and the City of Gainesville. Under the lease, bond proceeds of the Authority issue will be applied to construct and equip the 2009A Project, which includes the construction of the Downtown Parking Garage, to be made by the City, and the 2009 Project will be leased to the City. In return, the City will make payments to the trustee for the bonds on behalf of the Authority sufficient to pay the principal and interest on the bonds. In conjunction with the issuance of the bonds, the City conveyed title to land and the Parking Garage thereon to the Authority. The City will continue to operate, maintain, repair and have use of the Parking Garage.

CITY OF GAINESVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

10. Capital and Operating Leases Agreements (continued)

On May 20, 2009, the Gainesville Redevelopment Authority issued \$25,325,000 in the Series 2009B Revenue Bonds, with interest rates of 3.00-5.00%. An intergovernmental lease became effective, on the date of issuance, between the Gainesville Redevelopment Authority and the City of Gainesville. Under the lease, bond proceeds of the Authority issue will be applied to construct and equip the 2009 Project, which includes the purchase of land and the construction of the Public Safety Facility, to be made by the City, and the 2009 Project will be leased to the City. In return, the City will make payments to the trustee for the bonds on behalf of the Authority sufficient to pay the principal and interest on the bonds. In conjunction with the issuance of the bonds, the City conveyed title to the land and the Facility thereon to the Authority. The City will continue to operate, maintain, repair and have use of the Center.

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

11. Long-Term Debt

The City enters into promissory notes with the Georgia Environmental Facilities Authority for the financing of water and sewer construction projects. The City pledges the full faith, credit, and taxing powers of the City in this financing arrangement.

Notes Payable

The City has entered into an agreement to participate in a pooled borrowing program sponsored by the Georgia Environmental Facilities Authority for expansion of the City's water and sewerage system. At June 30, 2012, the City had entered into 13 borrowings in the original amount of \$141,240,903, with a total outstanding balance of \$107,536,775. Monthly installments of principal and interest are due through May 1, 2029; with interest rates of 3.00% to 5.43%. Two of these borrowings were assumed from Hall County, Georgia, as part of the intergovernmental lease and management agreement for the operation of the Hall County Water System (see Note 10).

CITY OF GAINESVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

11. Long-Term Debt (continued)

Notes Payable, continued

Annual debt service requirements for notes payable are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 6,394,184	\$ 3,316,714	\$ 9,710,898
2014	6,602,959	3,108,381	9,711,340
2015	6,822,515	2,888,828	9,711,343
2016	6,800,434	2,666,955	9,467,389
2017	6,780,796	2,442,970	9,223,766
2018-2022	35,966,823	8,837,666	44,804,489
2023-2027	30,498,467	3,444,882	33,943,349
2028-2029	7,670,597	230,968	7,901,565
Totals	<u>\$ 107,536,775</u>	<u>\$ 26,937,364</u>	<u>\$ 134,474,139</u>

General Obligation Bonds

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

As of June 30, 2012, the City has no general obligation bonds outstanding.

CITY OF GAINESVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

11. Long-Term Debt (continued)

Revenue Bonds

Revenue bonds have been issued for business-type activities and are comprised of the following individual issues at June 30, 2012:

- \$15,875,000 1992 Water and Sewerage Revenue – Series A, B, & C series bonds due in an annual installment of \$3,845,000 through November 15, 2012; interest at 6.00% (\$3,845,000 outstanding); for the expansion of the City’s water and sewerage system.
- \$57,535,000 2001 Water and Sewerage Revenue – Series A & B series bonds due in an annual installment of \$2,115,000 through November 15, 2012; interest at 4.10% (\$2,115,000 outstanding); for the expansion of the City’s water and sewerage system. This bond issue was partially advanced refunded during fiscal year 2007.
- \$52,570,000 2005 Water and Sewer System Refunding series bonds due in annual installments of \$120,000 to \$6,870,000 through November 15, 2020; interest at 4.00% to 5.00% (\$43,605,000 outstanding).
- \$39,205,000 2006 Water and Sewer System Refunding series bonds due in annual installments of \$160,000 to \$8,845,000 through November 15, 2021; interest at 3.75% to 5.00% (\$37,740,000 outstanding).

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

Year Ending June 30,	Principal	Interest	Total
2013	\$ 7,955,000	\$ 3,768,352	\$ 11,723,352
2014	8,360,000	3,368,156	11,728,156
2015	8,740,000	2,957,769	11,697,769
2016	9,175,000	2,525,044	11,700,044
2017	9,525,000	2,073,719	11,598,719
2018-2022	43,550,000	4,393,259	47,943,259
Totals	<u>\$ 87,305,000</u>	<u>\$ 19,086,299</u>	<u>\$ 106,391,299</u>

CITY OF GAINESVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

11. Long-Term Debt (continued)

Changes in Long-Term Debt

The following is a summary of changes in long-term debt of the City for fiscal year ended June 30, 2012:

	<u>Balance 6/30/2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/2012</u>	<u>Due Within One Year</u>
Governmental activities					
Capital lease obligations	\$ 35,736,881	\$ 721,833	\$ (7,494,002)	\$ 28,964,712	\$ 7,321,768
Compensated absences	1,041,573	1,166,647	(1,177,848)	1,030,372	927,336
Total Governmental activities	<u>\$ 36,778,454</u>	<u>\$ 1,888,480</u>	<u>\$ (8,671,850)</u>	<u>\$ 29,995,084</u>	<u>\$ 8,249,104</u>
Business-type activities					
Revenue bonds	\$ 95,015,000	\$ 0	\$ (7,710,000)	\$ 87,305,000	\$ 7,955,000
Unamortized bond premium	2,030,024	0	(241,336)	1,788,688	0
Unamortized bond discount	(14,501)	0	10,236	(4,265)	0
Notes payable	113,800,132	0	(6,263,357)	107,536,775	6,394,184
Capital lease obligations	32,321,761	0	(1,746,588)	30,575,173	1,771,588
Compensated absences	591,245	816,080	(788,479)	618,846	556,962
Total business-type activities	<u>\$ 243,743,661</u>	<u>\$ 816,080</u>	<u>\$ (16,739,524)</u>	<u>\$ 227,820,217</u>	<u>\$ 16,677,734</u>
Park & Recreation Component Unit					
Compensated absences	<u>\$ 107,590</u>	<u>\$ 100,337</u>	<u>\$ (111,315)</u>	<u>\$ 96,612</u>	<u>\$ 86,951</u>

Revenue bond issue costs and discounts/premiums are amortized over the life of the related debt using the straight-line method. Compensated absences are liquidated by those funds that have salary and wage expenditures. In prior years, long-term liabilities, such as compensated absences, of the governmental activities were liquidated in the General and Special Revenue Funds.

CITY OF GAINESVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

12. Conduit Debt

From time to time, the City has issued Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City nor the State, or any political subdivision thereof, is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2012, there were 36 series of Revenue Bonds outstanding. The current aggregate principal amount payable for the series totaled \$516,500,592; the original issue amounts totaled \$636,311,768.

CITY OF GAINESVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

13. Nonspendable, Restricted, Committed, and Assigned Fund Balances

The following is a summary of restricted, committed, and assigned fund balances of the governmental funds for fiscal year ended June 30, 2012:

	General	Debt Service	SPLOST Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Prepaid items	\$ 3,123	\$ 0	\$ 0	\$ 0	\$ 3,123
Advances to other funds	381,673	0	0	0	381,673
	<u>384,796</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>384,796</u>
Restricted for:					
General Government	0	0	0	53,771	53,771
Public Safety	0	0	0	462,083	462,083
Public Works	0	0	0	28,850	28,850
Health and Welfare	0	0	0	977,581	977,581
Culture and Recreation	0	0	0	206,256	206,256
Housing and Development	0	0	0	630,906	630,906
Capital projects	0	0	1,307,656	92,327	1,399,983
Debt service	0	1,270,703	6,184,732	0	7,455,435
	<u>0</u>	<u>1,270,703</u>	<u>7,492,388</u>	<u>2,451,774</u>	<u>11,214,865</u>
Committed for:					
Public Works	0	0	0	100,506	100,506
Housing and Development	10,054	0	0	4,868	14,922
	<u>10,054</u>	<u>0</u>	<u>0</u>	<u>105,374</u>	<u>115,428</u>
Assigned for:					
General Government	49,340	0	0	3,157,321	3,206,661
Public Safety	35,030	0	0	22,304	57,334
Public Works	79,618	0	0	2,045,118	2,124,736
Health and Welfare	0	0	0	919,490	919,490
Culture and Recreation	0	0	0	141,789	141,789
Housing and Development	0	0	0	3,305,507	3,305,507
Community betterment	1,039,636	0	0	0	1,039,636
Budget	1,836,732	111,918	0	34,589	1,983,239
Capital projects	0	0	789,560	546,990	1,336,550
Debt service	0	150,434	0	0	150,434
	<u>3,040,356</u>	<u>262,352</u>	<u>789,560</u>	<u>10,173,108</u>	<u>14,265,376</u>

14. Deficit Equity Balances

At June 30, 2012, the Chattahoochee Golf Course Enterprise Fund had negative net assets of \$253,746. This is due to a reduction in revenues, although a cutback in department expenses helped to mitigate the overall shortfall. The City plans to liquidate the deficit fund equity through future revenue recognition.

CITY OF GAINESVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

15. Self-Insurance

General Insurance

During fiscal year 1993, the City established its General Insurance Internal Service Fund, which includes workers' compensation, property, and general liability. Property and liability claims are insured through a private insurance carrier, and subject to various deductibles that are paid from City funds. On July 1, 1999, the City changed their worker's compensation insurance to a risk pool with Georgia Municipal Association.

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

The funds are to defend and protect the members of the fund against liability or loss as prescribed in the member government 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.

CITY OF GAINESVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

15. Self-Insurance (continued)

Health Insurance

The City provides health care benefits to its active and retired employees and their dependents. Effective July 1, 2010, the City contracted with Blue Cross Blue Shield of Georgia for health care coverage. The contract is a minimum premium plan, which is a fully insured plan with self insured characteristics. Under this arrangement, the City is responsible for paying all claims up to an agreed-upon aggregate level, with the insurer responsible for the excess. The insurer is also responsible for processing claims and administrative services.

Liabilities

Liabilities of the funds are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Changes in the balances of claims liabilities during the past two fiscal years are as follows:

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
General Insurance Internal Service Fund		
Balance, beginning of year	\$ 678,787	\$ 913,827
Current year claims and changes in estimate	377,230	(59,467)
Claim payments	<u>(436,601)</u>	<u>(175,573)</u>
Balance, end of year	<u>\$ 619,416</u>	<u>\$ 678,787</u>
Employee Benefits Internal Service Fund		
Balance, beginning of year	\$ 452,000	\$ 335,800
Current year claims and changes in estimate	3,969,994	3,929,872
Claim payments	<u>(4,085,394)</u>	<u>(3,813,672)</u>
Balance, end of year	<u>\$ 336,600</u>	<u>\$ 452,000</u>

16. Pension Plans

The City contributes and participates in two pension plans: a single-employer, defined benefit plan (Pension Plan A) and an agent multiple-employer, defined benefit plan (Pension Plan B). Each plan's assets may be used only for the payment of benefits to the members of that plan, in accordance with the terms of the plan. See Note 2 – Summary of Significant Accounting Policies for basis of accounting and reporting of investments.

CITY OF GAINESVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

16. Pension Plans (continued)

Plan Description and Contribution Information

Current membership in both plans and current year payrolls are as follows:

	<u>Plan A</u>	<u>Plan B</u>
Retirees and beneficiaries currently receiving benefits	202	48
Terminated vested participants entitled to but not yet receiving benefits	11	23
Active participants	<u>477</u>	<u>143</u>
Total number of participants	<u><u>690</u></u>	<u><u>214</u></u>

Pension Plan A

Description. The City of Gainesville Retirement Plan A was established February 24, 1941 and was restated July 1, 1994. The Plan was established by the City to provide retirement benefits to substantially all full-time civil service employees. Employees in Pension Plan A do not participate in Federal Social Security with the City. This plan was established in accordance with the City Charter and State statutes. Pension Plan A provides pension benefits, death and disability benefits. Employees hired before July 1, 2008, are eligible for normal retirement upon completion of twenty-five years of service or age 60 with at least five years of service. The normal retirement benefit payable for life is 3.0% of the average monthly salary for the highest consecutive five years of service multiplied by the years of service, not to exceed thirty-three years. Benefits vest after ten years of service. An early retirement option is available upon completion of twenty years of service. However, benefits are reduced by 2% for each year the commencement date precedes the normal retirement date.

Public safety employees hired on or after July 1, 2008, are eligible for normal retirement upon age 50 and completion of twenty-five years of service or age 65 with at least ten years of service. The normal retirement benefit payable for life is 2.5% of the average monthly salary for the highest consecutive five years of service multiplied by the years of service, not to exceed thirty-three years. Benefits vest after ten years of service. An early retirement option is available upon completion of twenty years of service. However, benefits are reduced by 5% for each year the commencement date precedes the normal retirement date.

CITY OF GAINESVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

16. Pension Plans (continued)

Plan Description and Contribution Information, continued

Pension Plan A (continued)

All other employees hired on or after July 1, 2008, are eligible for normal retirement upon age 60 and completion of twenty-five years of service or age 65 with at least ten years of service. The normal retirement benefit payable for life is 2.5% of the average monthly salary for the highest consecutive five years of service multiplied by the years of service, not to exceed thirty-three years. Benefits vest after ten years of service. An early retirement option is available upon completion of twenty years of service. However, benefits are reduced by 5% for each year the commencement date precedes the normal retirement date.

The financial statements of this plan are included as an employee pension trust fund within this report (Exhibit J). There is no separately issued stand-alone financial report for this pension plan.

Funding Policy. The contribution requirements of plan members and the City are established by plan policy and may be amended under requirements by City Council. Plan members are required to contribute 13.2% of their annual covered salary. The City is required to contribute a matching percentage of 13.2% of annual covered payroll. The City Council provides for the benefits and funding policy through a City ordinance and maintains the authority to change the policy. Costs of administering the plan are financed through contributions and earnings.

Contributions are recognized when due pursuant to formal or contractual commitments. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

CITY OF GAINESVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

16. Pension Plans (continued)

Plan Description and Contribution Information, continued

Pension Plan B

Description. Pension Plan B is the Georgia Municipal Employees Benefit System Retirement Fund (GMEBSRF), an agent multiple-employer plan that acts as a common investment and administrative agent for municipalities in the State. The plan is administered by the Georgia Municipal Association (GMA) and provides pension benefits, death and disability benefits, which were established and may be amended by City Council Ordinance and change of contract with GMA. The City elected to participate in GMEBSRF as of July 1, 1994 as the result of City Ordinance and a contract between the City and the GMEBS. Regular full-time employees who are non-civil service and who are not eligible to participate in any other retirement program of the City may participate in Plan B when they have completed one year of service. Pension Plan B employees also participate in Social Security. Employees vest in the plan after 10 years of full-time service with the City. GMEBS issues a publicly available financial report that includes financial statements and required supplementary information for Pension Plan B. That report may be obtained by writing to Georgia Municipal Employees Benefit System, 201 Pryor Street SW, Atlanta, Georgia 30303.

Funding Policy. The contribution requirements of the City are established and may be amended by City Council. Plan members are not allowed to make contributions to this plan. The City is required to contribute at an actuarially determined rate. The current rate is 8.9% of annual covered payroll. The City Council provides for the benefits and funding policy through a City ordinance and maintains the authority to change the policy. Costs of administering the plan are financed through contributions and earnings.

CITY OF GAINESVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

16. Pension Plans (continued)

Annual Pension Cost and Net Pension Obligation

The net pension obligation was computed as part of an actuarial valuation performed as of July 1, 2011 for Pension Plan A and January 1, 2012, for Pension Plan B. Significant actuarial assumptions used in the valuation include:

	<u>Plan A</u>	<u>Plan B</u>
Rate of return on investments of present and future assets compounded annually	7.5%	7.8%
Projected salary increases:		
Inflation	3.5%	3.5%
Merit or seniority	1.3-4.0%	0.0%
Post-retirement benefit increases	none	none

The Plan's funding policy provides for actuarially determined periodic contributions at rates that, for individual employees, accumulate funds so that sufficient assets will be available to pay benefits when due. The contribution rate for normal cost is determined using the entry age normal actuarial funding method for Plan A and the projected unit credit actuarial funding method for Plan B. The actuarial value of assets for Plan A was determined by recognizing a portion of the difference between the market value of assets and the expected market value of assets smoothed over a 10 year period. The actuarial value of assets for Plan B was determined by using the prior year's actuarial value, plus current year activity, plus 10% of investment gains (losses) during the 10 prior years.

The unfunded actuarially accrued liability for Plan A is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2011, varies for the bases. The unfunded actuarially accrued liability for Plan B is being amortized as a level dollar amount on a closed basis over a thirty-year period from 1994. The significant actuarial assumptions used to compute the actuarially determined contribution requirements are the same as those used to compute the net pension obligations.

CITY OF GAINESVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

16. Pension Plans (continued)

Annual Pension Cost and Net Pension Obligation, continued

The City's annual pension cost and net pension obligations for the current year were as follows:

	Pension Plan	
	A	B
Annual required contribution (ARC)	\$ 3,368,366	\$ 441,209
Interest on net pension obligation	(21,678)	0
Adjustment to ARC	24,793	0
Annual pension cost	3,371,481	441,209
Contributions made	(2,637,590)	(441,209)
Increase (decrease) in net pension obligation	733,891	0
Net pension obligation (asset) - beginning of year	(289,035)	0
Net pension obligation (asset) - end of year	<u>\$ 444,856</u>	<u>\$ 0</u>

Historical Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Trend information for the pension plans is presented.

Funding Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
Pension Plan A:			
7/1/2009	\$ 2,809,533	99%	\$ (765,157)
7/1/2010	3,075,661	85%	(289,035)
7/1/2011	3,371,481	78%	444,856
Pension Plan B:			
1/1/2010	\$ 467,907	100%	\$ 0
1/1/2011	445,261	100%	0
1/1/2012	441,209	100%	0

CITY OF GAINESVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

16. Pension Plans (continued)

Historical Trend Information, continued

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll** (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Pension Plan A:						
7/1/2009	\$ 64,498,076	\$ 106,414,133	\$ 41,916,057	60.61%	\$ 21,285,746	197%
7/1/2010	66,265,931	109,222,610	42,956,679	60.67%	20,168,312	213%
7/1/2011	69,055,980	112,225,797	43,169,817	61.53%	20,625,530	209%
Pension Plan B:						
1/1/2010	\$ 4,173,412	\$ 5,828,351	\$ 1,654,939	71.61%	\$ 5,226,815	32%
1/1/2011	4,520,440	6,148,933	1,628,493	73.52%	4,914,895	33%
1/1/2012	4,781,791	6,375,572	1,593,781	75.00%	4,587,389	35%

** Payroll of participants whose attained age is less than the assumed retirement age

Additional required historical data is provided as Required Supplementary Information after the Notes to the Financial Statements.

17. Post Employment Health Care Benefits

Plan Description

The City of Gainesville provides post employment health care benefits as a participating member in the Georgia Municipal Employees Benefit System (GMEBS), a defined benefit other post employment benefit (OPEB) plan ("Plan"), which is a service of Georgia Municipal Association (GMA). GMEBS is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipalities in Georgia. The City elected to participate in GMEBS as of July 1, 2008, as a result of City Ordinance and a contract between the City and GMA. The Plan's assets may be used only for the payment of benefits to the members of the Plan, in accordance with the terms of the Plan. See Note 2 – Summary of Significant Accounting Policies for reporting of investments.

City employees who leave employment in a Vested, Normal, Early, or Disability status (as defined by the plan document) and were hired prior to January 1, 2002, may participate in the plan without regard to years of service. Those hired on or after January 1, 2002, must have a minimum of 20 years service in order to participate.

CITY OF GAINESVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

17. Post Employment Health Care Benefits (continued)

Plan Description, continued

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

Current Membership is as follows:

Retirees and beneficiaries currently receiving benefits	250
Active participants	620
Total number of participants	870

Funding Policy

The funding policy for the plan is to contribute an amount equal to the benefit and administrative costs paid on behalf of retirees and their dependents (ie, pay-as-you-go basis). Plan members receiving benefits contributed \$606,000, through their required contributions of \$240.99, \$479.59, \$539.26 and \$807.68 per month for single retiree coverage, retiree and child(ren) coverage, retiree and spouse coverage, and retiree family coverage, respectively. The recommended contribution meets the guidelines for calculating an annual required contribution set forth in GASB Statement No. 45. These contributions are determined under the projected unit credit actuarial cost method and the market value of assets for developing the actuarial value of assets. The unfunded actuarial accrued liability (UAAL) is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011 is 28 years. The City Council provides for the benefits and funding policy through City ordinance and maintains the authority to change the policy.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

CITY OF GAINESVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

17. Post Employment Health Care Benefits (continued)

Funding Policy, continued

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The City Council provides for the benefits and funding policy through City ordinance and maintains the authority to change the policy. The projection of benefits does not incorporate the potential effect of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

Annual OPEB Cost and Net OPEB Obligation

For fiscal year 2012, the City's annual OPEB cost of \$6,410,272 was equal to the City's recommended contribution, as calculated on the pay-as-you go basis. The recommended contribution was computed as part of an actuarial valuation as of July 1, 2011. Significant actuarial assumptions used in the valuation include: (a) a rate of return on the investment of present and future assets of 4 percent per year compounded annually, (b) a rate of inflation of 3.5 percent, (c) no post-retirement benefit increases, and (d) a medical and drug cost trend rate of 9.5 percent, graded to 5 percent over 6 years.

Annual required contribution	\$ 6,777,303
Interest on net OPEB obligation	728,825
Adjustment to ARC	<u>(1,095,856)</u>
Annual OPEB cost	6,410,272
Contributions made	<u>(1,524,763)</u>
Increase (decrease) in net OPEB obligation	4,885,509
Net OPEB obligation - beginning of year	<u>18,220,622</u>
Net OPEB obligation - end of year	<u><u>\$ 23,106,131</u></u>

CITY OF GAINESVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

17. Post Employment Health Care Benefits (continued)

Historical Trend Information

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

Schedule of Employer Contributions

Fiscal Year ended June 30,	Annual OPEB Cost (AOC)	Percentage of APC Contributed	Net Pension Obligation
2010	\$ 8,763,829	15%	\$ 14,243,991
2011	5,411,665	26%	18,220,622
2012	6,410,272	24%	23,106,131

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability* (AAL) (b)	Unfunded (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll** (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2008	0	\$ 69,174,911	\$ 69,174,911	0.00%	\$ 26,474,878	261%
7/1/2010	0	46,286,246	46,286,246	0.00%	23,436,559	197%

*AAL based on a pay-as-you-go plan

** Payroll of participants whose attained age is less than the assumed retirement age

18. Hotel/Motel Lodging Tax

The City has levied a 6% lodging tax in accordance with OCGA 48-13-51(a)(4). The City is required to spend an amount equal to at least 60% for the purpose of promoting tourism, conventions, and trade shows or for facilities used for these purposes. A summary of the transactions for the year ended June 30, 2012, follows:

Lodging Tax Receipts	\$ 563,902
Disbursements to Georgia Mountains Center and other tourism and visitor programs	\$ 447,963 79% of tax receipts

CITY OF GAINESVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

19. Major Users/Taxpayers

The ten major customers of the water and sewer system are primarily from the poultry and food processing industry. The major users represent approximately thirty-eight percent of the water sales and sewer charges from the system in fiscal year 2012.

The ten major taxpayers of the City for fiscal year 2012 represent approximately ten percent of the current year tax levy. The ten largest taxpayers are comprised of various types of entities including retail, manufacturing and food processing.

20. Joint Ventures

The City of Gainesville participates with Hall County, Forsyth County, Cherokee County and the Federal Bureau of Investigation in a Safe Street Task Force (SSTF) which is called the Hall County Major Offenders Task Force (HCMOTF). The Task Force consists of the Multi-Agency Narcotics Squad (MANS) whose mission is to facilitate the investigation, arrest, prosecution and conviction of those residents and non-residents involved in the manufacture, use, distribution, and sale of illicit drugs. The Task Force also consists of the Gang Task Force (GTF) whose mission is to facilitate the investigation, arrest, prosecution and conviction of those residents and non-residents involved in criminal enterprises, organized crime groups and other criminal groups that are responsible for gang related activity affecting the northeast area of Georgia. The City has an ongoing financial responsibility of funding for the units. This funding is determined each year from a budget of grant monies and individual municipalities and counties participating.

The HCMOTF is funded primarily through grant and forfeiture monies and operates on a balanced budget determined by revenue. The financial records of this unit are maintained by Hall County and reported in their CAFR report. During fiscal year 2012, the City contributed the use of five police officers for assignment to the HCMOTF; of the five officers, two officers were assigned to the HCMOTF for part of fiscal year 2012. The City paid \$266,613 in personnel costs for these officers. A copy of the HCMOTF financial statements can be obtained from Hall County, Georgia, Financial Department, PO Box 1435, Gainesville, GA 30503.

CITY OF GAINESVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

20. Joint Ventures (continued)

Under Georgia law, the City, in conjunction with other cities and counties in the northeast Georgia area, is a member of the Georgia Mountains Regional Commission (GMRC) and is required to pay annual dues thereto. During fiscal year 2012, the city paid \$29,494 in such dues. Membership in a regional commission (RC) is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34, which provides for the organizational structure of the RCs in Georgia. The RC Board membership includes the chief elected official in 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. A copy of the GMRC financial statements can be obtained from GMRC, 1310 West Ridge Road, Gainesville, GA 30501.

21. Related Organizations

The City of Gainesville Housing Authority is considered a related organization to the City of Gainesville. The City appoints members to the Authority, but does not have the ability to impose its will or create a financial benefit or burden for the Authority. The Authority provides low-income housing for the individuals in the City of Gainesville. The City received \$27,628 as payment-in-lieu-of-taxes during fiscal year 2012.

22. Risk Pools

The City participates in the Workman's Compensation Self-Insurance Fund ("Fund"), an insurance risk pool ("Pool"), which is a service of Georgia Municipal Association (GMA). This program is a risk sharing arrangement among Georgia City Governments. The City receives occurrence insurance for paid premiums based on payroll amounts and retains a risk of loss in increased premiums based on occurrence rate.

CITY OF GAINESVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

22. Risk Pools (continued)

The City participates in the State of Georgia Local Government Investment Pool. Assets in this pool are invested in the Georgia Fund 1, created by OCGA 36-83-8, which is a stable net asset investment pool that follows Standard and 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 (\$1.00 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 participant's shares sold and redeemed based on \$1.00 per share. Georgia Fund 1 is managed by the Georgia Office of the State Treasurer. The investment policies of Georgia Fund 1 are established by the Georgia State Depository Board.

23. Commitments and Contingencies

Commitments

Encumbrance accounting is employed as an extension of formal budgetary integration for the General Fund, special revenue funds, and capital projects funds. At June 30, 2012, certain amounts which were previously restricted, committed, or assigned for specific purposes have been encumbered in the governmental funds. Significant encumbrances included in governmental fund balances are as follows:

	Restricted		Assigned
General Fund	\$	0	\$ 83,170
Nonmajor Governmental Funds		3,200	0

CITY OF GAINESVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

23. Commitments and Contingencies (continued)

On May 30, 2008, the City entered into an intergovernmental agreement with Hall County, Georgia (the County), and the Gainesville and Hall County Development Authority (the Authority), for the development of the Gainesville Business Park. As part of this agreement, the City contributed land, which is reported as an investment in the Economic Development Special Revenue Fund (See Note 3). On January 1, 2009, the Authority issued the Taxable Revenue Bond (Gainesville Business Park Project), Series 2009, in the amount of \$2,000,000, for the acquisition and development of the Project. The Authority entered into an intergovernmental agreement with the County, in which the County agrees to make payments to the Authority sufficient to pay the debt service on the Bonds. The City entered into an intergovernmental agreement with the County and the Authority in which the City agrees to pay to the County the City's prorata share (84.84%) of each payment required of the County immediately when the County is required to make such payments. The Authority agrees to apply the net proceeds from sales of lots in the Project to payment of the Bonds, second to reimbursement to the City and County on a prorata basis for the funds provided by the City and County to make the payments under the intergovernmental agreement and for development and construction, and third as payment to the City and County on a prorata basis of the remaining proceeds for the original property contributed by each entity for the Project. The City is not a party to the Tax Revenue Bonds and is only liable for payments as they come due to the County. Therefore, there has been no debt liability recorded by the City.

Contingencies

The City is a defendant in several lawsuits. Management intends to contest these open cases vigorously. The City's legal counsel has stated that the outcome of these lawsuits is not presently determinable.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GAINESVILLE, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
PENSION TRUST FUND
For the fiscal year ended June 30, 2012
(Unaudited)

Schedule of Employer Contributions

Funding Fiscal Year	Annual Required Contribution (ARC)	Percentage of ARC Contributed	Net Pension Obligation (Asset)
Pension Plan A:			
7/1/2006	\$ 1,896,939	105%	\$ (172,829)
7/1/2007	2,292,695	114%	(496,492)
7/1/2008	2,457,722	113%	(812,538)
7/1/2009	2,800,859	99%	(765,157)
7/1/2010	3,067,415	85%	(289,035)
7/1/2011	3,368,366	78%	444,855

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll** (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Pension Plan A:						
7/1/2005	\$ 47,575,300	\$ 77,379,022	\$ 29,803,722	61.48%	\$ 17,992,112	166%
7/1/2006	50,726,813	82,648,628	31,921,815	61.38%	18,850,875	169%
7/1/2007	55,891,158	90,589,741	34,698,583	61.70%	20,503,210	169%
7/1/2008	60,238,608	99,886,843	39,648,235	60.31%	21,841,338	182%
7/1/2009	64,498,076	106,414,133	41,916,057	60.61%	21,285,746	197%
7/1/2010	66,265,931	109,222,610	42,956,679	60.67%	20,168,312	213%
7/1/2011	69,055,980	112,225,797	43,169,817	61.53%	20,625,530	209%

** Payroll of participants whose attained age is less than the assumed retirement age

Note: See assumptions used for this schedule disclosed in the notes to the financial statements.

COMBINING STATEMENTS

Nonmajor Governmental Funds

Nonmajor Enterprise Funds

Internal Service Funds

CITY OF GAINESVILLE, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2012

	Special Revenue						
	Community Service Center	Economic Development	Georgia Mountains Center	Hotel/Motel Tax	Government Access Cable TV Channel	Confiscated Assets	Grants
ASSETS							
Cash and cash equivalents	\$ 1,671,236	\$ 1,264,320	\$ 163,147	\$ 171,079	\$ 125,127	\$ 30,993	\$ 100
Investments	0	1,586,187	0	0	0	0	0
Receivables (net)							
Accounts	1,049	22,028	10,221	46,659	0	0	100
Intergovernmental	341,773	0	457	0	10,008	3,346	314,648
Interest	0	822	0	0	0	0	0
Notes	0	146,357	0	0	0	0	0
Advances to other funds	0	81,691	0	0	0	0	0
Total assets	\$ 2,014,058	\$ 3,101,405	\$ 173,825	\$ 217,738	\$ 135,135	\$ 34,339	\$ 314,848
LIABILITIES AND FUND BALANCES							
Liabilities							
Payables							
Accounts	\$ 60,868	\$ 13,617	\$ 22,893	\$ 0	\$ 1,211	\$ 0	\$ 4,447
Intergovernmental	0	7,088	0	0	0	0	0
Sales tax	0	0	805	0	0	0	0
Deposits	1,434	0	3,425	0	0	0	0
Accrued salaries	20,096	0	4,913	0	1,700	0	0
Deferred revenues	0	0	0	0	0	0	100
Due to other funds	0	0	0	0	0	0	217,992
Total liabilities	82,398	20,705	32,036	0	2,911	0	222,539
Fund balances							
Restricted	977,581	0	0	0	76,803	34,339	42,867
Committed	0	0	0	0	0	0	4,868
Assigned	954,079	3,080,700	141,789	217,738	55,421	0	44,574
Total fund balances	1,931,660	3,080,700	141,789	217,738	132,224	34,339	92,309
Total liabilities and fund balances	\$ 2,014,058	\$ 3,101,405	\$ 173,825	\$ 217,738	\$ 135,135	\$ 34,339	\$ 314,848

HUD Grant	Special Revenue					Capital Projects		Total Nonmajor Governmental Funds
	Revolving Loan	Impact Fee	Tax Allocation District	Information Technology	Cemetery Trust	General Government	Grants	
\$ 0	\$ 32,584	\$ 537,521	\$ 556,369	\$ 82,462	\$ 207,246	\$ 4,771,451	\$ 1,027,246	\$ 10,640,881
43,022	63,174	0	0	0	0	0	0	1,692,383
0	0	0	0	0	400	0	0	80,457
56,861	0	0	0	0	0	0	73,211	800,304
0	0	0	0	0	0	0	0	822
0	406,481	0	0	0	0	0	0	552,838
0	0	0	0	0	0	0	0	81,691
<u>\$ 99,883</u>	<u>\$ 502,239</u>	<u>\$ 537,521</u>	<u>\$ 556,369</u>	<u>\$ 82,462</u>	<u>\$ 207,646</u>	<u>\$ 4,771,451</u>	<u>\$ 1,100,457</u>	<u>\$ 13,849,376</u>
\$ 24,645	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 55,381	\$ 176,389	\$ 359,451
0	0	0	0	0	0	0	0	7,088
0	0	0	0	0	0	0	0	805
0	0	0	0	0	0	0	0	4,859
952	0	0	0	0	0	245	0	27,906
0	469,655	0	0	0	0	0	0	469,755
31,264	0	0	0	0	0	0	0	249,256
<u>56,861</u>	<u>469,655</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>55,626</u>	<u>176,389</u>	<u>1,119,120</u>
43,022	32,584	537,521	555,300	82,462	0	69,295	0	2,451,774
0	0	0	0	0	100,506	0	0	105,374
0	0	0	1,069	0	107,140	4,646,530	924,068	10,173,108
<u>43,022</u>	<u>32,584</u>	<u>537,521</u>	<u>556,369</u>	<u>82,462</u>	<u>207,646</u>	<u>4,715,825</u>	<u>924,068</u>	<u>12,730,256</u>
<u>\$ 99,883</u>	<u>\$ 502,239</u>	<u>\$ 537,521</u>	<u>\$ 556,369</u>	<u>\$ 82,462</u>	<u>\$ 207,646</u>	<u>\$ 4,771,451</u>	<u>\$ 1,100,457</u>	<u>\$ 13,849,376</u>

CITY OF GAINESVILLE, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the fiscal year ended June 30, 2012

	Special Revenue						
	Community Service Center	Economic Development	Georgia Mountains Center	Hotel/Motel Tax	Government Access Cable TV Channel	Confiscated Assets	Grants
REVENUES							
Taxes	\$ 0	\$ 0	\$ 0	\$ 563,902	\$ 0	\$ 0	\$ 0
Fines, fees, and forfeitures	0	0	0	0	0	21,718	0
Charges for services	349,346	69,017	377,754	0	0	0	0
Intergovernmental	2,114,106	0	0	0	86,939	0	1,698,851
Interest	1,976	1,558	220	252	186	31	0
Contributions	93,066	470,970	0	0	0	0	0
Other	96,547	0	5,368	0	2	0	6,048
Total revenues	2,655,041	541,545	383,342	564,154	87,127	21,749	1,704,899
EXPENDITURES							
Current							
General Government	0	0	0	0	170,664	0	204,273
Public Safety	0	0	0	0	0	3,051	1,082,599
Health and Welfare	3,041,011	0	0	0	0	0	0
Culture and Recreation	0	0	762,118	0	0	0	0
Housing and Development	0	92,113	0	0	0	0	0
Debt service:							
Interest and fiscal charges	0	41,486	0	0	0	0	0
Capital outlay	0	0	0	0	0	0	0
Total expenditures	3,041,011	133,599	762,118	0	170,664	3,051	1,286,872
Excess (deficiency) of revenues over (under) expenditures	(385,970)	407,946	(378,776)	564,154	(83,537)	18,698	418,027
Other financing sources (uses)							
Transfers in	455,377	7,000	303,003	0	86,939	0	0
Transfers out	0	0	0	(523,485)	(45,000)	(9,506)	(400,592)
Sale of capital assets	0	0	169	0	0	0	0
Issuance of capital lease	0	0	0	0	0	0	0
Total other financing sources (uses)	455,377	7,000	303,172	(523,485)	41,939	(9,506)	(400,592)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	69,407	414,946	(75,604)	40,669	(41,598)	9,192	17,435
Fund balances, July 1	1,862,253	2,665,754	217,393	177,069	173,822	25,147	74,874
Fund balances, June 30	\$ 1,931,660	\$ 3,080,700	\$ 141,789	\$ 217,738	\$ 132,224	\$ 34,339	\$ 92,309

HUD Grant	Special Revenue					Capital Projects		Total Nonmajor Governmental Funds
	Revolving Loan	Impact Fee	Tax Allocation District	Information Technology	Cemetery Trust	General Government	Grants	
\$ 0	\$ 0	\$ 0	\$ 24,272	\$ 0	\$ 0	\$ 0	\$ 0	\$ 588,174
0	0	0	0	51,462	0	0	0	73,180
0	42,215	68,161	0	0	60,706	0	0	967,199
428,752	0	11,128	156,802	0	0	60,000	310,260	4,866,838
0	55	636	592	0	226	0	0	5,732
0	0	0	0	0	0	0	0	564,036
3	0	0	0	0	0	0	0	107,968
<u>428,755</u>	<u>42,270</u>	<u>79,925</u>	<u>181,666</u>	<u>51,462</u>	<u>60,932</u>	<u>60,000</u>	<u>310,260</u>	<u>7,173,127</u>
0	0	0	0	0	0	0	0	374,937
0	0	0	0	0	0	0	0	1,085,650
0	0	0	0	0	0	0	0	3,041,011
0	0	0	0	0	0	0	0	762,118
385,733	50,641	0	0	0	0	0	0	528,487
0	0	0	0	0	0	0	0	41,486
0	0	0	0	0	0	1,894,690	997,391	2,892,081
<u>385,733</u>	<u>50,641</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,894,690</u>	<u>997,391</u>	<u>8,725,770</u>
<u>43,022</u>	<u>(8,371)</u>	<u>79,925</u>	<u>181,666</u>	<u>51,462</u>	<u>60,932</u>	<u>(1,834,690)</u>	<u>(687,131)</u>	<u>(1,552,643)</u>
0	0	0	34	0	0	1,614,758	864,936	3,332,047
0	0	(2,566)	0	0	0	(662,258)	(151,625)	(1,795,032)
0	0	0	0	0	0	0	0	169
0	0	0	0	0	0	721,833	0	721,833
<u>0</u>	<u>0</u>	<u>(2,566)</u>	<u>34</u>	<u>0</u>	<u>0</u>	<u>1,674,333</u>	<u>713,311</u>	<u>2,259,017</u>
43,022	(8,371)	77,359	181,700	51,462	60,932	(160,357)	26,180	706,374
0	40,955	460,162	374,669	31,000	146,714	4,876,182	897,888	12,023,882
<u>\$ 43,022</u>	<u>\$ 32,584</u>	<u>\$ 537,521</u>	<u>\$ 556,369</u>	<u>\$ 82,462</u>	<u>\$ 207,646</u>	<u>\$ 4,715,825</u>	<u>\$ 924,068</u>	<u>\$ 12,730,256</u>

CITY OF GAINESVILLE, GEORGIA
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
June 30, 2012

	<u>Airport</u>	<u>Solid Waste</u>	<u>Chattahoochee Golf Course</u>	<u>Total Nonmajor Enterprise Funds</u>
ASSETS				
Current assets				
Cash and cash equivalents	\$ 946,060	\$ 1,642,732	\$ 62,306	\$ 2,651,098
Receivables (net)				
Accounts	9,775	156,193	73,501	239,469
Intergovernmental	8,372	0	0	8,372
Total current assets	<u>964,207</u>	<u>1,798,925</u>	<u>135,807</u>	<u>2,898,939</u>
Noncurrent assets				
Capital assets				
Non-depreciable	552,385	0	53,271	605,656
Depreciable (net)	11,884,238	359,597	3,710,972	15,954,807
Debt issue costs (net)	60,388	0	66,424	126,812
Total noncurrent assets	<u>12,497,011</u>	<u>359,597</u>	<u>3,830,667</u>	<u>16,687,275</u>
Total assets	<u>13,461,218</u>	<u>2,158,522</u>	<u>3,966,474</u>	<u>19,586,214</u>
LIABILITIES				
Current liabilities				
Payables				
Accounts	17,551	12,194	57,559	87,304
Deposits	436	0	0	436
Sales tax	0	0	8,133	8,133
Interest	22,630	0	17,151	39,781
Accrued salaries	1,012	11,452	7,458	19,922
Compensated absences	236	38,103	16,896	55,235
Capital lease payable	325,000	0	185,000	510,000
Other liabilities	0	0	27,079	27,079
Total current liabilities	<u>366,865</u>	<u>61,749</u>	<u>319,276</u>	<u>747,890</u>
Noncurrent liabilities				
Advances from other funds	0	0	463,364	463,364
Compensated absences	26	4,234	1,877	6,137
OPEB Obligation	7,350	779,015	200,703	987,068
Capital leases payable	2,860,000	0	3,235,000	6,095,000
Total noncurrent liabilities	<u>2,867,376</u>	<u>783,249</u>	<u>3,900,944</u>	<u>7,551,569</u>
Total liabilities	<u>3,234,241</u>	<u>844,998</u>	<u>4,220,220</u>	<u>8,299,459</u>
NET ASSETS				
Invested in capital assets, net of related debt	9,251,623	359,597	344,242	9,955,462
Unrestricted	975,354	953,927	(597,988)	1,331,293
Total net assets	<u>\$ 10,226,977</u>	<u>\$ 1,313,524</u>	<u>\$ (253,746)</u>	<u>\$ 11,286,755</u>

CITY OF GAINESVILLE, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS
For the fiscal year ended June 30, 2012

	Airport	Solid Waste	Chattahoochee Golf Course	Total Nonmajor Enterprise Funds
OPERATING REVENUES				
Charges for sales and services	\$ 832,971	\$ 2,299,960	\$ 1,031,717	\$ 4,164,648
Other	4,333	15,111	26,175	45,619
Total operating revenues	837,304	2,315,071	1,057,892	4,210,267
OPERATING EXPENSES				
Costs of sales and services	276,020	640,352	309,125	1,225,497
Personal services	18,717	1,182,814	521,002	1,722,533
Depreciation	717,240	121,082	266,378	1,104,700
Total operating expenses	1,011,977	1,944,248	1,096,505	4,052,730
Operating income (loss)	(174,673)	370,823	(38,613)	157,537
Non-operating revenues (expenses)				
Interest revenue	1,180	1,850	54	3,084
Interest expense	(187,531)	0	(140,034)	(327,565)
Amortization	(8,235)	0	(5,314)	(13,549)
Gain (loss) on sale of capital assets	0	14,125	981	15,106
Total non-operating revenues (expenses)	(194,586)	15,975	(144,313)	(322,924)
Income (loss) before capital contributions and transfers	(369,259)	386,798	(182,926)	(165,387)
Capital contributions				
Intergovernmental revenue	71,475	0	0	71,475
Income (loss) before transfers	(297,784)	386,798	(182,926)	(93,912)
Transfers in (out)				
Transfers in	0	0	154,155	154,155
Change in net assets	(297,784)	386,798	(28,771)	60,243
Net assets, July 1	10,524,761	926,726	(224,975)	11,226,512
Net assets, June 30	\$ 10,226,977	\$ 1,313,524	\$ (253,746)	\$ 11,286,755

CITY OF GAINESVILLE, GEORGIA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the fiscal year ended June 30, 2012

	<u>Airport</u>	<u>Solid Waste</u>	<u>Chattahoochee Golf Course</u>	<u>Total Nonmajor Enterprise Funds</u>
Cash flows from operating activities:				
Receipts from customers	\$ 832,193	\$ 2,320,716	\$ 1,019,147	\$ 4,172,056
Payments to suppliers	(264,072)	(650,804)	(308,862)	(1,223,738)
Payments to employees	(10,093)	(1,049,719)	(506,222)	(1,566,034)
Other receipts	4,333	15,111	13,575	33,019
	<u>562,361</u>	<u>635,304</u>	<u>217,638</u>	<u>1,415,303</u>
Net cash provided (used) by operating activities				
Cash flows from non-capital financing activities:				
Receipts from other funds	<u>0</u>	<u>0</u>	<u>136,662</u>	<u>136,662</u>
Cash flows from capital and related financing activities:				
Receipt of capital contributions	63,103	0	0	63,103
Sale of capital assets	0	14,125	981	15,106
Interest paid	(189,696)	0	(140,937)	(330,633)
Acquisition of capital assets	(61,498)	(201,694)	(6,400)	(269,592)
Payment of capital related accounts payable	0	0	(63,363)	(63,363)
Principal payments - capital leases	(305,000)	0	(180,000)	(485,000)
	<u>(493,091)</u>	<u>(187,569)</u>	<u>(389,719)</u>	<u>(1,070,379)</u>
Net cash provided (used) by capital and related financing activities				
Cash flows from investing activities:				
Interest received	<u>1,180</u>	<u>1,850</u>	<u>54</u>	<u>3,084</u>
Net increase (decrease) in cash and cash equivalents	70,450	449,585	(35,365)	484,670
Cash and cash equivalents, July 1	<u>875,610</u>	<u>1,193,147</u>	<u>97,671</u>	<u>2,166,428</u>
Cash and cash equivalents, June 30	<u><u>\$ 946,060</u></u>	<u><u>\$ 1,642,732</u></u>	<u><u>\$ 62,306</u></u>	<u><u>\$ 2,651,098</u></u>

CITY OF GAINESVILLE, GEORGIA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the fiscal year ended June 30, 2012

	<u>Airport</u>	<u>Solid Waste</u>	<u>Chattahoochee Golf Course</u>	<u>Total Nonmajor Enterprise Funds</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (174,673)	\$ 370,823	\$ (38,613)	\$ 157,537
Adjustments to reconcile operating income to net cash provided (used) by operating activities				
Depreciation	717,240	121,082	266,378	1,104,700
(Increase) decrease in				
accounts receivable	(1,214)	20,756	(26,193)	(6,651)
Increase (decrease) in accounts payable	11,948	(10,452)	(4,248)	(2,752)
Increase (decrease) in sales tax payable	0	0	1,023	1,023
Increase (decrease) in deposits payable	436	0	0	436
Increase (decrease) in				
accrued salaries and benefits	1,274	(21,253)	(14,619)	(34,598)
Increase (decrease) in OPEB obligation	7,350	154,348	29,399	191,097
Increase (decrease) in other liabilities	0	0	4,511	4,511
Total adjustments	<u>737,034</u>	<u>264,481</u>	<u>256,251</u>	<u>1,257,766</u>
Net cash provided (used) by operating activities	<u>\$ 562,361</u>	<u>\$ 635,304</u>	<u>\$ 217,638</u>	<u>\$ 1,415,303</u>
Cash and cash equivalents reconciliation:				
Cash and cash equivalents	<u>\$ 946,060</u>	<u>\$ 1,642,732</u>	<u>\$ 62,306</u>	<u>\$ 2,651,098</u>

Noncash investing, capital, and financing activities:

Liquidation of notes payable through advances from other funds totaled \$81,691 for the fiscal year ended June 30, 2012.

CITY OF GAINESVILLE, GEORGIA
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2012

	<u>General Insurance Fund</u>	<u>Employee Benefits Fund</u>	<u>Vehicle Services Fund</u>	<u>Totals</u>
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,578,911	\$ 5,400,636	\$ 142,235	\$ 7,121,782
Receivables				
Accounts	2,581	48,473	239	51,293
Intergovernmental	0	0	10,962	10,962
Inventory	0	0	184,874	184,874
	<u>1,581,492</u>	<u>5,449,109</u>	<u>338,310</u>	<u>7,368,911</u>
Total current assets				
Noncurrent assets				
Depreciable capital assets (net)	0	0	37,733	37,733
	<u>0</u>	<u>0</u>	<u>37,733</u>	<u>37,733</u>
Total assets	<u>1,581,492</u>	<u>5,449,109</u>	<u>376,043</u>	<u>7,406,644</u>
LIABILITIES				
Current Liabilities				
Payables				
Accounts	388,830	29,066	30,702	448,598
Deposits	0	10,633	0	10,633
Accrued salaries	0	0	3,650	3,650
Compensated absences	0	0	9,892	9,892
Claims reserves	619,416	336,600	0	956,016
	<u>1,008,246</u>	<u>376,299</u>	<u>44,244</u>	<u>1,428,789</u>
Total current liabilities				
Long-term liabilities				
Compensated absences	0	0	1,099	1,099
	<u>0</u>	<u>0</u>	<u>1,099</u>	<u>1,099</u>
Total liabilities	<u>1,008,246</u>	<u>376,299</u>	<u>45,343</u>	<u>1,429,888</u>
NET ASSETS				
Invested in capital assets	0	0	37,733	37,733
Unrestricted	573,246	5,072,810	292,967	5,939,023
	<u>573,246</u>	<u>5,072,810</u>	<u>292,967</u>	<u>5,939,023</u>
Total net assets	<u>\$ 573,246</u>	<u>\$ 5,072,810</u>	<u>\$ 330,700</u>	<u>\$ 5,976,756</u>

CITY OF GAINESVILLE, GEORGIA
COMBINING STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
For the fiscal year ended June 30, 2012

	General Insurance Fund	Employee Benefits Fund	Vehicle Services Fund	Totals
OPERATING REVENUES				
Interfund services provided	\$ 1,480,961	\$ 7,495,645	\$ 2,319,156	\$ 11,295,762
Other	9,115	1,068	0	10,183
Total operating revenues	1,490,076	7,496,713	2,319,156	11,305,945
OPERATING EXPENSES				
Costs of services	1,490,076	6,497,299	2,045,987	10,033,362
Personal services	0	0	257,906	257,906
Depreciation	0	0	15,263	15,263
Total operating expenses	1,490,076	6,497,299	2,319,156	10,306,531
Operating income (loss)	0	999,414	0	999,414
Non-operating revenues (expenses)				
Interest revenue	1,882	6,527	4	8,413
Gain (loss) on sale of capital assets	0	0	16	16
Total non-operating revenues (expenses)	1,882	6,527	20	8,429
Net income (loss) before transfers	1,882	1,005,941	20	1,007,843
Transfers in (out)				
Transfers in	0	0	62,500	62,500
Change in net assets	1,882	1,005,941	62,520	1,070,343
Net assets, July 1	571,364	4,066,869	268,180	4,906,413
Net assets, June 30	\$ 573,246	\$ 5,072,810	\$ 330,700	\$ 5,976,756

CITY OF GAINESVILLE, GEORGIA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the fiscal year ended June 30, 2012

	General Insurance Fund	Employee Benefits Fund	Vehicle Services Fund	Totals
Cash flows from operating activities:				
Receipts from interfund services provided	\$ 1,501,514	\$ 7,735,615	\$ 2,352,735	\$ 11,589,864
Payments to suppliers	(1,172,066)	(6,624,281)	(2,073,072)	(9,869,419)
Payments to employees	0	0	(266,707)	(266,707)
Other receipts	9,115	1,068	0	10,183
	<u>338,563</u>	<u>1,112,402</u>	<u>12,956</u>	<u>1,463,921</u>
Net cash provided (used) by operating activities				
Cash flows from non-capital financing activities:				
Receipts from others	<u>0</u>	<u>0</u>	<u>62,500</u>	<u>62,500</u>
Cash flows from capital and related financing activities:				
Sale of capital assets	0	0	16	16
Acquisition of capital assets	<u>0</u>	<u>0</u>	<u>(5,775)</u>	<u>(5,775)</u>
Net cash provided (used) by capital and related financing activities	<u>0</u>	<u>0</u>	<u>(5,759)</u>	<u>(5,759)</u>
Cash flows from investing activities:				
Interest received	<u>1,882</u>	<u>6,527</u>	<u>4</u>	<u>8,413</u>
Net increase (decrease) in cash and cash equivalents	340,445	1,118,929	69,701	1,529,075
Cash and cash equivalents, July 1	<u>1,238,466</u>	<u>4,281,707</u>	<u>72,534</u>	<u>5,592,707</u>
Cash and cash equivalents, June 30	<u><u>\$ 1,578,911</u></u>	<u><u>\$ 5,400,636</u></u>	<u><u>\$ 142,235</u></u>	<u><u>\$ 7,121,782</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	<u>\$ 0</u>	<u>\$ 999,414</u>	<u>\$ 0</u>	<u>\$ 999,414</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities				
Depreciation	0	0	15,263	15,263
(Increase) decrease in accounts receivable	20,553	239,970	(239)	260,284
(Increase) decrease in intergovernmental receivables	0	0	33,818	33,818
(Increase) decrease in inventory	0	0	(33,510)	(33,510)
Increase (decrease) in accounts payable	377,381	(10,175)	6,425	373,631
Increase (decrease) in accrued salaries and benefits	0	0	(8,801)	(8,801)
Increase (decrease) in deposits payable	0	(1,407)	0	(1,407)
Increase (decrease) in claims reserve	<u>(59,371)</u>	<u>(115,400)</u>	<u>0</u>	<u>(174,771)</u>
Total adjustments	<u>338,563</u>	<u>112,988</u>	<u>12,956</u>	<u>464,507</u>
Net cash provided (used) by operating activities	<u><u>\$ 338,563</u></u>	<u><u>\$ 1,112,402</u></u>	<u><u>\$ 12,956</u></u>	<u><u>\$ 1,463,921</u></u>

GENERAL FUND

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

The General Fund is presented as a major fund in the basic financial statements.

**CITY OF GAINESVILLE, GEORGIA
GENERAL FUND
COMPARATIVE BALANCE SHEETS
June 30, 2012 and 2011**

	2012	2011
ASSETS		
Cash and cash equivalents	\$ 8,420,042	\$ 7,652,904
Receivables (net)		
Accounts	373,408	631,333
Intergovernmental	779,803	613,559
Property taxes	236,138	219,698
Prepaid items	3,123	7,000
Due from other funds	249,256	256,365
Advances to other funds	381,673	399,166
	<u>381,673</u>	<u>399,166</u>
Total assets	\$ 10,443,443	\$ 9,780,025
 LIABILITIES AND FUND BALANCES		
Liabilities		
Payables		
Accounts	\$ 639,852	\$ 297,418
Intergovernmental	47,503	61,234
Accrued salaries	231,773	665,373
Deferred revenue	204,849	207,056
Other liabilities	10,184	12,700
	<u>10,184</u>	<u>12,700</u>
Total liabilities	1,134,161	1,243,781
 Fund balances		
Nonspendable:		
Prepaid items	3,123	7,000
Advances to other funds	381,673	399,166
Committed for Housing and Development	10,054	0
Assigned for:		
General Government	49,340	0
Public Safety	35,030	3,056
Public Works	79,618	128,271
Health and Welfare	0	3,100
Community betterment	1,039,636	1,348,252
Budget	1,836,732	1,513,335
Unassigned	5,874,076	5,134,064
	<u>5,874,076</u>	<u>5,134,064</u>
Total fund balances	9,309,282	8,536,244
Total liabilities and fund balances	\$ 10,443,443	\$ 9,780,025

CITY OF GAINESVILLE, GEORGIA
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the fiscal years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
REVENUES		
Taxes	\$ 19,017,704	\$ 18,762,556
Licenses and permits	533,141	540,906
Fines, fees and forfeitures	1,068,886	1,356,691
Charges for services	1,773,322	1,847,709
Intergovernmental	464,736	518,143
Interest	26,682	28,456
Contributions	10,054	0
Other	137,242	109,383
	<hr/>	<hr/>
Total revenues	23,031,767	23,163,844
	<hr/>	<hr/>
EXPENDITURES		
Current		
General Government	2,942,206	2,884,912
Judicial	417,255	367,454
Public Safety	14,794,823	14,382,377
Public Works	4,415,291	4,334,170
Health and Welfare	12,500	12,500
Culture and Recreation	290,000	0
Housing and Development	1,198,138	1,111,425
	<hr/>	<hr/>
Total expenditures	24,070,213	23,092,838
	<hr/>	<hr/>
Excess (deficiency) of revenues over (under) expenditures	(1,038,446)	71,006
	<hr/>	<hr/>
Other financing sources (uses)		
Transfers in (out)		
Community Development Fund	0	1,747,419
Community Service Center Fund	(410,377)	(435,829)
Confiscated Assets Fund	9,506	0
Government Access Cable TV Channel Fund	(86,939)	(84,088)
Grants Special Revenue Fund	400,592	623,465
Hotel/Motel Tax Fund	75,522	55,300
Impact Fee Fund	2,566	3,100
General Government Capital Projects Fund	(963,702)	(203,396)
Grants Capital Projects Fund	(470,212)	(33,245)
Public Utilities Fund	3,397,792	2,761,291
Chattahoochee Golf Course Fund	(154,155)	(195,820)
General Insurance Fund	0	(1,562)
Sales of capital assets	10,891	36,907
	<hr/>	<hr/>
Total other financing sources (uses)	1,811,484	4,273,542
	<hr/>	<hr/>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	773,038	4,344,548
	<hr/>	<hr/>
Fund balances, July 1	8,536,244	4,191,696
	<hr/>	<hr/>
Fund balances, June 30	\$ 9,309,282	\$ 8,536,244
	<hr/> <hr/>	<hr/> <hr/>

CITY OF GAINESVILLE, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES
BUDGET (GAAP BASIS) AND ACTUAL
For the fiscal year ended June 30, 2012
(With comparative actual amounts for the fiscal year ended June 30, 2011)

	2012			2011
	Final Budget	Actual	Variance	Actual
REVENUES				
Taxes				
General property taxes				
Current year levy	\$ 4,967,334	\$ 5,245,861	\$ 278,527	\$ 5,637,802
Prior years' levies	24,837	93,430	68,593	128,735
Motor vehicle tax	221,208	267,786	46,578	239,422
Cost, penalties, and interest	90,500	108,860	18,360	106,024
Total general property taxes	5,303,879	5,715,937	412,058	6,111,983
Intangibles tax	55,000	81,841	26,841	59,343
Franchise tax	3,951,000	4,240,193	289,193	4,072,511
Insurance premium tax	1,360,000	1,585,550	225,550	1,376,910
Occupational tax	1,095,000	1,139,926	44,926	1,111,954
Liquor tax	90,307	101,703	11,396	97,498
Beer and wine tax	706,791	800,754	93,963	774,709
Mixed drink tax	69,112	92,116	23,004	127,435
Local option sales tax	4,574,000	5,259,684	685,684	5,030,213
Total taxes	17,205,089	19,017,704	1,812,615	18,762,556
Licenses and permits	505,600	533,141	27,541	540,906
Fines, fees and forfeitures	1,135,300	1,068,886	(66,414)	1,356,691
Charges for services	1,804,461	1,773,322	(31,139)	1,847,709
Intergovernmental	500,697	464,736	(35,961)	518,143
Interest	20,000	26,682	6,682	28,456
Contributions	0	10,054	10,054	0
Other				
Cemetery care	43,000	57,475	14,475	39,025
Miscellaneous	50,500	79,767	29,267	70,358
Total other	93,500	137,242	43,742	109,383
Total revenues	\$ 21,264,647	\$ 23,031,767	\$ 1,767,120	\$ 23,163,844

CITY OF GAINESVILLE, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the fiscal year ended June 30, 2012
(With comparative actual amounts for the fiscal year ended June 30, 2011)

	2012			2011
	Final Budget	Actual	Variance	Actual
EXPENDITURES				
Current				
General Government				
City Manager's Office				
Personal services	\$ 676,467	\$ 667,718	\$ 8,749	\$ 678,690
Other	187,983	159,301	28,682	144,443
Total City Manager's Office	<u>864,450</u>	<u>827,019</u>	<u>37,431</u>	<u>823,133</u>
Financial Services and IT				
Personal services	1,224,004	1,202,394	21,610	1,158,496
Other	480,242	390,580	89,662	401,062
Total Financial Services and IT	<u>1,704,246</u>	<u>1,592,974</u>	<u>111,272</u>	<u>1,559,558</u>
Human Resources				
Personal services	489,410	481,437	7,973	462,955
Other	50,384	40,776	9,608	39,266
Total Human Resources	<u>539,794</u>	<u>522,213</u>	<u>17,581</u>	<u>502,221</u>
Total General Government	<u>3,108,490</u>	<u>2,942,206</u>	<u>166,284</u>	<u>2,884,912</u>
Judicial				
Municipal Court				
Personal services	352,284	329,538	22,746	262,520
Other	105,077	87,717	17,360	104,934
Total Judicial	<u>457,361</u>	<u>417,255</u>	<u>40,106</u>	<u>367,454</u>
Public Safety				
Police				
Personal services	6,700,561	6,535,651	164,910	6,459,395
Other	1,706,427	1,629,715	76,712	1,472,951
Capital outlay	0	0	0	19,358
Total Police	<u>8,406,988</u>	<u>8,165,366</u>	<u>241,622</u>	<u>7,951,704</u>
Code Enforcement				
Personal services	168,974	168,528	446	167,897
Other	69,011	61,097	7,914	55,858
Total Code Enforcement	<u>237,985</u>	<u>229,625</u>	<u>8,360</u>	<u>223,755</u>
Fire				
Personal services	5,719,746	5,639,709	80,037	5,529,095
Other	803,159	754,642	48,517	592,449
Capital outlay	10,420	5,481	4,939	85,374
Total Fire	<u>6,533,325</u>	<u>6,399,832</u>	<u>133,493</u>	<u>6,206,918</u>
Total Public Safety	<u>15,178,298</u>	<u>14,794,823</u>	<u>383,475</u>	<u>14,382,377</u>
Public Works				
Public Lands and Buildings				
Personal services	253,649	252,565	1,084	246,534
Other	161,854	143,116	18,738	155,058
Capital outlay	7,494	7,494	0	0
Total Public Lands and Buildings	<u>422,997</u>	<u>403,175</u>	<u>19,822</u>	<u>401,592</u>

CITY OF GAINESVILLE, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the fiscal year ended June 30, 2012
(With comparative actual amounts for the fiscal year ended June 30, 2011)

	2012			2011
	Final Budget	Actual	Variance	Actual
Public Works, continued				
Engineering				
Personal services	\$ 563,369	\$ 554,872	\$ 8,497	\$ 557,836
Other	80,274	66,539	13,735	63,217
Total Engineering	<u>643,643</u>	<u>621,411</u>	<u>22,232</u>	<u>621,053</u>
Traffic				
Personal services	489,964	478,370	11,594	476,516
Other	830,928	786,982	43,946	773,205
Capital Outlay	7,000	5,925	1,075	0
Total Traffic	<u>1,327,892</u>	<u>1,271,277</u>	<u>56,615</u>	<u>1,249,721</u>
Street Maintenance				
Personal services	1,504,259	1,388,617	115,642	1,309,470
Other	454,715	400,509	54,206	431,076
Capital outlay	17,000	13,750	3,250	0
Total Street Maintenance	<u>1,975,974</u>	<u>1,802,876</u>	<u>173,098</u>	<u>1,740,546</u>
Cemetery				
Personal services	247,240	245,426	1,814	239,624
Other	75,630	62,826	12,804	81,634
Capital outlay	8,300	8,300	0	0
Total Cemetery	<u>331,170</u>	<u>316,552</u>	<u>14,618</u>	<u>321,258</u>
Total Public Works	<u>4,701,676</u>	<u>4,415,291</u>	<u>286,385</u>	<u>4,334,170</u>
Health and Welfare				
Agency allocations				
Other	12,500	12,500	0	12,500
Culture and Recreation				
Agency allocations				
Other	290,000	290,000	0	0
Housing and Development				
Communications and Tourism				
Personal services	258,230	242,089	16,141	251,248
Other	141,083	137,503	3,580	103,786
Total Communications and Tourism	<u>399,313</u>	<u>379,592</u>	<u>19,721</u>	<u>355,034</u>
Planning				
Personal services	436,247	430,591	5,656	392,666
Other	96,890	91,163	5,727	71,818
Total Planning	<u>533,137</u>	<u>521,754</u>	<u>11,383</u>	<u>464,484</u>
Inspection				
Personal services	247,018	243,110	3,908	241,026
Other	26,051	24,188	1,863	21,455
Total Inspection	<u>273,069</u>	<u>267,298</u>	<u>5,771</u>	<u>262,481</u>
GA Mountains Regional Commission				
Other	29,494	29,494	0	29,426
Total Housing and Development	<u>1,235,013</u>	<u>1,198,138</u>	<u>36,875</u>	<u>1,111,425</u>
Total expenditures	<u>\$ 24,983,338</u>	<u>\$ 24,070,213</u>	<u>\$ 913,125</u>	<u>\$ 23,092,838</u>

SPECIAL REVENUE FUNDS

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

Community Development Fund - *This fund is used to account for receipts and disbursements of funds restricted for community development purposes.*

Community Service Center Fund - *This fund is used to account for local, state and federal grant revenues legally restricted for community service projects.*

Economic Development Fund - *This fund is used to account for activities of economic development.*

Georgia Mountains Center Fund - *This fund is used to account for activities connected with the operation and maintenance of the City's Georgia Mountains Center, a convention and entertainment facility.*

Hotel/Motel Tax Fund - *This fund is used to collect Hotel/Motel taxes which are used to help support the Convention and Visitors Bureau and the Georgia Mountains Center.*

Government Access Cable TV Channel Fund - *This fund is used to account for costs associated with the operation of the City/County governmental cable television channel.*

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

Grants Fund - *This fund is used to account for all grants used to finance general government or enterprise fund operations.*

HUD Grant Fund - *This fund is used to account for activities connected with the US Department of Housing and Urban Development Community Development Block Grant/ Entitlement Grant. The objective of the grant is to develop viable urban communities by providing decent housing, a suitable living environment, and expanded economic opportunities, principally for persons of low and moderate income.*

Revolving Loan Fund - *This fund is used to record activities connected with notes receivable for loans made with monies recorded in the HUD Grant Fund. As funds are accumulated, loans will be made for the development of the City of Gainesville's urban community using the criteria established by the US Department of Housing and Urban Development Community Development Block Grant/ Entitlement Grant.*

Impact Fee Fund - *This fund is used to account for activities connected with impact fees, whereby new development assists in covering the additional cost of providing public safety and recreational services needed as a result of growth.*

Tax Allocation District Fund - *This fund is used to account for ad valorem property tax collections derived from the City tax allocation district known as Midtown, for the purpose of stimulating private redevelopment within the Midtown area.*

Information Technology Fund - *This fund is used to account for the fee collected through the Municipal Court, as authorized by City ordinance, for the purpose of improving/enhancing information technology in the Police Department, Municipal Court, Code Enforcement, and the City Marshal's Office.*

Cemetery Trust Fund - *This fund is used to account for activities connected with the receipt and disbursements of funds restricted for support of the activities of the City cemetery.*

CITY OF GAINESVILLE, GEORGIA
COMMUNITY DEVELOPMENT SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
June 30, 2012 and 2011

	2012	2011
ASSETS		
Cash and cash equivalents	\$ 0	\$ 0
Advances to other funds	0	0
Total assets	\$ 0	\$ 0
 LIABILITIES AND FUND BALANCES		
Liabilities		
Fund balances		
Nonspendable advances to other funds	\$ 0	\$ 0
Assigned for Housing and Development	0	0
Total fund balances	\$ 0	\$ 0

CITY OF GAINESVILLE, GEORGIA
COMMUNITY DEVELOPMENT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the fiscal year ended June 30, 2012
(With comparative actual amounts for the year ended June 30, 2011)

	<u>2012</u>			<u>2011</u>
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
REVENUES				
Total revenues	\$ 0	\$ 0	\$ 0	\$ 0
EXPENDITURES				
Total expenditures	0	0	0	0
Excess (deficiency) of revenues over (under) expenditures	0	0	0	0
Other financing sources (uses)				
Transfers in (out)				
General Fund	0	0	0	(1,747,419)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	0	0	0	(1,747,419)
Fund balances, July 1	0	0	0	1,747,419
Fund balances, June 30	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

CITY OF GAINESVILLE, GEORGIA
COMMUNITY SERVICE CENTER SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
June 30, 2012 and 2011

	2012	2011
ASSETS		
Cash and cash equivalents	\$ 1,671,236	\$ 1,641,359
Receivables		
Accounts	1,049	2,653
Intergovernmental	341,773	352,634
Total assets	\$ 2,014,058	\$ 1,996,646
 LIABILITIES AND FUND BALANCES		
Liabilities		
Payables		
Accounts	\$ 60,868	\$ 68,284
Deposits	1,434	0
Accrued salaries	20,096	66,109
Total liabilities	82,398	134,393
Fund balances		
Restricted for Health and Welfare	977,581	1,000,472
Assigned for:		
Health and Welfare	919,490	746,913
Budget	34,589	114,868
Total fund balances	1,931,660	1,862,253
Total liabilities and fund balances	\$ 2,014,058	\$ 1,996,646

CITY OF GAINESVILLE, GEORGIA
COMMUNITY SERVICE CENTER SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the fiscal year ended June 30, 2012
(With comparative actual amounts for the year ended June 30, 2011)

	2012			2011
	Final Budget	Actual	Variance	Actual
REVENUES				
Charges for services	\$ 376,959	\$ 349,346	\$ (27,613)	\$ 398,737
Intergovernmental	3,130,770	2,114,106	(1,016,664)	2,128,476
Interest	1,000	1,976	976	2,843
Contributions	93,066	93,066	0	152,829
Other	95,954	96,547	593	112,282
Total revenues	3,697,749	2,655,041	(1,042,708)	2,795,167
EXPENDITURES				
Current				
Health and Welfare				
Personal services	1,691,154	1,559,888	131,266	1,744,828
Other	2,687,752	1,481,123	1,206,629	1,316,343
Total expenditures	4,378,906	3,041,011	1,337,895	3,061,171
Excess (deficiency) of revenues over (under) expenditures	(681,157)	(385,970)	295,187	(266,004)
Other financing sources (uses)				
Transfers in (out)				
General Fund	410,377	410,377	0	435,829
SPLOST Capital Projects Fund	0	0	0	(35,164)
General Government Capital Projects Fund	41,000	41,000	0	0
Public Utilities Fund	4,000	4,000	0	14,000
Total other financing sources (uses)	455,377	455,377	0	414,665
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(225,780)	69,407	295,187	148,661
Fund balance, July 1	225,780	1,862,253	1,636,473	1,713,592
Fund balances, June 30	\$ 0	\$ 1,931,660	\$ 1,931,660	\$ 1,862,253

CITY OF GAINESVILLE, GEORGIA
ECONOMIC DEVELOPMENT SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
June 30, 2012 and 2011

	2012	2011
ASSETS		
Cash and cash equivalents	\$ 1,264,320	\$ 1,094,592
Investments	1,586,187	1,579,879
Receivables		
Accounts	22,028	0
Notes	146,357	0
Interest	822	0
Advances to other funds	81,691	0
	<u>3,101,405</u>	<u>2,674,471</u>
Total assets	\$ 3,101,405	\$ 2,674,471
 LIABILITIES AND FUND BALANCES		
Liabilities		
Payables		
Accounts	\$ 13,617	\$ 8,717
Intergovernmental	7,088	0
	<u>20,705</u>	<u>8,717</u>
Total liabilities	20,705	8,717
 Fund balances		
Assigned for Housing and Development	<u>3,080,700</u>	<u>2,665,754</u>
Total liabilities and fund balances	\$ 3,101,405	\$ 2,674,471

CITY OF GAINESVILLE, GEORGIA
ECONOMIC DEVELOPMENT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the fiscal year ended June 30, 2012
(With comparative actual amounts for the year ended June 30, 2011)

	2012			2011
	Final Budget	Actual	Variance	Actual
REVENUES				
Charges for services	\$ 0	\$ 69,017	\$ 69,017	\$ 30,258
Interest	9,600	1,558	(8,042)	8,617
Contributions	0	470,970	470,970	0
Other	0	0	0	5,171
Total revenue	9,600	541,545	531,945	44,046
EXPENDITURES				
Current				
Housing and Development				
Personal services	0	0	0	6,037
Other	98,000	92,113	5,887	307,093
Debt Service				
Interest expense	76,356	41,486	34,870	28,083
Total expenditures	174,356	133,599	40,757	341,213
Excess (deficiency) of revenues over (under) expenditures	(164,756)	407,946	572,702	(297,167)
Other financing sources (uses)				
Transfers in (out)				
General Government				
Capital Projects Fund	0	0	0	(3,000,000)
Grants Capital Projects Fund	0	0	0	(444,075)
Public Utilities Fund	7,000	7,000	0	0
Sales of capital assets	200,000	0	(200,000)	0
Contingency	(42,244)	0	42,244	0
Total other financing sources (uses)	164,756	7,000	(157,756)	(3,444,075)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	0	414,946	414,946	(3,741,242)
Fund balances, July 1	0	2,665,754	2,665,754	6,406,996
Fund balances, June 30	\$ 0	\$ 3,080,700	\$ 3,080,700	\$ 2,665,754

CITY OF GAINESVILLE, GEORGIA
GEORGIA MOUNTAINS CENTER SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
June 30, 2012 and 2011

	2012	2011
ASSETS		
Cash and cash equivalents	\$ 163,147	\$ 232,163
Receivables		
Accounts	10,221	12,349
Intergovernmental	457	0
Total assets	\$ 173,825	\$ 244,512
 LIABILITIES AND FUND BALANCES		
Liabilities		
Payables		
Accounts	\$ 22,893	\$ 5,696
Sales tax	805	834
Deposits	3,425	2,925
Accrued salaries	4,913	17,664
Total liabilities	32,036	27,119
 Fund balances		
Committed for Culture and Recreation	0	52,139
Assigned for Culture and Recreation	141,789	165,254
Total fund balances	141,789	217,393
Total liabilities and fund balances	\$ 173,825	\$ 244,512

CITY OF GAINESVILLE, GEORGIA
GEORGIA MOUNTAINS CENTER SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the fiscal year ended June 30, 2012
(With comparative actual amounts for the year ended June 30, 2011)

	2012			2011
	Final Budget	Actual	Variance	Actual
REVENUES				
Charges for services	\$ 498,746	\$ 377,754	\$ (120,992)	\$ 506,750
Interest	500	220	(280)	399
Other	5,000	5,368	368	9,069
Total revenues	<u>504,246</u>	<u>383,342</u>	<u>(120,904)</u>	<u>516,218</u>
EXPENDITURES				
Current				
Culture and Recreation				
Personal services	441,074	405,593	35,481	438,988
Other	390,574	351,326	39,248	325,623
Capital outlay	13,100	5,199	7,901	0
Total expenditures	<u>844,748</u>	<u>762,118</u>	<u>82,630</u>	<u>764,611</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(340,502)</u>	<u>(378,776)</u>	<u>(38,274)</u>	<u>(248,393)</u>
Other financing sources (uses)				
Transfers in (out)				
Hotel/Motel Tax Fund	303,003	303,003	0	310,000
General Government				
Capital Projects Fund	(30,000)	0	30,000	0
Sales of capital assets	1,000	169	(831)	0
Total other financing sources (uses)	<u>274,003</u>	<u>303,172</u>	<u>29,169</u>	<u>310,000</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(66,499)</u>	<u>(75,604)</u>	<u>(9,105)</u>	<u>61,607</u>
Fund balances, July 1	<u>66,499</u>	<u>217,393</u>	<u>150,894</u>	<u>155,786</u>
Fund balances, June 30	<u>\$ 0</u>	<u>\$ 141,789</u>	<u>\$ 141,789</u>	<u>\$ 217,393</u>

CITY OF GAINESVILLE, GEORGIA
HOTEL/MOTEL TAX SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
June 30, 2012 and 2011

	2012	2011
ASSETS		
Cash and cash equivalents	\$ 171,079	\$ 129,400
Accounts receivable	46,659	47,669
Total assets	\$ 217,738	\$ 177,069
 LIABILITIES AND FUND BALANCES		
Fund balances		
Restricted for Georgia Mountain Center capital improvements	\$ 0	\$ 50,976
Assigned for Housing and Development	217,738	126,093
Total fund balances	\$ 217,738	\$ 177,069

CITY OF GAINESVILLE, GEORGIA
HOTEL/MOTEL TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the fiscal year ended June 30, 2012
(With comparative actual amounts for the year ended June 30, 2011)

	2012			2011
	Final Budget	Actual	Variance	Actual
REVENUES				
Hotel/motel taxes	\$ 472,309	\$ 563,902	\$ 91,593	\$ 517,456
Interest	200	252	52	175
Total revenues	472,509	564,154	91,645	517,631
EXPENDITURES				
Total expenditures	0	0	0	0
Excess (deficiency) of revenues over (under) expenditures	472,509	564,154	91,645	517,631
Other financing sources (uses)				
Transfers in (out)				
General Fund	(75,522)	(75,522)	0	(55,300)
Georgia Mountains Center	(303,003)	(303,003)	0	(310,000)
General Government				
Capital Projects Fund	(144,961)	(144,960)	1	(75,000)
Total other financing sources (uses)	(523,486)	(523,485)	1	(440,300)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(50,977)	40,669	91,646	77,331
Fund balances, July 1	50,977	177,069	126,092	99,738
Fund balances, June 30	\$ 0	\$ 217,738	\$ 217,738	\$ 177,069

CITY OF GAINESVILLE, GEORGIA
GOVERNMENT ACCESS CABLE TV CHANNEL SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
June 30, 2012 and 2011

	2012	2011
ASSETS		
Cash and cash equivalents	\$ 125,127	\$ 173,049
Intergovernmental receivables	10,008	9,245
Total assets	\$ 135,135	\$ 182,294
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 1,211	\$ 3,551
Accrued salaries	1,700	4,921
Total liabilities	2,911	8,472
Fund balance		
Restricted for:		
General Government	53,771	55,489
Capital outlay	23,032	68,032
Assigned for General Government	55,421	50,301
Total fund balance	132,224	173,822
Total liabilities and fund balance	\$ 135,135	\$ 182,294

CITY OF GAINESVILLE, GEORGIA
GOVERNMENT ACCESS CABLE TV CHANNEL SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the fiscal year ended June 30, 2012
(With comparative actual amounts for the year ended June 30, 2011)

	2012			2011
	Final Budget	Actual	Variance	Actual
REVENUES				
Intergovernmental	\$ 87,717	\$ 86,939	\$ (778)	\$ 84,088
Interest	300	186	(114)	317
Other	0	2	2	0
Total revenues	88,017	87,127	(890)	84,405
EXPENDITURES				
Current				
General Government				
Personal services	116,883	111,021	5,862	117,790
Other	61,144	59,643	1,501	55,891
Total expenditures	178,027	170,664	7,363	173,681
Excess (deficiency) of revenues over (under) expenditures	(90,010)	(83,537)	6,473	(89,276)
Other financing sources (uses)				
Transfers in (out)				
General Fund	87,717	86,939	(778)	84,088
General Government				
Capital Projects Fund	(45,000)	(45,000)	0	0
Total other financing sources (uses)	42,717	41,939	(778)	84,088
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(47,293)	(41,598)	5,695	(5,188)
Fund balance, July 1	47,293	173,822	126,529	179,010
Fund balances, June 30	\$ 0	\$ 132,224	\$ 132,224	\$ 173,822

CITY OF GAINESVILLE, GEORGIA
CONFISCATED ASSETS SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
June 30, 2012 and 2011

	2012	2011
ASSETS		
Cash and cash equivalents	\$ 30,993	\$ 25,147
Intergovernmental receivable	3,346	0
	34,339	25,147
 LIABILITIES AND FUND BALANCE		
Fund balance		
Restricted for Public Safety	\$ 34,339	\$ 25,147

CITY OF GAINESVILLE, GEORGIA
CONFISCATED ASSETS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the fiscal year ended June 30, 2012
(With comparative actual amounts for the year ended June 30, 2011)

	2012			2011
	Final Budget	Actual	Variance	Actual
REVENUES				
Fines, fees, and forfeitures	\$ 13,279	\$ 21,718	\$ 8,439	\$ 2,551
Interest	0	31	31	22
Total revenues	<u>13,279</u>	<u>21,749</u>	<u>8,470</u>	<u>2,573</u>
EXPENDITURES				
Current				
Public Safety				
Other	<u>6,573</u>	<u>3,051</u>	<u>3,522</u>	<u>0</u>
Total expenditures	<u>6,573</u>	<u>3,051</u>	<u>3,522</u>	<u>0</u>
Excess (deficiency) of revenues over (under) expenditures	6,706	18,698	11,992	2,573
Other financing sources (uses)				
Transfers in (out)				
General Fund	<u>(9,506)</u>	<u>(9,506)</u>	<u>0</u>	<u>0</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(2,800)	9,192	11,992	2,573
Fund balance, July 1	<u>2,800</u>	<u>25,147</u>	<u>22,347</u>	<u>22,574</u>
Fund balances, June 30	<u><u>\$ 0</u></u>	<u><u>\$ 34,339</u></u>	<u><u>\$ 34,339</u></u>	<u><u>\$ 25,147</u></u>

**CITY OF GAINESVILLE, GEORGIA
GRANTS SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
June 30, 2012 and 2011**

	2012	2011
ASSETS		
Cash and cash equivalents	\$ 100	\$ 100
Receivables		
Accounts	100	0
Intergovernmental	314,648	297,349
Total assets	\$ 314,848	\$ 297,449
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 4,447	\$ 11,241
Deferred revenues	100	0
Due to other funds	217,992	211,334
Total liabilities	222,539	222,575
 Fund balances		
Restricted for:		
Public Safety	14,017	0
Public Works	28,850	0
Committed for Housing and Development	4,868	0
Assigned for:		
General Government	26,044	32,657
Public Safety	12,530	13,367
Public Works	0	28,850
Housing and Development	6,000	0
Total fund balances	92,309	74,874
Total liabilities and fund balance	\$ 314,848	\$ 297,449

CITY OF GAINESVILLE, GEORGIA
GRANTS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the fiscal year ended June 30, 2012
(With comparative actual amounts for the year ended June 30, 2011)

	2012			2011
	Final Budget	Actual	Variance	Actual
REVENUES				
Intergovernmental	\$ 2,335,163	\$ 1,698,851	\$ (636,312)	\$ 966,252
Other	5,545	6,048	503	0
Total revenues	2,340,708	1,704,899	(635,809)	966,252
EXPENDITURES				
Current				
General Government	223,635	204,273	19,362	231,033
Public Safety	1,391,638	1,082,599	309,039	173,537
Housing and Development	306,000	0	306,000	10,862
Total expenditures	1,921,273	1,286,872	634,401	415,432
Excess (deficiency) of revenues over (under) expenditures	419,435	418,027	(1,408)	550,820
Other financing sources (uses)				
Transfers in (out)				
General Fund	(425,397)	(400,592)	24,805	(623,464)
Contingency	5,962	0	(5,962)	0
Total other financing sources (uses)	(419,435)	(400,592)	18,843	(623,464)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	0	17,435	17,435	(72,644)
Fund balance, July 1	0	74,874	74,874	147,518
Fund balances, June 30	\$ 0	\$ 92,309	\$ 92,309	\$ 74,874

**CITY OF GAINESVILLE, GEORGIA
 HUD GRANT SPECIAL REVENUE FUND
 COMPARATIVE BALANCE SHEETS
 June 30, 2012 and 2011**

	2012	2011
ASSETS		
Investments	\$ 43,022	\$ 0
Intergovernmental receivables	56,861	61,694
	Total assets	\$ 61,694
	\$ 99,883	\$ 61,694
 LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	\$ 24,645	\$ 3,477
Accrued salaries	952	3,409
Deferred revenue	0	9,777
Due to other funds	31,264	45,031
	Total liabilities	61,694
	56,861	61,694
Fund balances		
Restricted for Housing and Development	43,022	0
	Total liabilities and fund balances	\$ 61,694
	\$ 99,883	\$ 61,694

CITY OF GAINESVILLE, GEORGIA
HUD GRANT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the fiscal year ended June 30, 2012
(With comparative actual amounts for the year ended June 30, 2011)

	<u>2012</u>			<u>2011</u>
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
REVENUES				
Intergovernmental	\$ 771,347	\$ 428,752	\$ (342,595)	\$ 263,119
Other	0	3	3	0
Total revenues	<u>771,347</u>	<u>428,755</u>	<u>(342,592)</u>	<u>263,119</u>
EXPENDITURES				
Current				
Housing and Development				
Personal services	119,984	64,730	55,254	70,305
Other	651,363	321,003	330,360	214,541
Total expenditures	<u>771,347</u>	<u>385,733</u>	<u>385,614</u>	<u>284,846</u>
Excess (deficiency) of revenues over (under) expenditures	0	43,022	43,022	(21,727)
Fund balances, July 1	0	0	0	21,727
Fund balances, June 30	<u>\$ 0</u>	<u>\$ 43,022</u>	<u>\$ 43,022</u>	<u>\$ 0</u>

CITY OF GAINESVILLE, GEORGIA
REVOLVING LOAN SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
June 30, 2012 and 2011

	2012	2011
ASSETS		
Cash and cash equivalents	\$ 32,584	\$ 40,955
Investments	63,174	0
Notes receivable	406,481	418,692
Total assets	\$ 502,239	\$ 459,647
 LIABILITIES AND FUND BALANCES		
Liabilities		
Deferred revenue	\$ 469,655	\$ 418,692
Fund balances		
Restricted for Housing and Development	32,584	40,955
Total liabilities and fund balance	\$ 502,239	\$ 459,647

CITY OF GAINESVILLE, GEORGIA
REVOLVING LOAN SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the fiscal year ended June 30, 2012
(With comparative actual amounts for the year ended June 30, 2011)

	<u>2012</u>			<u>2011</u>
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
REVENUES				
Charges for services	\$ 33,079	42,215	\$ 9,136	\$ 29,520
Interest	0	55	55	80
Total revenues	<u>33,079</u>	<u>42,270</u>	<u>9,191</u>	<u>29,600</u>
EXPENDITURES				
Current				
Housing and Development				
Other	<u>60,733</u>	<u>50,641</u>	<u>10,092</u>	<u>30,708</u>
Total expenditures	<u>60,733</u>	<u>50,641</u>	<u>10,092</u>	<u>30,708</u>
Excess (deficiency) of revenues over (under) expenditures	(27,654)	(8,371)	19,283	(1,108)
Fund balances, July 1	<u>27,654</u>	<u>40,955</u>	<u>13,301</u>	<u>42,063</u>
Fund balances, June 30	<u><u>\$ 0</u></u>	<u><u>\$ 32,584</u></u>	<u><u>\$ 32,584</u></u>	<u><u>\$ 40,955</u></u>

CITY OF GAINESVILLE, GEORGIA
IMPACT FEE SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
June 30, 2012 and 2011

	2012	2011
ASSETS		
Cash and cash equivalents	\$ 537,521	\$ 460,168
 LIABILITIES AND FUND BALANCES		
Fund balances		
Restricted for:		
Public Safety	\$ 331,265	\$ 310,422
Cultural and Recreation	206,256	149,740
Total fund balances	\$ 537,521	\$ 460,162

CITY OF GAINESVILLE, GEORGIA
IMPACT FEE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the fiscal year ended June 30, 2012
(With comparative actual amounts for the year ended June 30, 2011)

	<u>2012</u>			<u>2011</u>
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
REVENUES				
Charges for services	\$ 69,000	\$ 68,161	\$ (839)	\$ 82,717
Intergovernmental	11,129	11,128	(1)	0
Interest	1,000	636	(364)	1,048
Total revenues	<u>81,129</u>	<u>79,925</u>	<u>(1,204)</u>	<u>83,765</u>
EXPENDITURES				
Total expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (deficiency) of revenues over (under) expenditures	<u>81,129</u>	<u>79,925</u>	<u>(1,204)</u>	<u>83,765</u>
Other financing sources (uses)				
Transfers in (out)				
General Fund	(2,000)	(2,566)	(566)	(3,100)
General Government				
Capital Projects Fund	(300,000)	0	300,000	(110,660)
Contingency	(68,000)	0	68,000	0
Total other financing sources (uses)	<u>(370,000)</u>	<u>(2,566)</u>	<u>367,434</u>	<u>(113,760)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(288,871)	77,359	366,230	(29,995)
Fund balances, July 1	<u>288,871</u>	<u>460,162</u>	<u>171,291</u>	<u>490,157</u>
Fund balances, June 30	<u>\$ 0</u>	<u>\$ 537,521</u>	<u>\$ 537,521</u>	<u>\$ 460,162</u>

CITY OF GAINESVILLE, GEORGIA
TAX ALLOCATION DISTRICT SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
June 30, 2012 and 2011

	2012	2011
ASSETS		
Cash and cash equivalents	\$ 556,369	\$ 321,394
Intergovernmental receivables	0	53,278
Total assets	\$ 556,369	\$ 374,672
 LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	\$ 0	\$ 3
Fund balances		
Restricted for Housing and Development	555,300	374,192
Assigned for Housing and Development	1,069	477
Total fund balances	556,369	374,669
Total liabilities and fund balances	\$ 556,369	\$ 374,672

CITY OF GAINESVILLE, GEORGIA
TAX ALLOCATION DISTRICT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the fiscal year ended June 30, 2012
(With comparative actual amounts for the year ended June 30, 2011)

	2012			2011
	Final Budget	Actual	Variance	Actual
REVENUES				
Property taxes	\$ 29,500	\$ 24,272	\$ (5,228)	\$ 35,269
Intergovernmental	190,500	156,802	(33,698)	206,837
Interest	400	592	192	477
Total revenues	220,400	181,666	(38,734)	242,583
EXPENDITURES				
Total expenditures	0	0	0	0
Excess (deficiency) of revenues over (under) expenditures	220,400	181,666	(38,734)	242,583
Other financing sources (uses)				
Transfers in (out)				
General Government				
Capital Projects Fund	34	34	0	(89,000)
Contingency	(220,434)	0	220,434	0
Total other financing sources (uses)	(220,400)	34	220,434	(89,000)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	0	181,700	181,700	153,583
Fund balances, July 1	0	374,669	374,669	221,086
Fund balances, June 30	\$ 0	\$ 556,369	\$ 556,369	\$ 374,669

CITY OF GAINESVILLE, GEORGIA
INFORMATION TECHNOLOGY SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
June 30, 2012 and 2011

	2012	2011
ASSETS		
Cash and cash equivalents	\$ 82,462	\$ 31,000
 LIABILITIES AND FUND BALANCES		
Fund balances		
Restricted for Public Safety	\$ 82,462	\$ 31,000

CITY OF GAINESVILLE, GEORGIA
INFORMATION TECHNOLOGY SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the fiscal year ended June 30, 2012
(With comparative actual amounts for the year ended June 30, 2011)

	2012			2011
	Final Budget	Actual	Variance	Actual
REVENUES				
Fines, fees, and forfeitures	\$ 60,000	\$ 51,462	\$ (8,538)	\$ 31,000
Total revenues	<u>60,000</u>	<u>51,462</u>	<u>(8,538)</u>	<u>31,000</u>
EXPENDITURES				
Current				
Public Safety				
Other	60,000	0	60,000	0
Total expenditures	<u>60,000</u>	<u>0</u>	<u>60,000</u>	<u>0</u>
Excess (deficiency) of revenues over (under) expenditures	0	51,462	51,462	31,000
Fund balances, July 1	<u>0</u>	<u>31,000</u>	<u>31,000</u>	<u>0</u>
Fund balances, June 30	<u><u>\$ 0</u></u>	<u><u>\$ 82,462</u></u>	<u><u>\$ 82,462</u></u>	<u><u>\$ 31,000</u></u>

CITY OF GAINESVILLE, GEORGIA
CEMETERY TRUST SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
June 30, 2012 and 2011

	2012	2011
ASSETS		
Cash and cash equivalents	\$ 207,246	\$ 146,714
Accounts receivable	400	0
Total assets	\$ 207,646	\$ 146,714
 LIABILITIES AND FUND BALANCES		
Fund balances		
Committed for Public Works	\$ 100,506	\$ 39,800
Assigned for Public Works	107,140	106,914
Total fund balances	\$ 207,646	\$ 146,714

**CITY OF GAINESVILLE, GEORGIA
CEMETERY TRUST SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the fiscal year ended June 30, 2012
(With comparative actual amounts for the year ended June 30, 2011)**

	<u>2012</u>			<u>2011</u>
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
REVENUES				
Sales and services	\$ 43,000	\$ 60,706	\$ 17,706	\$ 39,800
Interest	200	226	26	240
Total revenues	43,200	60,932	17,732	40,040
EXPENDITURES				
Total expenditures	0	0	0	0
Excess (deficiency) of revenues over (under) expenditures	43,200	60,932	17,732	40,040
Other financing sources (uses) Contingency	(43,200)	0	43,200	0
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	0	60,932	60,932	40,040
Fund balances, July 1	0	146,714	146,714	106,674
Fund balances, June 30	\$ 0	\$ 207,646	\$ 207,646	\$ 146,714



DEBT SERVICE FUND

The Debt Service Fund is used to account for the accumulation of resources and payment of general government long-term debt principal and interest from governmental resources.

The Debt Service Fund is presented as a major fund in the basic financial statements.

**CITY OF GAINESVILLE, GEORGIA
DEBT SERVICE FUND
COMPARATIVE BALANCE SHEETS
June 30, 2012 and 2011**

	2012	2011
ASSETS		
Cash and cash equivalents	\$ 1,521,501	\$ 1,427,172
Receivables		
Intergovernmental	2,691	3,740
Property taxes	67,646	60,923
Total assets	\$ 1,591,838	\$ 1,491,835
 LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	\$ 0	\$ 14
Deferred revenue	58,783	57,549
Total liabilities	58,783	57,563
 Fund balances		
Restricted for debt service	1,270,703	1,217,858
Assigned for:		
Budget	111,918	145,494
Debt service	150,434	70,920
Total fund balances	1,533,055	1,434,272
Total liabilities and fund balances	\$ 1,591,838	\$ 1,491,835

CITY OF GAINESVILLE, GEORGIA
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the fiscal year ended June 30, 2012
(With comparative actual amounts for the fiscal year ended June 30, 2011)

	<u>2012</u>			<u>2011</u>
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
REVENUES				
Property taxes	\$ 1,490,034	\$ 1,599,301	\$ 109,267	\$ 1,724,140
Intergovernmental	0	0	0	995,794
Interest	3,405	3,425	20	4,048
Total revenues	<u>1,493,439</u>	<u>1,602,726</u>	<u>109,287</u>	<u>2,723,982</u>
EXPENDITURES				
Debt Service				
Principal	7,196,332	7,112,064	84,268	8,034,940
Interest and fiscal charges	1,489,976	1,436,754	53,222	1,744,142
Total expenditures	<u>8,686,308</u>	<u>8,548,818</u>	<u>137,490</u>	<u>9,779,082</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7,192,869)</u>	<u>(6,946,092)</u>	<u>246,777</u>	<u>(7,055,100)</u>
Other financing sources (uses)				
Transfers in (out)				
General Government				
Capital Projects Fund	164,000	164,000	0	164,000
SPLOST Capital Projects Fund	6,880,875	6,880,875	0	7,032,125
Total other financing sources (uses)	<u>7,044,875</u>	<u>7,044,875</u>	<u>0</u>	<u>7,196,125</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(147,994)</u>	<u>98,783</u>	<u>246,777</u>	<u>141,025</u>
Fund balances, July 1	<u>147,994</u>	<u>1,434,272</u>	<u>1,286,278</u>	<u>1,293,247</u>
Fund balances, June 30	<u><u>\$ 0</u></u>	<u><u>\$ 1,533,055</u></u>	<u><u>\$ 1,533,055</u></u>	<u><u>\$ 1,434,272</u></u>



CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of specifically planned projects (other than those financed by the proprietary or fiduciary funds).

General Government Fund - *This fund is used to account for general purpose long-term capital projects financed from various revenue sources.*

Special Purpose Local Option Sales Tax Fund - *This fund is used to account for long-term projects financed by the passage of a special purpose local option sales tax.*

The Special Purpose Local Option Sales Tax Fund is presented as a major fund in the basic financial statements.

Grants Fund – *This fund is used to account for capital grants used to finance major capital projects.*

CITY OF GAINESVILLE, GEORGIA
GENERAL GOVERNMENT CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEETS
June 30, 2012 and 2011

	2012	2011
ASSETS		
Cash and cash equivalents	\$ 4,771,451	\$ 4,888,020
 LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	\$ 55,381	\$ 9,773
Accrued salaries	245	2,065
Total liabilities	55,626	11,838
 Fund balances		
Restricted for capital projects:		
General Government	69,295	0
Public Safety	0	31,464
Public Works	0	34
Assigned for capital projects:		
General Government	3,075,856	3,164,855
Public Safety	9,774	0
Public Works	1,013,910	849,220
Health and Welfare	0	19,247
Other	546,990	811,362
Total fund balances	4,715,825	4,876,182
 Total liabilities and fund balances	 \$ 4,771,451	 \$ 4,888,020

CITY OF GAINESVILLE, GEORGIA
GENERAL GOVERNMENT CAPITAL PROJECTS FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the fiscal years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
REVENUES		
Intergovernmental	\$ 60,000	\$ 0
Total revenues	<u>60,000</u>	<u>0</u>
EXPENDITURES		
Capital outlay		
General Government	684,412	176,686
Public Safety	756,689	846,717
Public Works	453,589	303,184
Total expenditures	<u>1,894,690</u>	<u>1,326,587</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,834,690)</u>	<u>(1,326,587)</u>
Other financing sources (uses)		
Transfers in (out)		
General Fund	963,702	203,396
Economic Development Fund	0	3,000,000
Hotel/Motel Tax Fund	144,960	75,000
Community Service Center Fund	(41,000)	0
Government Access Cable TV Channel Fund	45,000	0
Impact Fees Fund	0	110,660
Tax Allocation District Fund	(34)	89,000
SPLOST Capital Projects Fund	461,096	0
Grants Capital Projects Fund	(394,724)	0
Debt Service Fund	(164,000)	(164,000)
Public Utilities Fund	0	55,000
Vehicle Services Fund	(62,500)	0
Issuance of capital lease	721,833	346,228
Total other financing sources (uses)	<u>1,674,333</u>	<u>3,715,284</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(160,357)</u>	<u>2,388,697</u>
Fund balances, July 1	<u>4,876,182</u>	<u>2,487,485</u>
Fund balances, June 30	<u>\$ 4,715,825</u>	<u>\$ 4,876,182</u>

**CITY OF GAINESVILLE, GEORGIA
SPECIAL PURPOSE LOCAL OPTION SALES TAX
CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEETS
June 30, 2012 and 2011**

	2012	2011
ASSETS		
Cash and cash equivalents	\$ 6,511,464	\$ 7,363,476
Intergovernmental receivables	1,781,250	1,675,138
Total assets	\$ 8,292,714	\$ 9,038,614
 LIABILITIES AND FUND BALANCES		
Liabilities		
Payables		
Accounts	\$ 10,681	\$ 25,154
Retainages	0	65,832
Accrued salaries	0	1,280
Deferred revenues	85	85
Total liabilities	10,766	92,351
Fund balances		
Restricted for:		
Capital projects		
Public Safety	515,992	531,487
Public Works	791,664	1,026,681
Debt service	6,184,732	5,940,607
Assigned for capital projects:		
Public Safety	394,805	285,850
Public Works	360,784	762,428
Health and Welfare	33,971	33,971
Debt service	0	365,239
Total fund balances	8,281,948	8,946,263
Total liabilities and fund balances	\$ 8,292,714	\$ 9,038,614

CITY OF GAINESVILLE, GEORGIA
SPECIAL PURPOSE LOCAL OPTION SALES TAX
CAPITAL PROJECTS FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
For the fiscal years ended June 30, 2012 and 2011

	2012	2011
REVENUES		
Intergovernmental	\$ 7,125,000	\$ 6,977,223
Interest	0	10,063
	Total revenues	6,987,286
	7,125,000	6,987,286
EXPENDITURES		
Capital outlay		
General Government	77,874	26,011
Public Safety	53,251	7,378,035
Public Works	467,844	25,996
	Total expenditures	7,430,042
	598,969	7,430,042
Excess (deficiency) of revenues over (under) expenditures	6,526,031	(442,756)
Other financing sources (uses)		
Transfers in (out)		
Community Service Center Fund	0	35,164
Debt Service Fund	(6,880,875)	(7,032,125)
General Government Capital Projects Fund	(461,096)	0
Grants Capital Projects Fund	151,625	95,036
	Total other financing sources (uses)	(6,901,925)
	(7,190,346)	(6,901,925)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(664,315)	(7,344,681)
Fund balances, July 1	8,946,263	16,290,944
Fund balances, June 30	\$ 8,281,948	\$ 8,946,263

**CITY OF GAINESVILLE, GEORGIA
GRANTS CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEETS
June 30, 2012 and 2011**

	2012	2011
ASSETS		
Cash and cash equivalents	\$ 1,027,246	\$ 890,387
Intergovernmental receivables	73,211	10,825
Total assets	\$ 1,100,457	\$ 901,212
 LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	\$ 176,389	\$ 327
Deferred revenues	0	2,997
Total liabilities	176,389	3,324
Fund balances		
Assigned for capital projects:		
Public Works	924,068	791,492
Other	0	106,396
Total fund balances	924,068	897,888
Total liabilities and fund balances	\$ 1,100,457	\$ 901,212

CITY OF GAINESVILLE, GEORGIA
GRANTS CAPITAL PROJECTS FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the fiscal years ended June 30, 2012 and 2011

	2012	2011
REVENUES		
Intergovernmental	\$ 310,260	\$ 51,001
Total revenues	310,260	51,001
EXPENDITURES		
Capital outlay		
Public Safety	60,575	0
Public Works	351,735	0
Culture and Recreation	585,081	117,840
Total expenditures	997,391	117,840
Excess (deficiency) of revenues over (under) expenditures	(687,131)	(66,839)
Other financing sources (uses)		
Transfers in (out)		
General Fund	470,212	33,245
Economic Development Fund	0	444,075
General Government Capital Projects Fund	394,724	0
SPLOST Capital Projects Fund	(151,625)	(95,036)
Public Utilities Fund	0	(50,000)
Total other financing sources (uses)	713,311	332,284
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	26,180	265,445
Fund balances, July 1	897,888	632,443
Fund balances, June 30	\$ 924,068	\$ 897,888



ENTERPRISE FUNDS

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

Public Utilities Fund is used to account for activities connected with the development, operation and maintenance of water and sewer service in the City of Gainesville and parts of Hall County.

The Public Utilities Fund is presented as a major fund in the basic financial statements.

Airport Fund is used to account for activities connected with the operation of the Lee Gilmer Memorial Airport.

Solid Waste Fund is used to account for activities connected with the collection and disposal of residential, commercial, industrial and institutional solid waste, and for the maintenance of street rights-of-way.

Chattahoochee Golf Course Fund is used to account for activities connected with the operation of a public golf course owned by the City of Gainesville, Georgia.

CITY OF GAINESVILLE, GEORGIA
PUBLIC UTILITIES ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET ASSETS
June 30, 2012 and 2011

	2012	2011
ASSETS		
Current assets		
Cash and cash equivalents	\$ 20,133,008	\$ 12,711,769
Receivables		
Accounts (net)	3,487,618	5,109,159
Intergovernmental	524,238	689,489
Inventories	1,291,383	977,333
Total current assets	25,436,247	19,487,750
Restricted assets		
Extension and Renewal		
Cash and cash equivalents	34,487,559	31,238,428
Debt Redemption		
Cash and cash equivalents	6,922,727	6,810,302
Connection Fees		
Cash and cash equivalents	0	6,757,933
Customer Deposits		
Cash and cash equivalents	2,568,184	2,569,543
Total restricted assets	43,978,470	47,376,206
Capital assets		
Land	19,753,759	18,723,343
Nondepreciable intangibles	1,957,919	1,957,919
Land improvements	385,370	422,463
Buildings	65,893,090	65,818,313
Distribution system	513,053,711	504,119,946
Vehicles and equipment	12,998,047	12,447,824
Depreciable intangibles	4,581,582	3,574,121
Construction in progress	4,056,619	3,373,216
Accumulated depreciation	(142,806,728)	(128,632,894)
Capital assets (net of accumulated depreciation)	479,873,369	481,804,251
Other assets		
Pension asset	0	115,173
Debt issuance costs	2,311,662	2,556,439
Deferred interest expense	3,077,250	3,429,872
Other assets (net of accumulated amortization)	5,388,912	6,101,484
Total assets	554,676,998	554,769,691

CITY OF GAINESVILLE, GEORGIA
PUBLIC UTILITIES ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET ASSETS
June 30, 2012 and 2011

	2012	2011
LIABILITIES		
Current liabilities		
Payables		
Accounts	\$ 653,404	\$ 631,848
Retainages	0	22,207
Accrued salaries	152,887	431,885
Compensated absences	501,727	477,510
Capital lease payable	1,261,588	1,261,588
Notes payable	6,394,184	6,181,664
Total current liabilities	8,963,790	9,006,702
Current liabilities payable from restricted assets		
Payables		
Accounts	497,832	197,956
Retainages	20,166	43,599
Customer deposits	2,568,184	2,569,543
Revenue bonds payable	7,955,000	7,710,000
Interest payable	786,492	854,514
Total liabilities payable from restricted assets	11,827,674	11,375,612
Long-term liabilities		
Pension obligation	177,942	0
OPEB obligation	7,969,221	6,366,946
Compensated absences	55,747	53,057
Capital leases payable	22,708,585	23,970,173
Revenue bonds payable	81,134,423	89,320,523
Notes payable	101,142,591	107,536,777
Total long-term liabilities	213,188,509	227,247,476
Total liabilities	233,979,973	247,629,790
NET ASSETS		
Invested in capital assets, net of related debt	261,836,250	249,011,843
Restricted for:		
Capital outlay	34,487,559	37,996,361
Debt service	6,136,235	5,955,788
Unrestricted	18,236,981	14,175,909
Total net assets	\$ 320,697,025	\$ 307,139,901

CITY OF GAINESVILLE, GEORGIA
PUBLIC UTILITIES ENTERPRISE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
For the fiscal years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES		
Charges for sales and services		
Water sales	\$ 32,130,819	\$ 31,219,256
Sewer charges	24,976,014	23,755,623
Tap fees	342,309	340,023
Other	43,161	85,201
Other	1,010,311	964,538
Total operating revenues	<u>58,502,614</u>	<u>56,364,641</u>
OPERATING EXPENSES		
Costs of sales and services	10,742,086	10,731,105
Personal services	13,677,092	12,982,690
Depreciation	14,378,888	13,229,982
Total operating expenses	<u>38,798,066</u>	<u>36,943,777</u>
Operating income (loss)	<u>19,704,548</u>	<u>19,420,864</u>
Non-operating revenues (expenses)		
Interest revenue	311,063	351,947
Interest expense	(8,009,136)	(8,594,848)
Amortization	(244,777)	(259,954)
Distribution of capital assets to Governmental Activities	0	(422,219)
Gain (loss) on sale of capital assets	18,305	18,165
Total non-operating revenues (expenses)	<u>(7,924,545)</u>	<u>(8,906,909)</u>
Net income (loss) before capital contributions and transfers	<u>11,780,003</u>	<u>10,513,955</u>
Capital contributions		
Connection fees	926,093	912,706
Capital contributions	3,601,247	2,708,943
Intergovernmental revenue	658,573	5,000
Total capital contributions	<u>5,185,913</u>	<u>3,626,649</u>
Net income (loss) before transfers	<u>16,965,916</u>	<u>14,140,604</u>
Transfers in (out)		
General Fund	(3,397,792)	(2,761,291)
Community Service Center Fund	(4,000)	(14,000)
Economic Development Fund	(7,000)	0
General Government Capital Projects Fund	0	(55,000)
Grants Capital Projects Fund	0	50,000
Total transfers in (out)	<u>(3,408,792)</u>	<u>(2,780,291)</u>
Change in net assets	13,557,124	11,360,313
Net assets, July 1	<u>307,139,901</u>	<u>295,779,588</u>
Net assets, June 30	<u><u>\$ 320,697,025</u></u>	<u><u>\$ 307,139,901</u></u>

CITY OF GAINESVILLE, GEORGIA
PUBLIC UTILITIES ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the fiscal years ended June 30, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Receipts from customers	\$ 59,782,552	\$ 54,283,323
Payments to suppliers	(11,034,580)	(11,125,687)
Payments to employees	(12,033,793)	(11,353,517)
Other receipts	1,010,311	964,538
	<u>37,724,490</u>	<u>32,768,657</u>
Net cash provided (used) by operating activities		
Cash flows from non-capital financing activities:		
Receipts from other funds	0	50,000
Payments to other funds	(3,408,792)	(2,830,291)
	<u>(3,408,792)</u>	<u>(2,780,291)</u>
Net cash provided (used) by non-capital financing activities		
Cash flows from capital and related financing activities:		
Receipt of capital contributions	930,793	994,994
Receipts from other governments	153,757	206,147
Interest paid	(7,714,300)	(8,285,451)
Acquisition of capital assets	(9,594,987)	(8,437,989)
Payment of capital related accounts payable	(263,762)	(1,572,616)
Sale of capital assets	18,243	32,445
Principal payments - bonds	(7,710,000)	(7,470,000)
Principal payments - promissory notes	(6,181,666)	(5,986,049)
	<u>(30,361,922)</u>	<u>(30,518,519)</u>
Net cash provided (used) by capital and related financing activities		
Cash flows from investing activities:		
Interest received	69,727	110,612
	<u>69,727</u>	<u>110,612</u>
Net increase (decrease) in cash and cash equivalents	4,023,503	(419,541)
Cash and cash equivalents, July 1	<u>60,087,975</u>	<u>60,507,516</u>
Cash and cash equivalents, June 30	<u>\$ 64,111,478</u>	<u>\$ 60,087,975</u>

CITY OF GAINESVILLE, GEORGIA
PUBLIC UTILITIES ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the fiscal years ended June 30, 2012 and 2011

	2012	2011
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	<u>\$ 19,704,548</u>	<u>\$ 19,420,864</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	14,378,888	13,229,982
(Increase) decrease in accounts receivable	1,621,541	(1,338,697)
(Increase) decrease in intergovernmental receivables	670,067	(99,853)
(Increase) decrease in inventory	(314,050)	(67,655)
(Increase) decrease in prepaid items	0	5,000
(Increase) decrease in pension asset	115,173	190,890
Increase (decrease) in accounts payable	21,556	(331,927)
Increase (decrease) in deposits payable	(1,359)	321,770
Increase (decrease) in accrued salaries and benefits	(252,091)	(7,964)
Increase (decrease) in pension obligation	177,942	0
Increase (decrease) in OPEB obligation	<u>1,602,275</u>	<u>1,446,247</u>
Total adjustments	<u>18,019,942</u>	<u>13,347,793</u>
Net cash provided (used) by operating activities	<u><u>\$ 37,724,490</u></u>	<u><u>\$ 32,768,657</u></u>
Cash and cash equivalents reconciliation:		
Cash and cash equivalents	\$ 20,133,008	\$ 12,711,769
Extension and Renewal		
Cash and cash equivalents	34,487,559	31,238,428
Debt Redemption		
Cash and cash equivalents	6,922,727	6,810,302
Connection Fees		
Cash and cash equivalents	0	6,757,933
Customer Deposits		
Cash and cash equivalents	<u>2,568,184</u>	<u>2,569,543</u>
Total cash and cash equivalents	<u><u>\$ 64,111,478</u></u>	<u><u>\$ 60,087,975</u></u>

Noncash investing, capital, and financing activities:

Contributions of capital assets from individuals totaled \$ 2,334,959 and \$1,370,067 for the fiscal years ended June 30, 2012 and June 30, 2011, respectively.

Distributions of capital assets to government totaled \$422,219 for the fiscal year ended June 30, 2011.

Acquisition of capital assets through accounts payable totaled \$517,998 and \$263,762 for the fiscal years ended June 30, 2012, and June 30, 2011, respectively.

Forgiveness of capital lease through capital contributions totaled \$1,261,588 and \$1,261,588 for the fiscal years ended June 30, 2012, and June 30, 2011, respectively.

CITY OF GAINESVILLE, GEORGIA
AIRPORT ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET ASSETS
June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 946,060	\$ 875,610
Receivables		
Accounts	9,775	8,561
Intergovernmental	8,372	0
Total current assets	<u>964,207</u>	<u>884,171</u>
Capital assets		
Land	504,385	504,385
Land improvements	11,608,568	11,595,070
Buildings	6,517,372	6,517,372
Vehicles and equipment	367,631	367,631
Intangibles	118,000	118,000
Construction in progress	48,000	0
Accumulated depreciation	<u>(6,727,333)</u>	<u>(6,010,093)</u>
Total capital assets (net of accumulated depreciation)	<u>12,436,623</u>	<u>13,092,365</u>
Other assets		
Debt issuance cost (net of accumulated amortization)	<u>60,388</u>	<u>68,623</u>
Total assets	<u>13,461,218</u>	<u>14,045,159</u>
LIABILITIES		
Current liabilities		
Payables		
Accounts	17,551	5,603
Interest	22,630	24,795
Customer deposits	436	0
Accrued salaries	1,012	0
Compensated absences	236	0
Capital leases payable	<u>325,000</u>	<u>305,000</u>
Total current liabilities	<u>366,865</u>	<u>335,398</u>
Long-term liabilities		
OPEB obligation	7,350	0
Compensated absences	26	0
Capital leases payable	<u>2,860,000</u>	<u>3,185,000</u>
Total long-term liabilities	<u>2,867,376</u>	<u>3,185,000</u>
Total liabilities	<u>3,234,241</u>	<u>3,520,398</u>
NET ASSETS		
Invested in capital assets, net of related debt	9,251,623	9,602,365
Unrestricted	<u>975,354</u>	<u>922,396</u>
Total net assets	<u>\$ 10,226,977</u>	<u>\$ 10,524,761</u>

CITY OF GAINESVILLE, GEORGIA
AIRPORT ENTERPRISE FUND
COMPARATIVE STATEMENTS OF REVENUES,
EXPENSES AND CHANGES IN NET ASSETS
For the fiscal years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES		
Charges for sales and services		
Fuel sales	\$ 16,505	\$ 20,010
Rent	816,466	798,864
Other	4,333	3,754
	<u>837,304</u>	<u>822,628</u>
OPERATING EXPENSES		
Costs of sales and services	276,020	263,663
Personal services	18,717	0
Depreciation	717,240	691,436
	<u>1,011,977</u>	<u>955,099</u>
Operating income (loss)	<u>(174,673)</u>	<u>(132,471)</u>
Non-operating revenues (expenses)		
Interest revenue	1,180	1,784
Interest expense	(187,531)	(204,522)
Amortization	(8,235)	(8,235)
	<u>(194,586)</u>	<u>(210,973)</u>
Net income (loss) before capital contributions	(369,259)	(343,444)
Capital contributions		
Intergovernmental revenue	71,475	383,036
Change in net assets	(297,784)	39,592
Net assets, July 1	<u>10,524,761</u>	<u>10,485,169</u>
Net assets, June 30	<u><u>\$ 10,226,977</u></u>	<u><u>\$ 10,524,761</u></u>

CITY OF GAINESVILLE, GEORGIA
AIRPORT ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the fiscal years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Receipts from customers	\$ 832,193	\$ 834,053
Payments to suppliers	(264,072)	(274,568)
Payments to employees	(10,093)	0
Other receipts	4,333	3,754
	<hr/>	<hr/>
Net cash provided (used) by operating activities	562,361	563,239
	<hr/>	<hr/>
Cash flows from capital and related financing activities:		
Receipt of capital contributions	63,103	383,036
Interest paid	(189,696)	(206,577)
Acquisition of capital assets	(61,498)	(532,650)
Payment of capital related accounts payable	0	(53,600)
Principal payments - capital leases	(305,000)	(290,000)
	<hr/>	<hr/>
Net cash provided (used) by capital and related financing activities	(493,091)	(699,791)
	<hr/>	<hr/>
Cash flows from investing activities:		
Interest received	1,180	1,784
	<hr/>	<hr/>
Net increase (decrease) in cash and cash equivalents	70,450	(134,768)
	<hr/>	<hr/>
Cash and cash equivalents, July 1	875,610	1,010,378
	<hr/>	<hr/>
Cash and cash equivalents, June 30	<u>\$ 946,060</u>	<u>\$ 875,610</u>
	<hr/>	<hr/>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (174,673)	\$ (132,471)
	<hr/>	<hr/>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	717,240	691,436
(Increase) decrease in accounts receivable	(1,214)	15,179
Increase (decrease) in accounts payable	11,948	(10,905)
Increase (decrease) in customer deposits	436	0
Increase (decrease) in accrued payroll liabilities	1,274	0
Increase (decrease) in OPEB obligation	7,350	0
	<hr/>	<hr/>
Total adjustments	737,034	695,710
	<hr/>	<hr/>
Net cash provided by operating activities	\$ 562,361	\$ 563,239
	<hr/>	<hr/>
Cash and cash equivalents reconciliation:		
Cash and cash equivalents	<u>\$ 946,060</u>	<u>\$ 875,610</u>
	<hr/>	<hr/>

CITY OF GAINESVILLE, GEORGIA
SOLID WASTE ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET ASSETS
June 30, 2012 and 2011

	2012	2011
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,642,732	\$ 1,193,147
Accounts receivable (net)	156,193	176,949
Total current assets	1,798,925	1,370,096
Capital assets		
Vehicles and equipment	1,760,464	1,671,868
Accumulated depreciation	(1,400,867)	(1,392,883)
Total capital assets (net of accumulated depreciation)	359,597	278,985
Total assets	2,158,522	1,649,081
LIABILITIES		
Current liabilities		
Accounts payable	12,194	22,646
Accrued salaries	11,452	31,865
Compensated absences	38,103	38,859
Total current liabilities	61,749	93,370
Long-term liabilities		
Compensated absences	4,234	4,318
OPEB obligation	779,015	624,667
Total long-term liabilities	783,249	628,985
Total liabilities	844,998	722,355
NET ASSETS		
Invested in capital assets	359,597	278,985
Unrestricted	953,927	647,741
Total net assets	\$ 1,313,524	\$ 926,726

CITY OF GAINESVILLE, GEORGIA
SOLID WASTE ENTERPRISE FUND
COMPARATIVE STATEMENTS OF REVENUES,
EXPENSES AND CHANGES IN NET ASSETS
For the fiscal years ended June 30, 2012 and 2011

	2012	2011
OPERATING REVENUES		
Charges for sales and services	\$ 2,299,960	\$ 2,057,883
Other	15,111	15,617
Total operating revenues	2,315,071	2,073,500
OPERATING EXPENSES		
Costs of sales and services	444,620	482,577
Costs of sales and services - landfill	195,732	223,728
Personal services	1,182,814	1,082,030
Depreciation	121,082	149,624
Total operating expenses	1,944,248	1,937,959
Operating income (loss)	370,823	135,541
Non-operating revenues (expenses)		
Interest revenue	1,850	1,822
Gain (loss) on sale of capital assets	14,125	0
Total non-operating revenues (expenses)	15,975	1,822
Change in net assets	386,798	137,363
Net assets, July 1	926,726	789,363
Net assets, June 30	\$ 1,313,524	\$ 926,726

CITY OF GAINESVILLE, GEORGIA
SOLID WASTE ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the fiscal years ended June 30, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Receipts from customers	\$ 2,320,716	\$ 2,001,270
Payments to suppliers	(650,804)	(737,074)
Payments to employees	(1,049,719)	(931,955)
Other receipts	15,111	15,617
	<u>635,304</u>	<u>347,858</u>
Net cash provided (used) by operating activities		
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(201,694)	(18,100)
Sale of capital assets	14,125	0
	<u>(187,569)</u>	<u>(18,100)</u>
Net cash provided (used) by capital and related financing activities		
Cash flows from investing activities:		
Interest received	1,850	1,822
	<u>1,850</u>	<u>1,822</u>
Net increase (decrease) in cash and cash equivalents	<u>449,585</u>	<u>331,580</u>
Cash and cash equivalents, July 1	<u>1,193,147</u>	<u>861,567</u>
Cash and cash equivalents, June 30	<u><u>\$ 1,642,732</u></u>	<u><u>\$ 1,193,147</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 370,823	\$ 135,541
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation expense	121,082	149,624
(Increase) decrease in accounts receivable	20,756	(56,613)
Increase (decrease) in accounts payable	(10,452)	(30,769)
Increase (decrease) in accrued payroll liabilities	(21,253)	9,468
Increase (decrease) in OPEB obligation	154,348	140,607
	<u>264,481</u>	<u>212,317</u>
Total adjustments		
Net cash used by operating activities	<u><u>\$ 635,304</u></u>	<u><u>\$ 347,858</u></u>
Cash and cash equivalents reconciliation:		
Cash and cash equivalents	<u><u>\$ 1,642,732</u></u>	<u><u>\$ 1,193,147</u></u>

CITY OF GAINESVILLE, GEORGIA
CHATTAHOOCHEE GOLF COURSE ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET ASSETS
June 30, 2012 and 2011

	2012	2011
ASSETS		
Current assets		
Cash and cash equivalents	\$ 62,306	\$ 97,671
Accounts receivable (net)	73,501	47,308
Total current assets	135,807	144,979
Capital assets		
Land	53,271	53,271
Land improvements	5,358,859	5,358,859
Buildings	715,452	715,452
Vehicles and equipment	772,044	744,039
Accumulated depreciation	(3,135,383)	(2,847,400)
Total capital assets (net of accumulated depreciation)	3,764,243	4,024,221
Other assets		
Debt issue costs (net of accumulated amortization)	66,424	71,738
Total assets	3,966,474	4,240,938
LIABILITIES		
Current liabilities		
Payables		
Accounts	57,559	125,170
Sales tax	8,133	7,110
Interest	17,151	18,054
Accrued salaries	7,458	23,349
Compensated absences	16,896	15,751
Capital leases payable	185,000	180,000
Notes payable	0	81,691
Other liabilities	27,079	22,568
Total current liabilities	319,276	473,693
Long-term liabilities		
Advances from other funds	463,364	399,166
Compensated absences	1,877	1,750
OPEB obligation	200,703	171,304
Capital leases payable	3,235,000	3,420,000
Total long-term liabilities	3,900,944	3,992,220
Total liabilities	4,220,220	4,465,913
NET ASSETS		
Invested in capital assets, net of related debt	344,242	279,167
Unrestricted	(597,988)	(504,142)
Total net assets	\$ (253,746)	\$ (224,975)

CITY OF GAINESVILLE, GEORGIA
CHATTAHOOCHEE GOLF COURSE ENTERPRISE FUND
COMPARATIVE STATEMENTS OF REVENUES,
EXPENSES AND CHANGES IN NET ASSETS
For the fiscal years ended June 30, 2012 and 2011

	2012	2011
OPERATING REVENUES		
Charges for sales and services		
Greens fees	\$ 663,546	\$ 649,529
Cart fees	283,970	275,648
Handicap fees	19,257	19,275
Practice range	54,284	52,725
Pro Shop sales	10,660	15,200
Rent revenue	12,600	14,400
Other	13,575	13,814
	1,057,892	1,040,591
OPERATING EXPENSES		
Costs of sales and services	309,125	480,565
Personal services	521,002	498,307
Depreciation	266,378	265,046
	1,096,505	1,243,918
Operating income (loss)	(38,613)	(203,327)
Non-operating revenues (expenses)		
Interest revenue	54	8
Interest expense	(140,034)	(147,214)
Amortization	(5,314)	(5,314)
Gain (loss) on sale of capital assets	981	2,553
	(144,313)	(149,967)
Net income (loss) before transfers	(182,926)	(353,294)
Transfers in (out)		
General Fund	154,155	195,820
Change in net assets	(28,771)	(157,474)
Net assets, July 1	(224,975)	(67,501)
Net assets, June 30	\$ (253,746)	\$ (224,975)

CITY OF GAINESVILLE, GEORGIA
CHATTAHOOCHEE GOLF COURSE ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the fiscal years ended June 30, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Receipts from customers	\$ 1,019,147	\$ 1,012,914
Payments to suppliers	(308,862)	(486,388)
Payments to employees	(506,222)	(466,704)
Other receipts	13,575	13,814
Net cash provided (used) by operating activities	217,638	73,636
Cash flows from non-capital financing activities:		
Receipts from other funds	136,662	345,661
Cash flows from capital and related financing activities:		
Interest paid	(140,937)	(148,092)
Principal payments - capital leases payable	(180,000)	(175,000)
Payment of capital related accounts payable	(63,363)	0
Sale of capital assets	981	2,553
Acquisition of capital assets	(6,400)	(7,625)
Net cash provided (used) by capital and related financing activities	(389,719)	(328,164)
Cash flows from investing activities:		
Interest received	54	8
Net increase (decrease) in cash and cash equivalents	(35,365)	91,141
Cash and cash equivalents, July 1	97,671	6,530
Cash and cash equivalents, June 30	\$ 62,306	\$ 97,671
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (38,613)	\$ (203,327)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation expense	266,378	265,046
(Increase) decrease in accounts receivable	(26,193)	(4,117)
Increase (decrease) in accounts payable	(4,248)	16,265
Increase (decrease) in sales tax payable	1,023	(9,746)
Increase (decrease) in accrued payroll liabilities	(14,619)	4,820
Increase (decrease) in OPEB obligation	29,399	26,783
Increase (decrease) in other liabilities	4,511	(22,088)
Total adjustments	256,251	276,963
Net cash provided (used) by operating activities	\$ 217,638	\$ 73,636
Cash and cash equivalents reconciliation:		
Cash and cash equivalents	\$ 62,306	\$ 97,671

Noncash investing, capital, and financing activities:

Acquisition of capital assets through accounts payable totaled \$63,363 for the fiscal year ended June 30, 2011.
Liquidation of notes payable through advances from other funds totaled \$81,691 for the fiscal year ended June 30, 2012.



INTERNAL SERVICE FUNDS

These funds are used to account for the financing of goods and services provided to the departments of the government on a cost reimbursement basis.

General Insurance Fund - *This fund is used to account for property, liability, and workers' compensation insurance provided to the City departments.*

Employee Benefits Fund - *This fund is used to account for the cost of providing life and health insurance benefits to City employees and participating dependents.*

Vehicle Services Fund - *This fund is used to account for the cost of providing maintenance and repairs on all City owned vehicles.*

CITY OF GAINESVILLE, GEORGIA
GENERAL INSURANCE FUND
COMPARATIVE STATEMENTS OF NET ASSETS
June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,578,911	\$ 1,238,466
Accounts receivable	<u>2,581</u>	<u>23,134</u>
Total assets	<u>1,581,492</u>	<u>1,261,600</u>
LIABILITIES		
Current liabilities		
Accounts payable	388,830	11,449
Claims reserves	<u>619,416</u>	<u>678,787</u>
Total liabilities	<u>1,008,246</u>	<u>690,236</u>
NET ASSETS		
Unrestricted	<u>\$ 573,246</u>	<u>\$ 571,364</u>

CITY OF GAINESVILLE, GEORGIA
GENERAL INSURANCE FUND
COMPARATIVE STATEMENTS OF REVENUES,
EXPENSES AND CHANGES IN NET ASSETS
For the fiscal years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES		
Interfund services provided	\$ 1,480,961	\$ 1,091,045
Other	9,115	39,219
Total operating revenue	<u>1,490,076</u>	<u>1,130,264</u>
OPERATING EXPENSES		
Costs of services		
Insurance	874,949	809,497
Claims	436,601	175,573
Administrative fees	178,526	145,194
Total operating expenses	<u>1,490,076</u>	<u>1,130,264</u>
Operating income (loss)	0	0
Non-operating revenues (expenses)		
Interest revenue	1,882	3,087
Net income before transfers and capital contributions	1,882	3,087
Capital contributions		
Capital contributions	0	10,000
Net income before transfers	1,882	13,087
Transfers in (out)		
General Fund	0	1,562
Governmental Activities	0	(11,562)
Total transfers	<u>0</u>	<u>(10,000)</u>
Change in net assets	1,882	3,087
Net assets, July 1	<u>571,364</u>	<u>568,277</u>
Net assets, June 30	<u>\$ 573,246</u>	<u>\$ 571,364</u>

CITY OF GAINESVILLE, GEORGIA
GENERAL INSURANCE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the fiscal years ended June 30, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Receipts from interfund services provided	\$ 1,501,514	\$ 1,067,911
Payments to suppliers	(1,172,066)	(1,414,848)
Payments to employees	0	(13,008)
Other receipts	9,115	39,219
	<u>338,563</u>	<u>(320,726)</u>
Net cash provided (used) by operating activities		
Cash flows from capital and related financing activities:		
Receipts from others	0	10,000
Receipts from other funds	0	1,562
Acquisition of capital assets	0	(11,562)
	<u>0</u>	<u>0</u>
Net cash provided (used) by capital and related financing activities		
Cash flows from investing activities:		
Interest received	1,882	3,087
	<u>1,882</u>	<u>3,087</u>
Net increase (decrease) in cash and cash equivalents		
	340,445	(317,639)
Cash and cash equivalents, July 1		
	<u>1,238,466</u>	<u>1,556,105</u>
Cash and cash equivalents, June 30		
	<u>\$ 1,578,911</u>	<u>\$ 1,238,466</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 0	\$ 0
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
(Increase) decrease in accounts receivable	20,553	(23,134)
Increase (decrease) in accounts payable	377,381	(49,544)
Increase (decrease) in accrued salaries and benefits	0	(13,008)
Increase (decrease) in claims reserve	(59,371)	(235,040)
	<u>338,563</u>	<u>(320,726)</u>
Total adjustments		
Net cash provided (used) by operating activities		
	<u>\$ 338,563</u>	<u>\$ (320,726)</u>

Noncash investing, capital, and financing activities:

Distributions of capital assets to government totaled \$11,562 for the fiscal year ended June 30, 2011.

CITY OF GAINESVILLE, GEORGIA
EMPLOYEE BENEFITS FUND
COMPARATIVE STATEMENTS OF NET ASSETS
June 30, 2012 and 2011

	2012	2011
ASSETS		
Current assets		
Cash and cash equivalents	\$ 5,400,636	\$ 4,281,707
Accounts receivable	48,473	288,443
Total assets	5,449,109	4,570,150
LIABILITIES		
Current liabilities		
Accounts payable	29,066	39,241
Deposits payable	10,633	12,040
Claims reserves	336,600	452,000
Total liabilities	376,299	503,281
NET ASSETS		
Unrestricted	\$ 5,072,810	\$ 4,066,869

CITY OF GAINESVILLE, GEORGIA
EMPLOYEE BENEFITS FUND
COMPARATIVE STATEMENTS OF REVENUES,
EXPENSES AND CHANGES IN NET ASSETS
For the fiscal years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES		
Interfund services provided	\$ 7,495,645	\$ 8,187,291
Other	1,068	75
Total operating revenue	<u>7,496,713</u>	<u>8,187,366</u>
OPERATING EXPENSES		
Costs of services		
Insurance	1,465,559	1,530,136
Claims	4,085,394	3,813,672
Wellness program	562,808	525,255
Administrative fees	383,538	325,347
Total operating expenses	<u>6,497,299</u>	<u>6,194,410</u>
Operating income (loss)	999,414	1,992,956
Non-operating revenues (expenses)		
Interest revenue	6,527	8,218
Change in net assets	1,005,941	2,001,174
Net assets, July 1	<u>4,066,869</u>	<u>2,065,695</u>
Net assets, June 30	<u><u>\$ 5,072,810</u></u>	<u><u>\$ 4,066,869</u></u>

CITY OF GAINESVILLE, GEORGIA
EMPLOYEE BENEFITS FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the fiscal years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Receipts from interfund services provided	\$ 7,735,615	\$ 7,899,100
Payments to suppliers	(6,624,281)	(6,070,550)
Other receipts	1,068	75
	<u>1,112,402</u>	<u>1,828,625</u>
Net cash provided (used) by operating activities	1,112,402	1,828,625
Cash flows from investing activities:		
Interest received	6,527	8,218
	<u>6,527</u>	<u>8,218</u>
Net increase (decrease) in cash and cash equivalents	1,118,929	1,836,843
Cash and cash equivalents, July 1	4,281,707	2,444,864
	<u>4,281,707</u>	<u>2,444,864</u>
Cash and cash equivalents, June 30	<u>\$ 5,400,636</u>	<u>\$ 4,281,707</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 999,414	\$ 1,992,956
	<u>999,414</u>	<u>1,992,956</u>
Adjustments to reconcile net income to net cash provided (used) by operating activities		
(Increase) decrease in accounts receivable	239,970	(288,191)
Increase (decrease) in accounts payable	(10,175)	3,418
Increase (decrease) in deposits payable	(1,407)	4,242
Increase (decrease) in claims reserve	(115,400)	116,200
	<u>(115,400)</u>	<u>116,200</u>
Total adjustments	112,988	(164,331)
	<u>112,988</u>	<u>(164,331)</u>
Net cash provided (used) by operating activities	<u>\$ 1,112,402</u>	<u>\$ 1,828,625</u>

CITY OF GAINESVILLE, GEORGIA
VEHICLE SERVICES FUND
COMPARATIVE STATEMENTS OF NET ASSETS
June 30, 2012 and 2011

	2012	2011
ASSETS		
Current assets		
Cash and cash equivalents	\$ 142,235	\$ 72,534
Receivables		
Accounts	239	0
Intergovernmental	10,962	44,780
Inventory	184,874	151,364
Total current assets	338,310	268,678
Capital assets		
Buildings	142,052	142,052
Vehicles and equipment	330,281	333,371
Accumulated depreciation	(434,600)	(428,202)
Capital assets (net of accumulated depreciation)	37,733	47,221
Total assets	376,043	315,899
LIABILITIES		
Current liabilities		
Accounts payable	30,702	24,277
Accrued salaries	3,650	10,178
Compensated absences	9,892	11,938
Total current liabilities	44,244	46,393
Long-term liabilities		
Compensated absences	1,099	1,326
Total liabilities	45,343	47,719
NET ASSETS		
Invested in capital assets	37,733	47,221
Unrestricted	292,967	220,959
Total net assets	\$ 330,700	\$ 268,180

CITY OF GAINESVILLE, GEORGIA
VEHICLE SERVICES FUND
COMPARATIVE STATEMENTS OF REVENUES,
EXPENSES AND CHANGES IN NET ASSETS
For the fiscal years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES		
Interfund services provided	\$ 2,319,156	\$ 2,014,950
Total operating revenues	<u>2,319,156</u>	<u>2,014,950</u>
OPERATING EXPENSES		
Costs of services	2,045,987	1,720,882
Personal services	257,906	274,644
Depreciation	15,263	19,424
Total operating expenses	<u>2,319,156</u>	<u>2,014,950</u>
Operating income (loss)	<u>0</u>	<u>0</u>
Nonoperating revenues (expenses)		
Interest revenue	4	0
Gain (loss) on sale of capital assets	16	0
Total nonoperating revenues (expenses)	<u>20</u>	<u>0</u>
Net income before transfers	20	0
Transfers in (out)		
General Governmental Capital Projects Fund	62,500	0
Change in net assets	62,520	0
Net assets, July 1	<u>268,180</u>	<u>268,180</u>
Net assets, June 30	<u>\$ 330,700</u>	<u>\$ 268,180</u>

CITY OF GAINESVILLE, GEORGIA
VEHICLE SERVICES FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the fiscal years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Receipts from interfund services provided	\$ 2,352,735	\$ 1,975,341
Payments to suppliers	(2,073,072)	(1,801,492)
Payments to employees	(266,707)	(272,866)
	<u>12,956</u>	<u>(99,017)</u>
Cash flows from non-capital financing activities:		
Receipts from other funds	<u>62,500</u>	<u>0</u>
Cash flows from capital and related financing activities:		
Sale of capital assets	16	0
Acquisition of capital assets	(5,775)	0
	<u>(5,759)</u>	<u>0</u>
Cash flows from investing activities:		
Interest received	<u>4</u>	<u>0</u>
Net increase (decrease) in cash and cash equivalents	69,701	(99,017)
Cash and cash equivalents, July 1	<u>72,534</u>	<u>171,551</u>
Cash and cash equivalents, June 30	<u><u>\$ 142,235</u></u>	<u><u>\$ 72,534</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	<u>\$ 0</u>	<u>\$ 0</u>
Adjustments to reconcile net income to net cash provided (used) by operating activities		
Depreciation	15,263	19,424
(Increase) decrease in accounts receivable	(239)	0
(Increase) decrease in intergovernmental receivables	33,818	(39,609)
(Increase) decrease in inventory	(33,510)	4,165
Increase (decrease) in accounts payable	6,425	(84,775)
Increase (decrease) in accrued salaries and benefits	(8,801)	1,778
	<u>12,956</u>	<u>(99,017)</u>
Total adjustments	<u>12,956</u>	<u>(99,017)</u>
Net cash provided (used) by operating activities	<u><u>\$ 12,956</u></u>	<u><u>\$ (99,017)</u></u>

TRUST AND AGENCY FUNDS

These funds are used to account for assets held by the City as a trustee or agent to be expended or invested in accordance with the conditions of a trust or in its agency capacity.

Trust Funds

Community Private-Purpose Trust Fund - *This is a private-purpose trust fund whereby City of Gainesville employees make voluntary donations to provide assistance to local families and individuals in need, as well as contribute funding to both local and national nonprofit agencies.*

Employees' Pension Trust Fund - *This is a pension trust fund used to account for a single employer retirement system administered by the City for the benefit of its eligible employees.*

Agency Fund

Municipal Court Agency Fund – *This fund is used to account, on a temporary basis, for fines collected by the Municipal Court that ultimately are transmitted to the general fund or another agency.*

**CITY OF GAINESVILLE, GEORGIA
COMMUNITY PRIVATE-PURPOSE TRUST FUND
COMPARATIVE STATEMENTS OF TRUST NET ASSETS
June 30, 2012 and 2011**

	2012	2011
ASSETS		
Cash and cash equivalents	\$ 14,794	\$ 18,542
LIABILITIES		
NET ASSETS		
Net assets held in trust for employee assistance	\$ 14,794	\$ 18,542

CITY OF GAINESVILLE, GEORGIA
COMMUNITY PRIVATE-PURPOSE TRUST FUND
COMPARATIVE STATEMENTS OF CHANGES IN TRUST NET ASSETS
For the fiscal years ended June 30, 2012 and 2011

	2012	2011
ADDITIONS		
Employee donations	\$ 47,626	\$ 48,494
Interest revenue	3	1
Total additions	47,629	48,495
DEDUCTIONS		
Distributions for assistance	51,377	46,279
Total deductions	51,377	46,279
Net increase (decrease)	(3,748)	2,216
Net assets held in trust for employee assistance		
Net assets, July 1	18,542	16,326
Net assets, June 30	\$ 14,794	\$ 18,542

CITY OF GAINESVILLE, GEORGIA
EMPLOYEES' PENSION TRUST FUND
COMPARATIVE STATEMENTS OF PLAN NET ASSETS
June 30, 2012 and 2011

	2012	2011
ASSETS		
Cash and cash equivalents	\$ 798,576	\$ 941,903
Investments		
Common stock	8,715	7,527,153
Mutual funds		
Equity	32,018,803	24,746,602
Fixed income	33,863,641	32,023,537
	66,689,735	65,239,195
Total assets		
	66,689,735	65,239,195
LIABILITIES		
Accounts payable	16,755	34,400
	16,755	34,400
NET ASSETS		
Net assets held in trust for pension benefits	\$ 66,672,980	\$ 65,204,795

CITY OF GAINESVILLE, GEORGIA
EMPLOYEES' PENSION TRUST FUND
COMPARATIVE STATEMENTS OF CHANGES IN PLAN NET ASSETS
For the fiscal years ended June 30, 2012 and 2011

	2012	2011
ADDITIONS		
Contributions		
Employer contributions	\$ 2,829,095	\$ 2,637,591
Employee contributions	2,829,095	2,637,591
	5,658,190	5,275,182
Investment Income		
Net appreciation (depreciation) in fair value of investments	88,559	7,662,027
Interest	29	65
Dividends	1,811,217	1,606,866
Investment expense	(120,679)	(160,489)
	1,779,126	9,108,469
	7,437,316	14,383,651
DEDUCTIONS		
Benefits	5,497,109	5,188,938
Refunds	472,022	478,988
	5,969,131	5,667,926
Net increase (decrease)	1,468,185	8,715,725
Net assets held in trust for pension benefits		
Net assets, July 1	65,204,795	56,489,070
Net assets, June 30	\$ 66,672,980	\$ 65,204,795

**CITY OF GAINESVILLE, GEORGIA
MUNICIPAL COURT AGENCY FUND
COMPARATIVE STATEMENTS OF ASSETS AND LIABILITIES
June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and cash equivalents	\$ 96,976	\$ 149,574
Accounts receivable (net)	701,127	684,132
	<u>798,103</u>	<u>833,706</u>
Total assets		
	<u>798,103</u>	<u>833,706</u>
LIABILITIES		
Due to other agencies	<u>\$ 798,103</u>	<u>\$ 833,706</u>

CITY OF GAINESVILLE, GEORGIA
MUNICIPAL COURT AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the fiscal year ended June 30, 2012

	<u>Balance July 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30</u>
ASSETS				
Cash and cash equivalents	\$ 149,574	\$ 1,404,259	\$ (1,456,857)	\$ 96,976
Accounts receivable (net)	684,132	502,279	(485,284)	701,127
Total assets	<u>\$ 833,706</u>	<u>\$ 1,906,538</u>	<u>\$ (1,942,141)</u>	<u>\$ 798,103</u>
LIABILITIES				
Due to others agencies	<u>\$ 833,706</u>	<u>\$ 1,906,538</u>	<u>\$ (1,942,141)</u>	<u>\$ 798,103</u>



COMPONENT UNIT

Parks and Recreation - This component unit is used to account for the government's share of tax revenues legally restricted for operation and maintenance of the government's recreation facilities and parks.

CITY OF GAINESVILLE, GEORGIA
PARKS AND RECREATION (A COMPONENT UNIT)
COMPARATIVE BALANCE SHEETS
June 30, 2012 and 2011

	2012	2011
ASSETS		
Cash and cash equivalents	\$ 2,360,582	\$ 2,384,595
Receivables		
Accounts	5,759	2,966
Intergovernmental	4,197	5,849
Property tax	109,371	101,668
Restricted assets		
Cash and cash equivalents	100,048	20,435
Total assets	\$ 2,579,957	\$ 2,515,513
 LIABILITIES AND FUND BALANCES		
Liabilities		
Payables		
Accounts	\$ 98,893	\$ 101,438
Sales tax	12,749	14,978
Intergovernmental	3,366	15,466
Accrued salaries	43,296	135,500
Deferred revenues	103,514	104,399
Other	19,256	9,870
Total liabilities	281,074	381,651
 Fund balances		
Restricted for:		
Clarks Bridge Legacy	5,255	5,255
Capital projects	0	11,128
Committed for:		
Booster Club	107,525	127,492
Development Fund	100,048	20,435
Civic Center	2,967	2,967
Children at Play Fund	10,000	0
Assigned for:		
Capital projects	6,513	477,516
Budget	137,065	361,009
Culture and Recreation	1,929,510	1,128,060
Total fund balances	2,298,883	2,133,862
Total liabilities and fund balances	\$ 2,579,957	\$ 2,515,513

CITY OF GAINESVILLE, GEORGIA
PARKS AND RECREATION (A COMPONENT UNIT)
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the fiscal year ended June 30, 2012
(With comparative actual amounts for the year ended June 30, 2011)

	2012			2011
	Final Budget	Actual	Variance	Actual
REVENUES				
Property taxes	\$ 2,328,179	\$ 2,498,842	\$ 170,663	\$ 2,693,923
Charges for sales and services				
Recreation Division	257,152	263,392	6,240	200,734
Lanier Point/Ivey Watson	144,433	142,521	(1,912)	139,391
Youth Sports Booster Club	75,106	71,222	(3,884)	90,379
Gainesville Civic Center	304,361	306,441	2,080	286,712
Allen Creek Soccer Complex	18,310	22,428	4,118	19,512
Frances Meadows Community Center	578,396	714,152	135,756	697,346
Intergovernmental	0	0	0	21,724
Interest	5,200	3,378	(1,822)	4,817
Contributions	3,120	113	(3,007)	3,120
Other	750	1,078	328	1,016
Total revenues	3,715,007	4,023,567	308,560	4,158,674
EXPENDITURES				
Current				
Culture and recreation				
Administration Division	655,814	627,815	27,999	651,919
Recreation Division	396,612	377,781	18,831	379,575
Parks Division	927,566	832,096	95,470	844,304
Maintenance Shop	84,922	81,065	3,857	113,214
Lanier Point/Ivey Watson	210,967	209,537	1,430	215,747
Clarks Bridge Park	16,799	2,823	13,976	24,742
Youth Sports Booster Club	68,312	67,413	899	56,756
Gainesville Civic Center	552,259	487,683	64,576	538,507
Allen Creek Soccer Complex	60,702	41,894	18,808	56,888
Frances Meadows Center	1,134,088	1,073,578	60,510	1,081,338
Capital outlay	313,559	62,644	250,915	394,275
Total expenditures	4,421,600	3,864,329	557,271	4,357,265
Excess (deficiency) of revenues over (under) expenditures	(706,593)	159,238	865,831	(198,591)
Other financing sources (uses)				
Sales of capital assets	0	5,783	5,783	0
Contingency	(419,487)	0	419,487	0
Total other financing sources (uses)	(419,487)	5,783	425,270	0
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(1,126,080)	165,021	1,291,101	(198,591)
Fund balances, July 1	1,126,080	2,133,862	1,007,782	2,332,453
Fund balances, June 30	\$ 0	\$ 2,298,883	\$ 2,298,883	\$ 2,133,862

**CITY OF GAINESVILLE, GEORGIA
PARKS AND RECREATION (A COMPONENT UNIT)
OPERATING ACTIVITY
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the fiscal year ended June 30, 2012
(With comparative actual amounts for the year ended June 30, 2011)**

	2012			2011
	Final Budget	Actual	Variance	Actual
REVENUES				
Property taxes	\$ 2,328,179	\$ 2,498,842	\$ 170,663	\$ 2,693,923
Charges for sales and services				
Recreation Division	257,152	263,392	6,240	200,734
Lanier Point/Ivey Watson	144,433	142,521	(1,912)	139,391
Youth Sports Booster Club	75,106	71,222	(3,884)	90,379
Gainesville Civic Center	304,361	306,441	2,080	286,712
Allen Creek Soccer Complex	18,310	22,428	4,118	19,512
Frances Meadows Center	578,396	714,152	135,756	697,346
Intergovernmental	0	0	0	21,724
Interest	5,200	3,378	(1,822)	4,817
Contributions	3,120	113	(3,007)	3,120
Other	750	1,078	328	1,016
Total revenues	3,715,007	4,023,567	308,560	4,158,674
EXPENDITURES				
Current				
Culture and recreation				
Administrative services	655,814	627,815	27,999	651,919
Recreational services	396,612	377,781	18,831	379,575
Park services	927,566	832,096	95,470	844,304
Maintenance shop	84,922	81,065	3,857	113,214
Lanier Point/Ivey Watson	210,967	209,537	1,430	215,747
Clarks Bridge Park	16,799	2,823	13,976	24,742
Booster Club	68,312	67,413	899	56,756
Civic Center	552,259	487,683	64,576	538,507
Allen Creek Soccer Complex	60,702	41,894	18,808	56,888
Frances Meadows Center	1,134,088	1,073,578	60,510	1,081,338
Capital outlay	0	0	0	5,600
Total expenditures	4,108,041	3,801,685	306,356	3,968,590
Excess (deficiency) of revenues over (under) expenditures	(393,034)	221,882	614,916	190,084
Other financing sources (uses)				
Transfers in (out)				
Capital Projects Activity	419,487	419,487	0	0
Sales of capital assets	0	5,783	5,783	0
Contingency	(419,487)	0	419,487	0
Total other financing sources (uses)	0	425,270	425,270	0
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(393,034)	<u>\$ 647,152</u>	<u>\$ 1,040,186</u>	<u>\$ 190,084</u>
Fund balances, July 1	393,034			
Fund balances, June 30	<u>\$ 0</u>			

CITY OF GAINESVILLE, GEORGIA
PARKS AND RECREATION (A COMPONENT UNIT)
CAPITAL PROJECTS ACTIVITY
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the fiscal year ended June 30, 2012
(With comparative actual amounts for the year ended June 30, 2011)

	<u>2012</u>			<u>2011</u>
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
REVENUES				
Total revenues	\$ 0	\$ 0	\$ 0	\$ 0
EXPENDITURES				
Current				
Culture and recreation				
Capital outlay	<u>313,559</u>	<u>62,644</u>	<u>250,915</u>	<u>388,675</u>
Excess (deficiency) of revenues over (under) expenditures	(313,559)	(62,644)	250,915	(388,675)
Other financing sources (uses)				
Transfers in (out)				
Operating Activity	<u>(419,487)</u>	<u>(419,487)</u>	<u>0</u>	<u>0</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(733,046)	<u>\$ (482,131)</u>	<u>\$ 250,915</u>	<u>\$ (388,675)</u>
Fund balances, July 1	<u>733,046</u>			
Fund balances, June 30	<u>\$ 0</u>			



STATISTICAL SECTION



CITY OF GAINESVILLE, GEORGIA
Introduction to the Statistical Section

(Unaudited)

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

<u>Contents</u>	<u>Pages</u>
Financial Trends.....	170-183
These tables/schedules contain trend information designed to assist the reader in understanding how the City has performed from a financial perspective over time.	
Revenue Capacity.....	184-191
These tables/schedules contain information that may assist the reader in assessing the viability of the City's most significant revenue sources.	
Debt Capacity.....	192-198
These tables/schedules present information designed to assist the reader in analyzing the affordability of the City's current levels of outstanding debt, and the City's ability to issue additional debt in the future.	
Demographic and Economic Information.....	199-200
These tables/schedules offer demographic, economic and statistical information intended to assist the reader in understanding the environment in which the City's financial activities take place.	
Operating Information.....	201-205
These tables/schedules contain service and infrastructure data to assist the reader in understanding how the information in the City's financial report relates to the services the government provides and the activities it performs.	
Miscellaneous Information.....	206-213
These tables/schedules present various data relevant to the overall City and are intended to supply the reader with additional information regarding the City's facilities and services, as well as provide data that is required by bond covenants.	

Source: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial report for the relevant year.

CITY OF GAINESVILLE, GEORGIA
NET ASSETS BY COMPONENT
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year			
	2003	2004	2005	2006
Governmental activities				
Invested in capital assets, net of related debt	\$ 24,056,985	\$ 25,820,226	\$ 29,652,331	\$ 39,003,296
Restricted	10,417,331	8,879,997	9,248,123	5,444,490
Unrestricted	1,236,166	4,856,898	6,131,960	9,110,539
Total governmental activities net assets	<u>\$ 35,710,482</u>	<u>\$ 39,557,121</u>	<u>\$ 45,032,414</u>	<u>\$ 53,558,325</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 126,998,317	\$ 145,832,850	\$ 156,582,000	\$ 170,623,543
Restricted	33,489,493	40,535,656	40,454,376	55,579,857
Unrestricted	18,905,088	11,262,536	19,550,986	9,586,367
Total business-type activities net assets	<u>\$ 179,392,898</u>	<u>\$ 197,631,042</u>	<u>\$ 216,587,362</u>	<u>\$ 235,789,767</u>
Primary government				
Invested in capital assets, net of related debt	\$ 151,055,302	\$ 171,653,076	\$ 186,234,331	\$ 209,626,839
Restricted	43,906,824	49,415,653	49,702,499	61,024,347
Unrestricted	20,141,254	16,119,434	25,682,946	18,696,906
Total primary government net assets	<u>\$ 215,103,380</u>	<u>\$ 237,188,163</u>	<u>\$ 261,619,776</u>	<u>\$ 289,348,092</u>

Note: Comparative information prior to fiscal year 2003 is not available.

Note (1): FY07 numbers include retroactive recording of infrastructure and land assets totaling \$21.1 million.

Note (2): Prior to FY 2011, certain elements of fund balance reported in special revenue, debt service, and capital projects funds were reported as restricted net assets. Those elements of fund balance are now reported as unrestricted net assets.

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 56,451,206 ⁽¹⁾	\$ 63,283,044	\$ 67,749,010	\$ 60,193,753	\$ 63,722,901	\$ 70,549,134
13,871,748	15,285,263	13,579,449	19,518,264	4,913,949 ⁽²⁾	11,586,492
9,863,975	8,020,964	2,727,185	2,534,296	19,692,245 ⁽²⁾	11,878,957
<u>\$ 80,186,929</u>	<u>\$ 86,589,271</u>	<u>\$ 84,055,644</u>	<u>\$ 82,246,313</u>	<u>\$ 88,329,095</u>	<u>\$ 94,014,583</u>
\$ 205,362,082 ⁽¹⁾	\$ 226,811,308	\$ 234,871,719	\$ 248,507,489	\$ 259,477,278	\$ 271,791,712
42,895,444	45,853,659	30,780,543	44,475,796	43,710,594	40,623,794
23,301,410	21,726,107	35,144,675	14,276,555	16,169,226	20,918,748
<u>\$ 271,558,936</u>	<u>\$ 294,391,074</u>	<u>\$ 300,796,937</u>	<u>\$ 307,259,840</u>	<u>\$ 319,357,098</u>	<u>\$ 333,334,254</u>
\$ 261,813,288 ⁽¹⁾	\$ 290,094,352	\$ 302,620,729	\$ 308,701,242	\$ 323,200,179	\$ 342,340,846
56,767,192	61,138,922	44,359,992	63,994,060	48,624,543	52,210,286
33,165,385	29,747,071	37,871,860	16,810,851	35,861,471	32,797,705
<u>\$ 351,745,865</u>	<u>\$ 380,980,345</u>	<u>\$ 384,852,581</u>	<u>\$ 389,506,153</u>	<u>\$ 407,686,193</u>	<u>\$ 427,348,837</u>

CITY OF GAINESVILLE, GEORGIA
CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

Expenses	Fiscal Year			
	2003	2004	2005	2006
Governmental activities:				
General Government	\$ 3,704,168	\$ 2,821,947 ⁽¹⁾	\$ 2,910,735	\$ 2,764,590
Judicial	0	321,653 ⁽¹⁾	333,831	326,126
Public Safety	11,145,080	11,702,353	12,846,149	13,564,249
Public Works	3,060,393	3,930,576 ⁽¹⁾	4,469,451	4,922,994
Health and Welfare	2,558,439	2,444,938	2,646,910	3,304,258
Culture and Recreation	1,259,972	2,530,848 ⁽²⁾	1,949,216	1,368,668
Housing and Development	360,648	914,821 ⁽¹⁾	1,174,362	1,374,039
Education	103,635	123,730	0 ⁽³⁾	0
Non-departmental	44,729	5,059	0	0
Interest on long-term debt	61,052	56,845	60,374	60,179
Total governmental activities expenses	22,298,116	24,852,770	26,391,028	27,685,103
Business-type activities:				
Water and Sewer	30,191,633	33,316,518	34,881,486	36,123,069
Airport	173,826	186,976	511,429	707,009 ⁽⁷⁾
Solid Waste	1,564,623	1,669,048	1,770,159	1,890,733
Golf Course	1,120,029	1,136,346	1,129,727	734,964 ⁽⁴⁾
Total business-type activities expenses	33,050,111	36,308,888	38,292,801	39,455,775
Total primary government expenses	\$ 55,348,227	\$ 61,161,658	\$ 64,683,829	\$ 67,140,878
Indirect Costs				
Governmental activities:				
General Government	(1,192,270)	(1,042,422)	(1,220,511)	(1,171,420)
Business-type activities:				
Water and Sewer	1,192,270	1,042,422	1,220,511	1,171,420
Airport	0	0	0	0
Solid Waste	0	0	0	0
Total Business-type activities indirect cost	1,192,270	1,042,422	1,220,511	1,171,420
Total primary government indirect cost	\$ 0	\$ 0	\$ 0	\$ 0
Program Revenues				
Governmental activities:				
Charges for services:				
General Government	1,639,592	1,695,057	602,774 ⁽⁵⁾	600,678
Public Safety	1,604,764	2,310,103	2,243,110	2,156,808
Public Works	321,294	37,779 ⁽⁶⁾	84,187	52,356
Health and Welfare	280,808	339,416	359,076	434,877
Housing and Development	0	0	0	0
Culture and Recreation	588,362	498,960	551,802	500,124
Operating grants and contributions	1,916,517	2,134,842	2,157,134	2,862,508
Capital grants and contributions	1,654,644	3,479,548	3,455,500	6,266,268
Total governmental activities program revenues	8,005,981	10,495,705	9,453,583	12,873,619
Business-Type activities:				
Charges for services:				
Water and Sewer	31,636,070	35,219,292	37,284,505	41,548,172
Airport	275,238	338,185	431,109	862,230 ⁽⁷⁾
Solid Waste	1,105,672	1,304,986	1,439,122	1,544,902
Golf Course	924,284	1,034,844	928,440	462,507 ⁽⁴⁾
Operating grants and contributions	0	0	71,612	190,315
Capital grants and contributions	11,137,935	18,596,515	18,736,376	13,095,530
Total business-type activities program revenues	45,079,199	56,493,822	58,891,164	57,703,656
Total primary government program revenues	\$ 53,085,180	\$ 66,989,527	\$ 68,344,747	\$ 70,577,275

Note: Comparative information prior to fiscal year 2003 is not available.

Note (1): Prior to 2004, Judicial and Planning were reported in General Government, and Cemetery was reported in Health and Welfare. Beginning 2004, Judicial is recategorized separately, Planning is included in Housing and Development and Cemetery is included in Public Works.

Note (2): Includes \$1.1 million transferred from Governmental Funds to Parks and Recreation.

Note (3): Prior to 2005, Education expenditures were categorized separately; these expenditures are now included in General Government. Amounts reported for prior years have been restated to reflect this change.

Note (4): Beginning January 2006, the Golf Course was closed for renovation, and remained closed through January 2007.

Note (5): In 2005 Occupational taxes were recategorized from charges for services to tax revenue.

Note (6): Prior to 2004, Planning permits were reported in Public Works; they are now included in Public Safety.

Note (7): Increase expense due to additional bond interest and depreciation; revenue increase due to additional revenue from newly constructed airport hangers.

Note (8): City implemented Impact fee during fiscal year 2007.

Note (9): Municipal court fees decrease due in part to law changes involving illegal immigrant deportatio

Note (10): Public Utility contributions revenue was much lower due to diminished building activity.

Note (11): Significant increase due to SPLOST revenues received for the Public Safety Facilities.

Fiscal Year						
2007	2008	2009	2010	2011	2012	
\$ 3,072,278	\$ 3,152,030	\$ 3,682,213	\$ 3,578,661	\$ 4,064,412	\$ 4,031,095	
360,345	371,743	432,380	434,137	404,862	460,066	
14,450,489	15,103,008	17,760,718	16,930,483	16,160,112	17,932,227	
5,188,523	6,491,116	6,649,367	7,023,969	6,641,424	7,646,177	
2,914,363	3,554,427	3,784,135	3,724,473	3,360,632	3,391,482	
1,553,091	2,521,243	2,214,061	1,883,742	1,211,214	1,185,988	
1,887,154	2,224,676	1,524,790	2,108,631	1,363,356	1,196,185	
0	0	0	0	0	0	
0	0	0	0	0	0	
158,451	528,726	671,224	1,837,734	1,668,489	1,396,524	
<u>29,584,694</u>	<u>33,946,969</u>	<u>36,718,888</u>	<u>37,521,830</u>	<u>34,874,501</u>	<u>37,239,744</u>	
38,462,407	39,826,297	45,745,119	44,812,789	43,974,519	46,692,190	
981,357	1,005,505	929,020	912,187	967,856	1,207,743	
1,912,477	2,010,885	2,274,543	2,142,384	1,901,016	1,944,248	
926,065 ⁽⁴⁾	1,559,985 ⁽⁴⁾	1,519,259	1,346,564	1,396,446	1,241,853	
<u>42,282,306</u>	<u>44,402,672</u>	<u>50,467,941</u>	<u>49,213,924</u>	<u>48,239,837</u>	<u>51,086,034</u>	
<u>\$ 71,867,000</u>	<u>\$ 78,349,641</u>	<u>\$ 87,186,829</u>	<u>\$ 86,735,754</u>	<u>\$ 83,114,338</u>	<u>\$ 88,325,778</u>	
(1,145,200)	(1,192,270)	(1,261,885)	(1,215,314)	(1,343,539)	(1,304,961)	
1,145,200	1,192,270	1,261,885	1,115,314	1,106,596	1,022,416	
0	0	0	100,000	200,000	200,000	
0	0	0	0	36,943	82,545	
<u>1,145,200</u>	<u>1,192,270</u>	<u>1,261,885</u>	<u>1,215,314</u>	<u>1,343,539</u>	<u>1,304,961</u>	
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	
653,781	606,106	630,377	623,419	681,743	708,578	
2,474,898	2,101,796	1,374,428 ⁽⁹⁾	1,320,003	1,590,400	1,369,278	
58,870	44,720	38,090	38,110	36,030	36,795	
465,968	434,828	442,328	416,661	438,537	410,052	
770,227 ⁽⁶⁾	395,079	180,394	48,135	154,849	158,773	
613,332	528,498	519,989	435,955	506,750	377,754	
3,168,729	3,929,031	3,287,187	3,776,757	3,739,620	3,862,903	
2,340,185	3,772,803	3,449,017	8,177,269 ⁽¹¹⁾	7,718,212 ⁽¹¹⁾	9,565,586 ⁽¹¹⁾	
<u>10,545,990</u>	<u>11,812,861</u>	<u>9,921,810</u>	<u>14,836,309</u>	<u>14,866,141</u>	<u>16,489,719</u>	
47,400,388	45,377,623	45,616,460	50,039,158	55,401,138	57,492,303	
894,132	866,972	851,644	865,739	818,874	832,971	
1,564,861	1,565,923	1,703,937	1,769,329	2,057,883	2,299,960	
578,762 ⁽⁴⁾	1,108,078 ⁽⁴⁾	1,057,516	907,160	1,012,377	1,031,717	
171,924	130,880	110,652	69,070	0	0	
23,850,849	18,587,741	8,309,881 ⁽¹⁰⁾	3,794,048 ⁽¹⁰⁾	4,009,685	5,257,388	
<u>74,460,916</u>	<u>67,637,217</u>	<u>57,650,090</u>	<u>57,444,504</u>	<u>63,299,957</u>	<u>66,914,339</u>	
<u>\$ 85,006,906</u>	<u>\$ 79,450,078</u>	<u>\$ 67,571,900</u>	<u>\$ 72,280,813</u>	<u>\$ 78,166,098</u>	<u>\$ 83,404,058</u>	

CITY OF GAINESVILLE, GEORGIA
CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year			
	2003	2004	2005	2006
Net (expense)/revenue				
Governmental activities	\$ (13,099,865)	\$ (13,314,643)	\$ (15,716,934)	\$ (13,640,064)
Business-type activities	10,836,818	19,142,512	19,377,582	17,076,461
Total primary government net (expense)/revenue	<u>(2,263,047)</u>	<u>5,827,869</u>	<u>3,660,648</u>	<u>3,436,397</u>
General revenues and other changes in net assets				
Governmental activities:				
Taxes				
Property	4,961,152	5,083,793	5,258,299	5,456,200
Intangibles	307,211	299,365	348,523	317,048
Franchise	2,974,523	2,905,490	2,929,050	3,359,902
Occupational	0	0	1,256,001 ⁽¹⁾	1,260,686
Insurance premium	1,019,432	1,098,706	1,190,698	1,281,035
Alcoholic beverages	997,518	1,027,444	1,030,287	1,043,230
Hotel/Motel	424,779	425,504	443,492	461,602
Local option sales	4,325,783	4,682,435	4,928,637	5,634,966
Grants and contributions	2,699	3,646	0	0
Investment earnings	158,420	128,628	274,289	644,185
Payments from component unit	0	30,000	213,000	64,470
Gain on sale of assets	0	229,036	548,335	93,824
Miscellaneous	205,237	207,923	194,738	267,811
Transfers	623,703	1,775,008	2,842,126	2,286,216
Total governmental activities	<u>16,000,457</u>	<u>17,896,978</u>	<u>21,457,475</u>	<u>22,171,175</u>
Business-type activities				
Investment earnings	823,168	457,588	1,293,209	2,813,927
Payments from component unit	0	0	32,500	0
Gain on sale of assets	0	6,351	3,031	837
Miscellaneous	640,893	929,030	1,091,854	1,446,054
Transfers	(623,703)	(1,775,008)	(2,842,126)	(2,286,216)
Total business-type activities	<u>840,358</u>	<u>(382,039)</u>	<u>(421,532)</u>	<u>1,974,602</u>
Total primary government	<u>16,840,815</u>	<u>17,514,939</u>	<u>21,035,943</u>	<u>24,145,777</u>
Change in net assets				
Governmental activities	2,900,592	4,582,335	5,740,541	8,531,111
Business-type activities	11,677,176	18,760,473	18,956,050	19,051,063
Total primary government	<u>14,577,768</u>	<u>23,342,808</u>	<u>24,696,591</u>	<u>27,582,174</u>
Net assets - beginning				
Governmental activities	32,809,890	35,710,482	39,557,121	45,032,414
Business-type activities	167,715,722	179,392,898	197,631,042	216,587,362
Total primary government	<u>200,525,612</u>	<u>215,103,380</u>	<u>237,188,163</u>	<u>261,619,776</u>
Prior period adjustment				
Governmental activities	0	(735,696)	(265,248)	(5,200)
Business-type activities	0	(522,329)	0	151,342
Total primary government	<u>0</u>	<u>(1,258,025)</u>	<u>(265,248)</u>	<u>146,142</u>
Net assets - ending				
Governmental activities	35,710,482	39,557,121	45,032,414	53,558,325
Business-type activities	179,392,898	197,631,042	216,587,092	235,789,767
Total primary government	<u>\$ 215,103,380</u>	<u>\$ 237,188,163</u>	<u>\$ 261,619,506</u>	<u>\$ 289,348,092</u>

Note: Comparative information prior to fiscal year 2003 is not available.

Note (1): Prior to 2005 occupational taxes were considered licenses and were recorded as charges for services.

Note (2): Developer contributions were \$8.7 million over 2006 revenue.

Note (3): Majority of gain is due to 52+ acres of Industrial Park land sold in fiscal year 2007.

Note (4): Recorded retroactive infrastructure and land capital assets.

Note (5): Bank interest paid on deposits was significantly lower in FY09 thru FY12 than in previous years.

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ (17,893,504)	\$ (20,941,838)	\$ (25,535,193)	\$ (21,470,207)	\$ (18,664,821)	\$ (19,445,064)
31,033,410 ⁽²⁾	22,042,275	5,920,264	7,015,266	13,716,581	15,828,305
<u>13,139,906</u>	<u>1,100,437</u>	<u>(19,614,929)</u>	<u>(14,454,941)</u>	<u>(4,948,240)</u>	<u>(3,616,759)</u>
6,571,545	7,101,695	7,421,155	7,253,570	7,886,437	7,338,537
307,098	237,483	180,064	97,161	59,343	81,841
3,474,822	4,599,218	4,451,348	3,866,595	4,072,511	4,240,193
1,342,953	1,354,234	1,288,785	1,114,317	1,111,954	1,139,926
1,340,284	1,398,065	1,431,555	1,418,124	1,376,910	1,585,550
1,112,799	1,056,980	1,000,788	942,016	999,642	994,573
487,172	479,684	473,047	444,852	517,456	563,902
5,866,449	5,829,689	4,799,932	4,943,847	5,030,213	5,259,684
0	0	0	0	0	0
1,033,946	1,033,414	209,981 ⁽⁵⁾	498,737 ⁽⁵⁾	450,031 ⁽⁵⁾	426,185 ⁽⁵⁾
0	0	0	0	0	0
1,282,635 ⁽³⁾	900,112	17,246	40,591	0	0
377,785	297,695	325,996	363,279	236,416	245,524
1,585,275	3,055,911	1,495,051	2,190,747	3,006,690	3,254,637
<u>24,782,763</u>	<u>27,344,180</u>	<u>23,094,948</u>	<u>23,173,836</u>	<u>24,747,603</u>	<u>25,130,552</u>
3,483,808	2,664,847	1,013,233 ⁽⁵⁾	401,971	355,561	314,147
0	0	0	0	0	0
84,099	29,804	1,315	19,569	20,718	33,411
1,340,749	1,151,124	1,020,458	1,023,096	1,011,088	1,055,930
(1,585,275)	(3,055,911)	(1,495,051)	(2,190,747)	(3,006,690)	(3,254,637)
3,323,381	789,864	539,955	(746,111)	(1,619,323)	(1,851,149)
<u>28,106,144</u>	<u>28,134,044</u>	<u>23,634,903</u>	<u>22,427,725</u>	<u>23,128,280</u>	<u>23,279,403</u>
6,889,259	6,402,342	(2,440,245)	1,703,629	6,082,782	5,685,488
34,356,791 ⁽²⁾	22,832,138	6,460,219	6,269,155	12,097,258	13,977,156
<u>41,246,050</u>	<u>29,234,480</u>	<u>4,019,974</u>	<u>7,972,784</u>	<u>18,180,040</u>	<u>19,662,644</u>
53,558,325	80,186,929	86,589,271	84,055,644	82,246,313	88,329,095
235,789,767	271,558,936	294,391,074	300,796,937	307,259,840	319,357,098
<u>289,348,092</u>	<u>351,745,865</u>	<u>380,980,345</u>	<u>384,852,581</u>	<u>389,506,153</u>	<u>407,686,193</u>
19,739,345 ⁽⁴⁾	0	(93,382)	(3,513,030)	0	0
1,412,378 ⁽⁴⁾	0	(54,356)	193,748	0	0
<u>21,151,723</u>	<u>0</u>	<u>(147,738)</u>	<u>(3,319,282)</u>	<u>0</u>	<u>0</u>
80,186,929	86,589,271	84,055,644	82,246,243	88,329,095	94,014,583
271,558,936	294,391,074	300,796,937	307,259,840	319,357,098	333,334,254
<u>\$ 351,745,865</u>	<u>\$ 380,980,345</u>	<u>\$ 384,852,581</u>	<u>\$ 389,506,083</u>	<u>\$ 407,686,193</u>	<u>\$ 427,348,837</u>

CITY OF GAINESVILLE, GEORGIA
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

Fiscal Year	Property Tax	Intangible Tax	Franchise Tax	Occupational Tax
2003	\$ 4,961,152	\$ 307,211	\$ 2,974,523	\$ 0
2004	5,083,793	299,365	2,905,490	0
2005	5,258,299	348,523	2,929,050	1,256,001 ⁽¹⁾
2006	5,456,200	317,048	3,359,902	1,260,686
2007	6,571,545 ⁽²⁾	307,098	3,474,822	1,342,953
2008	7,101,695	237,483	4,599,218 ⁽³⁾	1,354,234
2009	7,421,155	180,064 ⁽⁵⁾	4,451,348	1,288,785
2010	7,253,570	97,161 ⁽⁵⁾	3,866,595	1,114,317
2011	7,886,437 ⁽⁶⁾	59,343 ⁽⁵⁾	4,072,511	1,111,954
2012	7,338,537	81,841	4,240,193	1,139,926

Note: Comparative information prior to fiscal year 2003 is not available.

Note (1): Prior to 2005 Occupational taxes were considered licenses and were recorded as charges for services.

Note (2): Debt Millage rate was increased for debt service payments related to the construction of Frances Meadows Recreation Center and the Georgia Mountains Center parking deck.

Note (3): Franchise tax audit of previous year's receipts resulted in additional collections in fiscal year 2008.

Note (4): Local option tax collections were down significantly due to economic downturn.

Note (5): Intangible tax that is levied on certain types of property, such as money, stocks, and bonds has decreased significantly due to the economic downturn.

Note (6): General Fund millage rate was increased to provide funding for increased Public Safety fire protection.

Insurance Premium Tax	Alcoholic Beverages Tax	Hotel/Motel Tax	Local Option Sales Tax	Total
\$ 1,019,432	\$ 997,518	\$ 424,779	\$ 4,325,783	\$ 15,010,398
1,098,706	1,027,444	425,504	4,682,435	15,522,737
1,190,698	1,030,287	443,492	4,928,637	17,384,987
1,281,035	1,043,230	461,602	5,634,966	18,814,669
1,340,284	1,112,799	487,172	5,866,449	20,503,122
1,398,065	1,056,980	479,684	5,829,689	22,057,048
1,431,555	1,000,788	473,047	4,799,932 ⁽⁴⁾	21,046,674
1,418,124	942,016	444,852	4,943,847	20,080,482
1,376,910	999,642	517,456	5,030,213	21,054,466
1,585,550	994,573	563,902	5,259,684	21,204,206

CITY OF GAINESVILLE, GEORGIA
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year			
	2003	2004	2005	2006
General fund				
Reserved	\$ 8,340	\$ 2,461	\$ 24,929	\$ 42,976
Unreserved	3,652,935	4,323,814	5,107,150	5,904,994
Nonspendable (4)				
Committed				
Assigned (4)				
Unassigned (4)				
Total general fund	<u>\$ 3,661,275</u>	<u>\$ 4,326,275</u>	<u>\$ 5,132,079</u>	<u>\$ 5,947,970</u>
All other governmental funds				
Reserved	\$ 2,062,094	\$ 4,368,660	\$ 387,116	\$ 2,333,758
Unreserved, reported in:				
Special revenue funds	1,932,568		3,368,908	3,565,978
Capital project funds	3,356,384	4,540,937	4,648,892	833,467
Debt service funds			679,772	542,766
Restricted (4)				
Committed (4)				
Assigned (4)				
Total all other governmental funds	<u>\$ 7,351,046</u>	<u>\$ 8,909,597</u>	<u>\$ 9,084,688</u>	<u>\$ 7,275,969</u>

Note: Comparative information prior to fiscal year 2003 is not available.

Note (1): Increase due to land sales totaling \$1.9 million, along with \$1.0 million payment of 2006 advance to other fund.

Note (2): Reserve increased by \$4.0 million in 2008 anticipating an economic development land purchase.

Note (3): Includes \$23.3 million SPLOST reserve; reserve predominantly for Public Safety Building and Georgia Mountain Center Parking Deck.

Note (4): The City adopted GASB 54 for reporting of fund balance classifications in 2011.

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 49,289	\$ 70,002	\$ 102,572	\$ 27,622		
6,697,460	4,066,767	3,595,792	4,164,074		
				\$ 406,166	\$ 384,796
				\$ 0	\$ 10,054
				2,996,014	3,040,356
				5,134,064	5,874,076
<u>\$ 6,746,749</u>	<u>\$ 4,136,769</u>	<u>\$ 3,698,364</u>	<u>\$ 4,191,696</u>	<u>\$ 8,536,244</u>	<u>\$ 9,309,282</u>
\$ 12,757,904	\$ 4,535,228	\$ 24,515,444 ⁽³⁾	\$ 10,815,234		
6,983,598 ⁽¹⁾	10,081,308 ⁽²⁾	9,982,391 ⁽²⁾	10,546,826		
4,569,334	4,184,614	2,296,318	9,403,152		
1,753,653	1,602,964	2,266,195	1,293,247		
				\$ 10,854,556	\$ 11,214,865
				91,939	115,428
				11,457,922	11,225,020
<u>\$ 26,064,489</u>	<u>\$ 20,404,114</u>	<u>\$ 39,060,348</u>	<u>\$ 32,058,459</u>	<u>\$ 22,404,417</u>	<u>\$ 22,555,313</u>

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

	Fiscal Year			
	2003	2004	2005	2006
Revenues				
Taxes	\$ 14,964,682	\$ 15,629,337	\$ 17,354,577 ⁽¹⁾	\$ 18,800,818
Licenses and permits	1,774,282	1,951,898	826,075	824,465
Fines, fees and forfeitures	1,544,764	1,898,005	1,863,379	1,767,286
Charges for services	2,067,150	2,073,834	2,372,006	2,324,512
Intergovernmental	4,606,374	6,143,323	6,515,951	9,751,128 ⁽²⁾
Interest	146,686	120,384	256,058	592,351
Property Sales	2,206	685,818	817,958	0
Contributions	1,110,631	500,989	306,728	402,948
Other	158,975	202,522	196,360	250,984
Total revenues	<u>26,375,750</u>	<u>29,206,110</u>	<u>30,509,092</u>	<u>34,714,492</u>
Expenditures				
General Government	3,329,586	2,682,906	2,780,457	2,858,175
Judicial	0	317,295	333,995	324,267
Public Safety	10,595,501	10,986,396	11,689,304	12,304,620
Public Works	2,728,735	3,465,572	3,785,981	3,990,492
Health and Welfare	2,549,587	2,422,265	2,693,714	3,348,749
Culture and Recreation	956,923	939,640	952,239	925,879
Housing and Development	420,329	893,537	1,305,500	1,550,568
Education	101,723	122,736	0	0
Non-departmental	44,729	5,059	0	0
Debt Service				
Principal	1,107,334	1,161,452	1,266,622	1,330,139
Interest	429,782	392,165	358,840	324,247
Capital Outlay	5,519,091	6,017,251	7,445,272	12,512,996 ⁽³⁾
Total expenditures	<u>27,783,320</u>	<u>29,406,274</u>	<u>32,611,924</u>	<u>39,470,132</u>
Excess of revenues over (under) expenditures	<u>(1,407,570)</u>	<u>(200,164)</u>	<u>(2,102,832)</u>	<u>(4,755,640)</u>
Other financing sources (uses)				
Transfers in	4,727,456	6,630,018	7,611,665	8,441,779
Transfers out	(3,710,173)	(4,850,582)	(4,962,853)	(6,184,479)
Issuance of notes payable	0	0	0	0
Refunding of notes payable	0	0	0	0
Issuance of capital leases	575,242	596,620	402,148	1,334,089 ⁽⁴⁾
Sale of capital assets	62,444	27,884	54,380	176,623
Total other financing sources (uses)	<u>1,654,969</u>	<u>2,403,940</u>	<u>3,105,340</u>	<u>3,768,012</u>
Net change in fund balances	247,399	2,203,776	1,002,508	(987,628)
Fund balance, July 1 (original)	10,764,922	11,012,321	13,235,872	14,216,767
Prior period adjustments	0	19,775	(21,613)	(5,200)
Fund balance, June 30	<u>\$ 11,012,321</u>	<u>\$ 13,235,872</u>	<u>\$ 14,216,767</u>	<u>\$ 13,223,939</u>
Debt service as a percentage of noncapital expenditures	7.1%	6.3%	6.2%	6.2%

Note: Comparative information prior to fiscal year 2003 is not available.

Note (1): In 2005 Occupational taxes were recategorized from licenses and permits to tax revenue.

Note (2): Includes \$3 million in SPLOST money received for construction of Frances Meadows Community Center.

Note (3): Capital outlay includes \$5 million land purchase for Frances Meadows Community Center.

Note (4): A \$979,300 capital lease was assumed in 2006 to finance the renovation of the Georgia Mountains Center.

Note (5): A \$11,885,000 capital lease was assumed in 2007 to finance the Frances Meadows Recreation Center.

Note (6): Includes \$37 million sale to Gainesville City Schools for middle school property, along with \$1.9 million sale of Industrial Park Property.

Note (7): Increase due to Public Safety Facilities and GMC Parking Deck

Fiscal Year						
2007	2008	2009	2010	2011	2012	
\$ 20,557,731	\$ 21,931,347	\$ 21,030,163	\$ 20,073,154	\$ 21,039,421	\$ 21,205,179	
1,045,039	726,127	563,085	526,787	540,906	533,141	
1,888,411	1,782,062	1,200,508	1,179,773	1,390,242	1,142,066	
3,127,789	2,621,736	2,590,476	2,405,885	2,935,491	2,740,521	
6,233,048	8,157,297	6,340,062	12,994,964	12,190,933	12,456,574	
952,438	983,198	186,918	110,152	56,785	35,839	
0	0	0	0	0	0	
262,754	150,346	95,806	140,042	152,829	574,090	
355,432	297,697	325,993	363,276	235,905	245,210	
<u>34,422,642</u>	<u>36,649,810</u>	<u>32,333,011</u>	<u>37,794,033</u>	<u>38,542,512</u>	<u>38,932,620</u>	
3,036,416	3,183,110	3,260,291	2,985,636	3,289,626	3,317,143	
360,906	370,393	369,537	385,823	367,454	417,255	
13,260,428	14,206,369	14,097,303	14,010,732	14,555,914	15,880,473	
4,081,934	4,638,378	4,586,349	4,358,836	4,334,170	4,415,291	
2,922,009	3,479,259	3,381,182	4,095,212	3,073,671	3,053,511	
1,200,173	1,372,628	1,169,614	1,204,508	764,611	1,052,118	
2,249,375	4,624,623	1,951,894	1,649,911	1,750,971	1,726,625	
0	0	0	0	0	0	
0	0	0	0	0	0	
1,402,087	2,442,202	1,659,125	3,119,832	8,034,940 ⁽⁷⁾	7,112,064 ⁽⁷⁾	
326,320	718,082	644,194	1,962,450	1,772,225	1,478,240	
5,042,938	15,104,298	18,184,470	13,690,589	8,874,469	3,491,050	
<u>33,882,586</u>	<u>50,139,342</u>	<u>49,303,959</u>	<u>47,463,529</u>	<u>46,818,051</u>	<u>41,943,770</u>	
540,056	(13,489,532)	(16,970,948)	(9,669,496)	(8,275,539)	(3,011,150)	
10,434,930	11,509,650	5,072,824	6,738,573	17,371,193	14,414,525	
(8,916,559)	(9,131,665)	(3,506,803)	(4,240,053)	(14,788,283)	(11,222,388)	
0	0	7,437,971	0	0	0	
0	0	(7,437,971)	0	0	0	
11,898,663 ⁽⁵⁾	795,481	33,697,531	0	346,228	721,833	
5,673,013 ⁽⁶⁾	2,045,711	18,607	50,888	36,907	10,891	
<u>19,090,047</u>	<u>5,219,177</u>	<u>35,282,159</u>	<u>2,549,408</u>	<u>2,966,045</u>	<u>3,924,861</u>	
19,630,103	(8,270,355)	18,311,211	(7,120,088)	(5,309,494)	913,711	
13,223,939	32,811,238	24,540,883	42,758,712	36,250,155	30,940,661	
(42,804)	0	(93,382)	611,531	0	0	
<u>\$ 32,811,238</u>	<u>\$ 24,540,883</u>	<u>\$ 42,758,712</u>	<u>\$ 36,250,155</u>	<u>\$ 30,940,661</u>	<u>\$ 31,854,372</u>	
6.0%	9.3%	7.3%	15.4% ⁽⁷⁾	25.6% ⁽⁷⁾	22.7% ⁽⁷⁾	

CITY OF GAINESVILLE, GEORGIA
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

Fiscal Year	Property Tax	Intangibles Tax	Franchise Tax	Insurance Premium Tax
2003	\$ 4,915,436	\$ 307,211	\$ 2,974,523	\$ 1,019,432
2004	5,190,393	299,365	2,905,490	1,098,706
2005	5,227,889	348,523	2,929,050	1,190,698
2006	5,442,349	317,048	3,359,902	1,281,035
2007	6,626,154 ⁽²⁾	307,098	3,474,822	1,340,284
2008	6,975,994	237,483	4,599,218 ⁽³⁾	1,398,065
2009	7,404,644	180,064 ⁽⁵⁾	4,451,348	1,431,555
2010	7,246,242	97,161 ⁽⁵⁾	3,866,595	1,418,124
2011	7,836,123 ⁽⁶⁾	59,343 ⁽⁵⁾	4,072,511	1,376,910
2012	7,315,238	81,841	4,240,193	1,585,550

Note: Comparative information prior to fiscal year 2003 is not available.

Note (1): Prior to 2005 Occupational taxes were considered licenses and were recorded as charges for services.

Note (2): Debt millage rate was increased for debt service payments related to the construction of Frances Meadows Recreation Center and the Georgia Mountains Center parking deck.

Note (3): Franchise tax audit of previous year's receipts resulted in additional collections in fiscal year 2008.

Note (4): Significant decrease due to economic decline experienced in FY09.

Note (5): Intangible tax that is levied on certain types of property, such as money, stocks, and bonds has decreased significantly due to the economic downturn.

Note (6): General Fund millage rate was increased to provide funding for increased Public Safety fire protection.

<u>Occupational Tax</u>	<u>Alcoholic Beverages Tax</u>	<u>Hotel/Motel Tax</u>	<u>Local Option Sales Tax</u>	<u>Total</u>
\$ 0	\$ 997,518	\$ 424,779	\$ 4,325,783	\$ 14,964,682
0	1,027,444	425,504	4,682,435	15,629,337
1,256,001 ⁽¹⁾	1,030,287	443,492	4,928,637	17,354,577
1,260,686	1,043,230	461,602	5,634,966	18,800,818
1,342,953	1,112,799	487,172	5,866,449	20,557,731
1,354,234	1,056,980	479,684	5,829,689	21,931,347
1,288,785	1,000,788	473,047	4,799,932 ⁽⁴⁾	21,030,163
1,114,317	942,016	444,852	4,943,847	20,073,154
1,111,954	999,642	517,456	5,030,213	21,004,152
1,139,926	994,573	563,902	5,259,684	21,180,907

CITY OF GAINESVILLE, GEORGIA
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

Fiscal Year Ended June 30	Real Property	Personal Property			Digest Adjustments
		Inventory/ Business Property	Motor Vehicles	Utilities	
2003	\$ 1,572,052,515	\$ 841,085,860	\$ 148,182,475	\$ 48,219,513	\$ (192,350,181)
2004	1,852,583,573	837,358,005	148,894,500	48,112,082	(250,575,732)
2005	1,913,794,468	819,308,198	151,481,025	48,997,403	(223,190,670)
2006	2,024,097,048	901,331,875	158,159,073	50,669,273	(249,438,849)
2007	2,083,146,080	1,006,790,390	158,253,855	53,521,650	(323,988,765)
2008	2,708,669,033	1,127,841,625	172,420,095	57,712,475	(470,958,834)
2009	2,802,790,740	1,090,115,928	175,754,045	58,663,685	(390,055,794)
2010	2,827,936,920	958,733,945	183,722,440	64,903,013	(314,926,076)
2011	2,809,905,328	842,398,443	156,029,890	56,924,528	(224,302,316)
2012	2,626,851,558	845,534,643	153,096,940	68,615,798	(260,718,939)

Source: Hall County Tax Commissioner's Digest - Gainesville District.

Note: Comparative information prior to fiscal year 2003 is not available.

Note (1): The total assessed value amounts are based on the original tax digest prior to additions, deletions, and corrections to accounts. The adjusted assessed value is used to calculate the tax levy amount on the Property Tax Levies and Collections (See Exhibit K-10) in order to indicate a more fair presentation of taxes billed and collected. All property is assessed as of January 1st of each year.

Note (2): For fiscal year 2009, Homeowners Tax Relief Credit adjustment (\$28,584,000) did not apply to debt millage (\$.48 of \$2.66 total millage). Total exemption for debt portion only was \$550,000.

Note (3): Starting in fiscal year 2010 Homeowners Tax Relief Credit was no longer in effect.

Exemption Adjustments	Total Taxable Assessed Value⁽¹⁾	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
\$ (25,306,044)	\$ 2,391,884,138	2.75	\$ 2,391,884,138	100%
(26,789,365)	2,609,583,063	2.62	2,609,583,063	100%
(25,739,000)	2,684,651,424	2.62	2,684,651,424	100%
(26,590,000)	2,858,228,420	2.60	2,858,228,420	100%
(26,774,000)	2,950,949,210	2.89	2,950,949,210	100%
(27,784,000)	3,567,900,394	2.66	3,567,900,394	100%
(29,134,000) ⁽²⁾	3,708,134,604	2.66	3,708,134,604	100%
(550,000) ⁽³⁾	3,719,820,242	2.66	3,719,820,242	100%
(550,000) ⁽³⁾	3,640,405,873	2.92	3,640,405,873	100%
(800,000)	3,432,580,000	2.92	3,432,580,000	100%

**CITY OF GAINESVILLE, GEORGIA
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS**

Tax Year	Fiscal Year	City of Gainesville			Total City Millage
		Operating Millage	Recreation Millage	Debt Service Millage	
2002	2003	1.81	0.75	0.19	2.75
2003	2004	1.69	0.75	0.18	2.62
2004	2005	1.69	0.75	0.18	2.62
2005	2006	1.67	0.75	0.18	2.60
2006	2007	1.60	0.75	0.54	2.89
2007	2008	1.43	0.75	0.48	2.66
2008	2009	1.43	0.75	0.48	2.66
2009	2010	1.43	0.75	0.48	2.66
2010	2011	1.69	0.75	0.48	2.92
2011	2012	1.69	0.75	0.48	2.92

Source: City of Gainesville Tax Office and Hall County Tax Commissioners Office.

Note 1: Property tax rate is per \$1,000 assessed value.

Note 2: The City of Gainesville taxes on 100% of assessed value.
Hall County taxes on 40% of assessed value.

Overlapping Rates

Gainesville City Schools			State of Georgia	Hall County		Total Direct & Overlapping Rates
Operating Millage	Debt Service Millage	Total School Millage		Operating Millage	Total County Millage	
7.50	0.50	8.00	0.25	7.13	7.13	18.13
7.01	0.47	7.48	0.25	5.52	5.52	15.87
7.50	0.47	7.97	0.25	6.03	6.03	16.87
7.45	0.47	7.92	0.25	6.55	6.55	17.32
7.45	0.38	7.83	0.25	6.98	6.98	17.95
6.62	0.34	6.96	0.25	6.26	6.26	16.13
7.42	0.39	7.81	0.25	6.25	6.25	16.97
7.41	0.30	7.71	0.25	6.25	6.25	16.87
7.39	0.30	7.69	0.25	6.25	6.25	17.11
7.39	0.00	7.39	0.25	6.25	6.25	16.81

CITY OF GAINESVILLE, GEORGIA
PRINCIPAL TAXPAYERS
June 30, 2012

Taxpayer	2012			2003		
	Taxable Assessed Value ⁽¹⁾	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value ⁽¹⁾	Rank	Percentage of Total Taxable Assessed Value
Kubota Manufacturing of America Corporation/ Kubota USA, Inc	\$ 66,959,662	1	1.95%	\$ 51,480,226	1	2.04%
Cargill, Inc.	52,445,422	2	1.53%	41,982,673	2	1.67%
Fieldale Farms Corporation (Queen City Foods)	37,463,501	3	1.09%	24,345,454	9	0.97%
Mid-America Apartments LP	37,206,662	4	1.08%			
ZF Industries, Inc.	30,858,659	5	0.90%	33,592,546	3	1.33%
Ace Hardware Corporation	29,535,541	6	0.86%	30,801,443	4	1.22%
Elan Pharma Inc.	26,320,146	7	0.77%			
SAPA Extruder Inc.	23,480,589	8	0.68%			
Inland Western Gainesville Village (Shopping Center)	21,401,715	9	0.62%			
Stork Gamco (Manufacturer)	20,871,573	10	0.61%			
Colonial Realty Limited Part. (Camelot Real Estate Corp.)				30,039,719	5	1.19%
ConAgra				25,744,915	6	1.02%
Hayes Lemmerz Intl GA, Inc. (Western Wheel Georgia, Inc.)				24,930,221	7	0.99%
Bell South Communications				24,696,675	8	0.98%
Caradon Peachtree, Inc. (Peachtree Doors)				20,625,690	10	0.82%
Total	\$ 346,543,470		9.52%	\$ 308,239,562		12.24%

Source: 2011 and 2002 Hall County Tax Commissioner's Digest - Gainesville District.

Note (1): Assessed valuation for principal taxpayers includes real property, personal property and utilities taxes, but does not include motor vehicle taxes. Selection is based on the taxpayers with the largest assessed valuation. Values shown are assessed totals before freeport exemption is deducted for fiscal years prior 2012. Fiscal year 2012 and forward are net assessed value.

**CITY OF GAINESVILLE, GEORGIA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Adjustments Made After Tax Levy (1)	Collected within the		Collections in Subsequent Years	Total Collections to Date	
			Fiscal Year of the Levy			Percentage	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2003	\$ 6,577,681	\$ (35,665)	\$ 6,509,630	98.97%	\$ 32,386	\$ 6,542,016	100.00%
2004	6,837,108	28,515	6,792,902	99.35%	72,644	6,865,546	100.00%
2005	7,033,787	67,409	6,997,475	99.48%	103,721	7,101,196	100.00%
2006	7,431,394	(21,680)	7,252,591	97.59%	135,228	7,387,819	99.70%
2007	8,528,243	88,092	8,547,295	99.20%	62,775	8,610,070	99.93%
2008	9,490,615	64,568	9,308,622	97.42%	223,534	9,532,156	99.76%
2009	9,877,359	32,471	9,636,926	97.25%	238,226	9,875,152	99.65%
2010	9,894,722	(23,934)	9,579,640	97.05%	247,146	9,826,786	99.55%
2011	10,629,985	(208,412)	10,239,192	98.25%	143,861	10,383,053	99.63%
2012	10,023,134	(259,976)	9,518,471	97.49%		9,518,471	97.49%

Source: Hall County Tax Commissioner's Digest - Gainesville District.

Note: Comparative information prior to fiscal year 2003 is not available.

CITY OF GAINESVILLE, GEORGIA
LOCAL OPTION SALES TAX DISTRIBUTION COMMODITY REPORT - HALL COUNTY
June 30, 2012

<u>Commodity</u>	<u>2011</u>			<u>2004</u>		
	<u>Total Distributed</u>	<u>Rank</u>	<u>% of Total</u>	<u>Total Distributed</u>	<u>Rank</u>	<u>% of Total</u>
Food	\$ 4,751,778	1	18.32%	\$ 5,472,776	1	22.72%
General	3,675,855	2	14.17%	3,328,268	3	13.82%
Other Retail	3,276,988	3	12.63%	4,551,713	2	18.89%
Wholesale	3,246,059	4	12.51%	0		0.00%
Auto	3,011,216	5	11.61%	1,843,016	6	7.65%
Utilities	2,536,506	6	9.78%	1,699,748	7	7.06%
Miscellaneous Service	1,987,066	7	7.66%	1,249,852	8	5.19%
Home	1,427,981	8	5.50%	965,809	9	4.01%
Manufacturer	1,123,663	9	4.33%	0		0.00%
Other Services	418,923	10	1.61%	2,692,310	4	11.18%
Accommodations	416,200	11	1.60%	1,882,264	5	7.81%
Construction	72,347	12	0.28%	404,040	10	1.68%
Total	<u>\$ 25,944,581</u>		<u>100.00%</u>	<u>\$ 24,089,796</u>		<u>100.00%</u>

Source: Information provided by Georgia Department of Revenue - Local Government Services.

Note 1: Data is not available for City of Gainesville; Hall County totals are reported on this schedule.

Note 2: Comparative information prior to calendar year 2004 is not available.

Note 3: State of Georgia established different categories for the 2009 Calendar year.

CITY OF GAINESVILLE, GEORGIA
PUBLIC UTILITIES TEN LARGEST SYSTEM CUSTOMERS
JUNE 30, 2012

Customer	Type of Business	Total Water Billings	Total Sewer Billings	Total Billings	Percentage of System Revenues
Fieldale Farms Corporation	Manufacturer - Poultry Products	\$ 3,458,424	\$ 6,382,959	\$ 9,841,383	17.23%
Pilgrim's Pride	Manufacturer - Poultry Products	1,035,854	2,838,945	3,874,800	6.79%
Mar-Jac Poultry, Inc.	Manufacturer - Poultry Products	902,228	2,909,491	3,811,719	6.67%
Cooley Enterprises (DBA Kings Delight)	Food Further Processing	389,374	497,913	887,288	1.55%
NE GA Health Systems	Hospital	305,137	472,725	777,862	1.36%
Hall County Commissioners	Local Government	297,067	395,091	692,158	1.21%
Cargill, Inc.	Manufacturer - Soybean Products	330,713	317,835	648,547	1.14%
Islands Management Company LLC	Resort	319,779	-	319,779	0.56%
Mid America Apartment Comm.	Apartments	86,725	228,406	315,130	0.55%
Gainesville Housing Authority	Local Government	77,247	225,664	302,911	0.53%
Total		<u>\$ 7,202,548</u>	<u>\$ 14,269,028</u>	<u>\$ 21,471,576</u>	<u>37.60%</u>

Note: This information is included to comply with continuing disclosure requirements of 1997, 1999, 2001, 2005, and 2006 Water and Sewerage bond issues.

**CITY OF GAINESVILLE, GEORGIA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

Fiscal Year	Governmental Activities		Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita ⁽¹⁾
	General Obligation Bonds	Capital Leases	Water & Sewer Bonds	Notes Payable	Capital Leases			
2003	\$ 6,305,000	\$ 1,555,450	\$ 126,150,000	\$ 43,299,098	\$ 102,199	\$ 177,411,747	25.40%	\$ 6,343
2004	5,655,000	1,640,618	121,860,000	55,099,562	81,785	184,336,965	24.91%	6,185
2005	4,970,000	1,461,144	117,510,000	85,986,473	5,151,053 ⁽²⁾	215,078,670	27.62%	6,914
2006	4,250,000	2,185,094 ⁽³⁾	127,635,000	106,718,229	40,626,338 ⁽⁴⁾	281,414,661	33.31%	8,674
2007	3,490,000	13,428,006 ⁽⁵⁾	123,025,000	115,280,594	39,078,688	294,302,288	33.33%	8,827
2008	2,690,000	12,581,284	116,480,000	119,221,083	37,454,530	288,426,897	29.47%	8,284
2009	1,840,000	45,469,691 ⁽⁶⁾	109,635,000	125,581,156	35,756,155	318,282,002	30.12%	8,923
2010	945,000	42,862,532	102,485,000	119,786,181	34,048,349	300,127,062	27.80%	8,395
2011	-	35,737,268	95,015,000	113,800,132	32,321,761	276,874,160	28.21%	8,191
2012	-	28,964,712	87,305,000	107,618,467	30,575,173	254,463,352	24.00%	7,392

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Comparative information prior to fiscal year 2003 is not available.

Note (1): See the Schedule of Demographic and Economic Statistics on Exhibit K-19 for personal income and population data.

Note (2): Increase in capital leases due to \$5,000,000 intergovernmental agreement between the Gainesville Redevelopment Authority and the City for improvements to the Lee Gilmer Memorial Airport.

Note (3): A \$979,000 capital lease was assumed in 2006 to finance the renovation of the Georgia Mountains Center.

Note (4): The City entered into a \$31.5 million capital lease agreement with Hall County in reference to the operation of the Hall County Water System. An additional \$4.2 million in capital leases was assumed in 2006 to finance the renovation of the Chattahoochee Golf Course.

Note (5): Increase due to a \$11,885,000 capital lease issued for the construction of the Frances Meadows Community Center.

Note (6): Increase due to capital leases issued for Public Safety Building (\$27,022,224) and Georgia Mountain Center Parking Garage (\$6,308,832).

**CITY OF GAINESVILLE, GEORGIA
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS**

Fiscal Year	General Obligation Bonds	Capital Leases	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property ⁽¹⁾	Per Capita ⁽²⁾
2003	\$ 6,305,000	\$ 1,555,450	\$ 873,969	\$ 6,986,481	0.29%	\$ 249.80
2004	5,655,000	1,640,618	806,894	6,488,724	0.25%	217.70
2005	4,970,000	1,461,144	679,772	5,751,372	0.21%	184.89
2006	4,250,000	2,185,094	735,073	5,700,021	0.20%	175.69
2007	3,490,000	13,428,006 ⁽³⁾	1,847,147	15,070,859	0.51%	452.04
2008	2,690,000	12,581,284	1,602,964	13,668,320	0.38%	392.56
2009	1,840,000	45,469,691 ⁽⁴⁾	2,266,195	45,043,496	1.21%	1,262.85
2010	945,000	42,862,532	1,293,247	42,514,285	1.14%	1,189.21
2011	-	35,737,268	1,434,272	34,302,996	0.94%	1,014.76
2012	-	28,964,712	1,533,055	27,431,657	0.80%	796.92

Source: Hall County Tax Commissioner's Digest - Gainesville District.

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements. Comparative information prior to fiscal year 2003 is not available.

Note (1): See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on Exhibit K-7 for property value data.

Note (2): Population data can be found in the Schedule of Demographic and Economic Statistics on Exhibit K-19.

Note (3): Includes \$11,885,000 capital lease issued for construction of Frances Meadows Center.

Note (4) Includes capital leases issued for construction of new Public Safety Building (\$27,022,224) and Georgia Mountains Center Parking Deck (\$6,308,832).



CITY OF GAINESVILLE, GEORGIA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2012

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Available</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Gainesville City Schools	\$ 18,080,000	100%	\$ 18,080,000
Hall County			0
Subtotal, overlapping debt			<u>18,080,000</u>
City of Gainesville direct debt			<u>28,964,712</u>
Total direct and overlapping debt			<u><u>\$ 47,044,712</u></u>

Source: Debt outstanding data provided by Gainesville City Schools and Hall County Finance Offices.

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 Gainesville. The process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

**CITY OF GAINESVILLE, GEORGIA
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS**

	Fiscal Year			
	2003	2004	2005	2006
Debt Limit	\$ 260,954,036	\$ 288,694,816	\$ 293,358,109	\$ 313,425,727
Total net debt applicable to limit	<u>6,986,481</u>	<u>6,488,724</u>	<u>5,751,372</u>	<u>5,700,021</u>
Legal debt margin	<u>\$ 253,967,555</u>	<u>\$ 282,206,092</u>	<u>\$ 287,606,737</u>	<u>\$ 307,725,706</u>
Total net debt applicable to the limit as a percentage of debt limit	2.68%	2.25%	1.96%	1.82%

Note: Comparative information prior to fiscal year 2003 is not available.

Note (1): Under state finance law, the City of Gainesville's outstanding general obligation debt should not exceed 10 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

Note (2): Increase due to the addition of the Public Safety facility and Georgia Mountains Center deck debt issued in fiscal year 2009.

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 330,171,198	\$ 406,664,323	\$ 412,732,440	\$ 403,529,632	\$ 386,525,819	\$ 369,409,894
<u>15,070,859</u>	<u>13,668,320</u>	<u>43,267,440 ⁽²⁾</u>	<u>42,514,285</u>	<u>34,302,996</u>	<u>27,431,657</u>
<u>\$ 315,100,339</u>	<u>\$ 392,996,003</u>	<u>\$ 369,465,000</u>	<u>\$ 361,015,347</u>	<u>\$ 352,222,823</u>	<u>\$ 341,978,237</u>
4.56%	3.36%	10.48% ⁽²⁾	10.54%	8.87%	7.43%

Legal Debt Margin Calculation for Fiscal Year 2011

Total Assessed value	\$ 3,694,098,939
Debt limit (10% of total assessed value) ⁽¹⁾	369,409,894
Debt applicable to limit:	
General obligation debt	28,964,712
Less: Amount set aside for repayment of general obligation debt	<u>(1,533,055)</u>
Total net debt applicable to limit	<u>27,431,657</u>
Legal debt margin	<u>\$ 341,978,237</u>

**CITY OF GAINESVILLE, GEORGIA
 PLEDGED-REVENUE COVERAGE
 PUBLIC UTILITIES ENTERPRISE FUND
 LAST TEN FISCAL YEARS**

Public Utilities Revenue Bonds						
Fiscal Year	Gross Revenue ⁽¹⁾	Less:	Net	Debt Service		Coverage
		Operating Expenses ⁽²⁾	Available Revenue	Principal	Interest	
2003	35,478,550	16,663,358	18,815,192	4,005,000	6,587,912	1.78
2004	38,805,729	17,039,188	21,766,541	4,175,000	6,415,904	2.06
2005	42,124,247	18,246,090	23,878,157	4,350,000	6,232,571	2.26
2006	48,649,531	19,981,471	28,668,060	4,540,000	7,199,822	2.44
2007	56,613,770	21,037,220	35,576,550	6,040,000	5,775,526	3.01
2008	51,938,276	21,519,732	30,418,544	6,545,000	5,832,260	2.46
2009	48,197,672	24,353,036	23,844,636	6,845,000	5,534,643	1.93
2010	52,289,682	24,141,817	28,147,865	7,150,000	4,955,270	2.33
2011	57,387,513	23,713,795	33,673,718	7,470,000	4,874,516	2.73
2012	59,497,966	24,419,178	35,078,788	7,710,000	4,487,927	2.88

Note (1): Total revenue including interest.

Note (2): Total operating expenses exclusive of depreciation.

**CITY OF GAINESVILLE, GEORGIA
 PLEDGED-REVENUE COVERAGE
 AIRPORT ENTERPRISE FUND
 LAST TEN FISCAL YEARS**

Fiscal Year	Airport Revenue Bonds					Coverage
	Gross Revenue ⁽¹⁾	Less: Operating Expenses ⁽²⁾	Net Available Revenue	Debt Service		
				Principal	Interest	
2003	282,343	61,288	221,055	110,000	12,070	1.81
2004	338,620	87,238	251,382	115,000	3,748	2.12

Note: Subsequent to 2004, pledged revenue requirements for revenue bonds were no longer applicable.

Note (1): Total revenue including interest.

Note (2): Total operating expenses exclusive of depreciation.

**CITY OF GAINESVILLE, GEORGIA
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

Fiscal Year	City of Gainesville Population^(a)	Estimated City of Gainesville Personal Income (amounts expressed in thousands)^(b)	Hall County Per Capita Personal Income^(c)	Gainesville City Public School Enrollment^(d)	Hall County Unemployment Rate^(e)
2003	27,968	698,389	24,971	4,724	3.5%
2004	29,806	740,083	24,830	5,039	3.8%
2005	31,107	778,577	25,029	5,206	4.8%
2006	32,444	844,939	26,043	5,681	4.3%
2007	33,340	883,043	26,486	6,138	3.9%
2008	34,818	978,734	28,110	6,361	5.3%
2009	35,668	1,056,593	29,623	6,538	9.6%
2010	35,750	1,079,471	30,195	6,977	9.2%
2011	33,804	981,601	29,038	7,145	8.9%
2012	34,422	1,060,404	30,806	7,464	7.5%

Source (a): Fiscal year 2002 number is based on 2000 census; Fiscal year 2003-2010, 2012 are estimates and fiscal year 2011 is based on 2010 census provided by the U.S. Census Bureau.

Source (b): Based on City population multiplied by Hall County per capita personal income.

Source (c): Bureau of Economic Analysis, U.S. Department of Commerce; information is provided on Hall County only.

Source (d): Gainesville City Schools, September enrollment.

Source (e): Georgia Department of Labor.

**CITY OF GAINESVILLE, GEORGIA
PRINCIPAL EMPLOYERS/HALL COUNTY
June 30, 2012**

<u>Employer</u>	<u>2012</u>			<u>2006</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
Northeast Georgia Medical Center	5,030	1	6.09%	4,200	1	5.34%
Fieldale Farms	2,400	2	2.90%	2,300	2	2.93%
Pilgrims Pride	1,600	3	1.94%	1,553	3	1.98%
Mar-Jac	1,250	4	1.51%	1,259	4	1.60%
Kubota Manufacturing of America	960	5	1.16%	717	7	0.91%
Coleman Natural Foods (Kings Delight)	900	6	1.09%	950	5	1.21%
Wrigley Manufacturing Company, LLC	850	7	1.03%	800	6	1.02%
The Longstreet Clinic	580	8	0.70%			
Koch Foods, Inc.	521	9	0.63%	600	8	0.76%
Liberty Mutual Insurance				600	9	0.76%
ZF Industries	440	10	0.53%			
Wal-Mart Super Center				500	10	0.64%
Total	<u>14,531</u>		<u>17.86%</u>	<u>13,479</u>		<u>17.14%</u>

Source: Greater Hall Chamber of Commerce.

Note 1: Excludes governmental and educational employers. Percentage of employment in 2006 was based on the 2005 Hall County annual average employment of 78,619, whereas 2012 is based on 2011 Hall County annual average employment of 82,630 per the Georgia Department of Labor and U.S. Bureau of Labor Statistics.

Note 2: Comparative information prior to fiscal year 2006 is not available.



CITY OF GAINESVILLE, GEORGIA
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

Function	Full-time Equivalent Employees as of June 30									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Primary government										
General Government	46	46	43	44	44	46	41	45	46	48
Judicial	8	8	8	8	8	8	8	7	8	8
Public Safety										
Police	119	117	117	117	119	122	115	113	113	113
Fire	83	82	82	82	82	83	81	102	103	103
City Marshal	4	4	7	7	9	7	5	3	3	3
Public Works	56	58	58	62	62	63	54	53	52	54
Health and Welfare	47	47	45	45	44	49	49	45	47	39
Culture and										
Recreation	11	11	11	11	11	11	10	7	7	5
Housing and										
Development	26	27	35	38	22	22	18	17	17	17
General Insurance	1	1	2	2	2	2	2	0	0	0
Vehicle Services	5	5	5	5	5	5	5	5	5	6
Water and Sewer	229	236	237	243	249	253	231	225	229	229
Solid Waste	24	24	27	27	27	31	24	24	24	24
Golf Course	16	18	16	18	12	13	13	7	4	4
Total primary government	675	684	693	709	696	715	656	653	658	653
Component unit										
City of Gainesville										
Parks and Recreation										
Culture and Recreation										
	31	32	32	34	34	38	37	36	36	37
Total employees	706	716	725	743	730	753	693	689	694	690

Source: Annual City of Gainesville Budget Document.

Note: Comparative information prior to fiscal year 2003 is not available.

**CITY OF GAINESVILLE, GEORGIA
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS**

Function	FISCAL YEAR			
	2003	2004	2005	2006
Police				
Number of citations issued	18,455	22,567	19,878	16,737
Number of calls for service	85,780	91,086	88,922	78,904
Fire				
Number of calls answered	5,115	5,871	5,496	5,918
Number of inspections conducted	310	890	3,467	2,856
Highways and streets				
Square feet of sidewalks replaced	10,225	8,000	9,570	6,399
Linear feet curb and gutter installed	N/A	3,000	5,806	2,161
Sanitation				
Refuse collected (tons)	5,212	5,362	5,407	5,497
Recyclables collected (tons)	647	656	681	700
Culture and Recreation				
Enrolled in youth athletics	959	1,007	997	1,049
Civic Center/Cabin rentals	891	1,051	1,161	1,350
Water System (MGD -Millions of Gallons per Day)				
Number of service connections	38,158	39,382	40,572	46,645
Daily average consumption in gallons	17.20 MGD	18.30 MGD	18.10 MGC	19.29 MGD
Sewer System (MGD -Millions of Gallons per Day)				
Number of service connections	7,365	7,814	7,892	8,170
Daily average treatment in gallons	8.80 MGD	8.38 MGD	8.90 MGD	9.14 MGD

Source: Various City Departments.

Note 1: Indicators are not available for the general government function.

Note 2: Comparative information prior to fiscal year 2003 is not available.

Note 3: General economic downturn and changes in importation laws were contributing factors to this decrease.

Note 4: Numbers are lower than preceding years due to declining economy.

FISCAL YEAR					
2007	2008	2009	2010	2011	2012
14,326	13,585	11,394 ⁽³⁾	12,307	13,671	9,306
76,208	76,555	74,329	75,866	67,879	63,839
6,443	5,998	5,901	6,020	6,566	6,962
3,490	2,607	2,631	2,848	1,439	1,725
5,127	14,040	2,351 ⁽⁴⁾	3,552 ⁽⁴⁾	445 ⁽⁴⁾	9,063
1,679	2,091	1,071	217	50	698
5,489	5,320	5,261	5,015	4,897	4,743
711	799	653	688	657	726
1,297	1,741	1,173 ⁽⁴⁾	1,139	1,507	1,553
1,229	1,579	823 ⁽⁴⁾	969	992	1,068
48,652	49,783	46,550 ⁽⁴⁾	46,674	46,632	47,018
19.85 MGD	17.86 MGD	16.56 MGD	17.13 MGD	17.64 MGD	17.7 MGD
9,489	9,683	8,896 ⁽⁴⁾	8,840	8,716	8,847
8.42 MGD	7.80 MGD	8.00 MGD	9.20 MGD	8.50 MGD	8.1 MGD

**CITY OF GAINESVILLE, GEORGIA
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS**

Function	FISCAL YEAR			
	2003	2004	2005	2006
Public safety				
Number of police stations	5	5	5	5
Number of fire stations	3	4	4	4
Solid Waste				
Collection Trucks	9	8	8	9
Highways and streets				
Miles of streets	130	130	130	130
Miles of storm sewers	16.00	18.82	19.78	19.78
Number of street lights	2,296	2,315	2,323	2,346
Culture and Recreation				
Community/Civic Centers	2	2	2	2
Parks	18	20	20	20
Park acreage	400+	400+	425+	425+
Golf courses	1	1	1	1
Swimming pools	2	2	2	2
Baseball/Softball fields	10	10	10	10
Soccer fields	10	10	10	10
Multipurpose fields	1	1	1	1
Tennis courts	16	16	16	16
Water and Sewerage System-Gainesville and Hall County (MGD - Millions of Gallons per Day)				
Water System:				
Miles of water mains	976	1,013	1,053	1,230
Number of fire hydrants	5,162	6,417	7,127	7,596
Number of water treatment plants	2	2	2	2
Maximum daily capacity of treatment plants in gallons	35 MGD	35 MGD	35 MGD	35 MGD
Sewer System:				
Miles of sanitary sewers	229	241	246	261
Number of wastewater treatment plants	2	2	2	2
Maximum daily capacity of treatment plants in gallons	12.9 MGD	12.9 MGD	12.9 MGD	12.9 MGD

Source: Various City Departments.

Note 1: No capital asset indicators are available for the general government function.

Note 2: Comparative information prior to fiscal year 2003 is not available.

Note 3: Elimination of Community Police Precincts in Housing Developments during FY11.

FISCAL YEAR						
2007	2008	2009	2010	2011	2012	
5	5	5	3	2 ⁽³⁾	2	
4	4	4	4	4	4	
9	9	9	9	9	10	
133	136	136	136	136	136	
20.00	20.11	20.20	20.20	20.20	20.47	
2,352	2,340	2,380	2,414	2,627	2,694	
2	8	8	2	2	2	
21	22	21	21	21	21	
443+	443+	444+	445	445	445	
1	1	1	1	1	1	
1	1	5	5	5	5	
10	9	9	10	10	11	
10	10	9	10	10	10	
1	1	1	1	1	1	
16	16	16	16	16	16	
1,247	1,302	1,310	1,315	1,344	1,344	
7,840	7,843	8,538	8,719	8,803	8,855	
2	2	2	2	2	2	
35 MGD	35 MGD	35 MGD	35MGD	35 MGD	35 MGD	
268	271	278	280	280	286	
2	2	2	2	2	2	
14.7 MGD	17 MGD	17 MGD	17 MGD	17 MGD	17 MGD	

**CITY OF GAINESVILLE, GEORGIA
PUBLIC UTILITIES DEPARTMENT
WATER RATES AND MINIMUM DEMAND CHARGES
JUNE 30, 2012**

Water Rates (Monthly Charges):

	Inside City Limits	Outside City Limits
Account Servicing Fee	\$ 3.83	\$ 6.44
Quantity Used Per Month In Cubic Feet		
Per Hundred Cubic feet	\$2.28 Per 100 cf ⁽¹⁾	\$ 4.56 per 100 cf ⁽¹⁾

Note: This information is included to comply with continuing disclosure requirements of 1992, 1993, 2001, 2005, and 2006 Water and Sewerage bond issues.

Note (1): 748 gallons equals 100 cubic feet.

**CITY OF GAINESVILLE, GEORGIA
PUBLIC UTILITIES DEPARTMENT
WATER TAP/METER, CONNECTION AND ADMINISTRATIVE FEES
JUNE 30, 2012**

Inside and Outside City Limits:

Tap Size (Meter Inches)	Tap and Meter	Connection Fee	Administrative Fee	Total
3/4 inch	\$ 1,073	\$ 1,726	\$ 51	\$ 2,850
1 inch	1,198	4,315	129	5,642
1 1/2 inch	2,815	8,630	258	11,703
2 inch	4,776	13,808	414	18,998
3 inch	7,405	27,616	828	35,849
4 inch	Cost of Tap and Meter +	43,150	1,294	N/A
6 inch	Cost of Tap and Meter +	86,300	2,589	N/A
8 inch	Cost of Tap and Meter +	138,080	4,142	N/A

The water connection and administrative fees shall be in addition to the cost of the meter and water and sewer tapping fees.

Note: This information is included to comply with continuing disclosure requirements of 1992, 1993, 2001, 2005, and 2006 Water and Sewerage bond issues.

**CITY OF GAINESVILLE, GEORGIA
PUBLIC UTILITIES DEPARTMENT
SEWER RATES AND CHARGES
JUNE 30, 2012**

Sewer Rates (Monthly Charges by Volume):

	<u>Inside City Limits</u>	<u>Outside City Limits</u>	<u>Oakwood</u>
Commodity charge Per Cubic Foot	\$ 6.73	\$ 6.73	\$ 8.49

Industrial Surcharges:

<u>Pollutant</u>	<u>Concentration (mg/l)</u>	<u>Surcharge (dollars per mg/l per 100 cubic feet)</u>
BOD	250-500	\$ 0.0019
	501-700	0.0050
	701-900	0.0057
	Over 900	0.0112
Suspended Solids	250-500	0.0014
	501-700	0.0035
	701-900	0.0039
	Over 900	0.0072
Oil and Grease	101-125	0.0005
	126-150	0.0120
	151-175	0.0140
	Over 175	0.0280
Phosphorus	7-11	0.0220
	12-15	0.0490
	16-20	0.0580
	Over 20	0.1120
Nitrogen	40-75	0.0050
	76-100	0.0130
	101-135	0.0160
	Over 135	0.0320

Accounts billed for sewer only shall pay a monthly account servicing fee of \$3.83 inside the City and \$6.44 outside the City. In addition, sewer only customers pay an additional fee per 100 cubic feet. The rate is \$6.73 for inside city customers, \$6.73 for outside city customers, \$8.49 for Oakwood customers.

Residential sewer charges are based on 85% of monthly metered water consumption.

Commercial, Industrial and Multi-Unit sewer charges are based on 100% of monthly water meter readings.

Note: This information is included to comply with continuing disclosure requirements of 1992, 1993, 2001, 2005, and 2006 Water and Sewerage bond issues.

**CITY OF GAINESVILLE, GEORGIA
PUBLIC UTILITIES DEPARTMENT
SEWER TAPPING, CONNECTION AND ADMINISTRATIVE FEES
JUNE 30, 2012**

Sewer Tapping Fees:

For a six inch (6") service line serving a single dwelling or commercial unit the cost is \$1,012.

Service lines over 6" shall be charged an additional fee at actual cost per inch.

Sewer Connection and Administrative Fees:

<u>Size of Sewer (Meter Inches)</u>	<u>Connection</u>	<u>Administrative</u>
3/4 inch	\$ 3,570	\$ 107
1 inch	8,925	267
1 1/2 inch	17,850	535
2 inch	28,560	856
3 inch	57,120	1,713
4 inch	89,250	2,677
6 inch	178,500	5,355
8 inch	285,600	8,568

The sewer connection and administrative fees shall be in addition to the cost of the meter and water and sewer tapping fees.

Note: This information is included to comply with continuing disclosure requirements of 1992, 1993, 2001, 2005, and 2006 Water and Sewerage bond issues.

**CITY OF GAINESVILLE, GEORGIA
PUBLIC UTILITIES CAPITAL IMPROVEMENTS
LAST TEN FISCAL YEARS**

<u>Year</u>	<u>Total Cost of Capital Improvements</u>	<u>Funding Sources</u>	
		<u>System Revenues and Capital Contributions</u>	<u>Debt Proceeds and Investment Earnings</u>
2003	17,702,084	3,512,334	14,189,750
2004	27,583,013	7,087,954	20,495,059
2005	41,663,448	8,985,488	32,677,960
2006	41,714,311	13,816,574	27,897,736
2007	27,088,233	17,738,660	9,349,573
2008	12,910,399	10,248,858	2,661,541
2009	14,771,610	14,505,829	265,781
2010	11,853,472	11,853,472	0
2011	8,284,333	8,284,333	0
2012	9,688,399	9,688,399	0

Note: This information is included to comply with continuing disclosure requirements of 1992, 1993, 2001, 2005, and 2006 Water and Sewerage bond issues.

CITY OF GAINESVILLE, GEORGIA
SCHEDULE OF INSURANCE COVERAGE
June 30, 2012

	Amount	
Property Coverage		
Blanket building and contents (\$10,000 deductible)	Replacement Cost ⁽¹⁾	
Flood (\$50,000 deductible)	\$ 5,000,000	
Equipment Breakdown	\$ 100,000,000	
Automobile (Fire Trucks 1994 or newer) (\$5,000 deductible)	Actual cash value	(\$3,608,018)
Inland Marine (Contractor's Equipment) (\$2,500 deductible)	Actual cash value	(\$5,152,905)
EDP Equipment (\$2,500 deductible)	Replacement Cost	(\$904,303)
 Casualty		
General Liability ⁽²⁾		
Personal and advertising injury (\$10,000 deductible)	\$ 2,000,000	per occurrence
Products-completed operations (\$10,000 deductible)	\$ 2,000,000	per occurrence
Law enforcement (\$10,000 deductible)	\$ 1,000,000	per occurrence
Public official (\$25,000 deductible)	⁽³⁾ \$ 1,000,000	per occurrence
Employee benefits (\$1,000 deductible)	\$ 2,000,000	per occurrence
Employment Practices Liability benefits (\$25,000 deductible)	⁽³⁾ \$ 1,000,000	per occurrence
Automobile Liability		
Single limit liability (\$10,000 deductible)	\$ 1,000,000	
 Public Employee Dishonesty (\$1,000 deductible)		
	\$ 500,000	
 Airport Liability (\$2,500 deductible) (Includes TRIA)		
	\$ 10,000,000	

Note: This information is included to comply with continuing disclosure requirements of 1992, 1993, 2001, 2005, and 2006 Water and Sewerage bond issues.

Note (1): Maximum property limit of \$256,170,500.

Note (2): Aggregate annual amount of \$3,000,000 for General Liability, Law Enforcement Liability, Public Officials Liability, Employee Benefits Liability, and Employment Practices Liability.

Note (3): Retro date 7/1/2000 applies.

**CITY OF GAINESVILLE, GEORGIA
PROPERTY VALUE - CONSTRUCTION
LAST TEN CALENDAR YEARS**

Hall County

	Number of Residential Permits		Total Estimated Value	Number of Commercial Permits	Total Estimated Value
	Single Family	Multi-Family ⁽¹⁾ / Number of Units			
2002	1,252	2/6	175,835,800	32	11,577,500
2003	1,228	4/157	208,903,800	19	5,415,000
2004	1,055	0	183,472,400	26	4,299,400
2005	1,236	2/26	236,836,600	35	15,737,000
2006	1,332	1/2	279,418,335	66	85,329,200
2007	998	0	188,443,350	60	38,534,400
2008	303	0	54,999,600	52	14,583,500 ⁽³⁾
2009	180	1/2	29,629,500	50	10,319,500 ⁽³⁾
2010	152	0	23,615,800	24	11,775,300 ⁽³⁾
2011	140	0	23,159,500	17	4,653,000 ⁽³⁾

City of Gainesville

	Number of Residential Permits		Total Estimated Value	Number of Commercial Permits	Total Estimated Value
	Single Family	Multi-Family ⁽¹⁾ / Number of Units			
2002	163	27/387	29,339,700	34	22,150,000
2003	137	20/284	24,915,000	29	23,643,000
2004	235	14/215	38,459,000	46	26,874,000
2005	236	10/116	39,622,400	45	75,791,100
2006	186	10/107	42,646,528	52	153,269,000 ⁽²⁾
2007	275	5/25	37,531,000	50	68,250,000
2008	51	0	6,815,850	33	32,348,400 ⁽³⁾
2009	19	0	4,431,080	25	55,633,500 ⁽³⁾
2010	35	0	5,544,591	12	31,119,415 ⁽³⁾
2011	45	0	7,086,101	14	19,138,000 ⁽³⁾

Source: Hall County Building and Zoning Department.

Note: Comparative information prior to calendar year 2000 is not available.

Note (1): Multifamily housing includes duplexes, triplexes, and apartment buildings.

Note (2): Northeast Georgia Medical Center acquired permits for several facilities in calendar year 2006.

Note (3): Economic decline contributed to decreased numbers beginning in 2008.

CITY OF GAINESVILLE, GEORGIA

MISCELLANEOUS STATISTICS

Source: Various city departments and local institutions

Date of Incorporation	1821
Form of Government	Council/Manager
City Population (2011 Estimate)	34,422
Hall County Population, including City (Estimate)	183,052
Area of City in square miles	33.75
Number of full time employees	653

Government facilities and services:

Public Safety:

ISO Fire Classification	Class II
Number of fire personnel and officers	103
Number of police personnel and officers	113
Number of police patrol units	126

Facilities and services not included in the reporting entity:

Education:

Number of elementary schools	5
Number of elementary school instructors	263
Number of middle schools	1
Number of middle school instructors	92
Number of secondary schools	1
Number of secondary school instructors	102
Number of community colleges (in Hall County, outside City)	1
Number of technical institutions (in Hall County, outside City)	1
Number of universities	1

Hospitals:

Number of hospitals	1
Number of patient beds	557

Bond Rating (Moody's):

General Obligation Bonds	Aa2
Revenue Bonds	
Senior Lien Bonds	A1
Junior Lien Bonds	A3

Note: Some of the Miscellaneous Statistical information that was included on this schedule in previous years is now included on the Operating Indicators by Function and Capital Asset Statistics by Function schedules.



SINGLE AUDIT SECTION



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

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Gainesville, Georgia, as of and for the year ended June 30, 2012, which collectively comprise the City of Gainesville, Georgia's basic financial statements and have issued our report thereon dated November 20, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Gainesville, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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

Rushton & Company, LLC

Certified Public Accountants

Gainesville, Georgia
November 20, 2012

**Report on Compliance with Requirements Applicable to Each Major
Program and on Internal Control over Compliance in
Accordance with OMB Circular A-133**

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

Compliance

We have audited the City of Gainesville, Georgia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Gainesville's major federal programs for the year ended June 30, 2012. The City of Gainesville, Georgia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Gainesville's management. Our responsibility is to express an opinion on the City of Gainesville's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Gainesville, Georgia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Gainesville's compliance with those requirements.

In our opinion, the City of Gainesville, Georgia complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major programs for the year ended June 30, 2012.

Internal Control over Compliance

Management of the City of Gainesville, Georgia, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Gainesville, Georgia's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Gainesville's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Rushton & Company, LLC

Certified Public Accountants

Gainesville, Georgia
November 20, 2012

CITY OF GAINESVILLE, GEORGIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the fiscal year ended June 30, 2012

<u>Federal Grant/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Number</u>	<u>Expenditures</u>
U.S. Department of Agriculture			
U.S. Forest Service Passed through Georgia Forestry Commission ARRA - Wildland Fire Management	10.688	ARTP10-05	\$ 2,997
U.S. Department of Housing and Urban Development			
Community Development Block Grant/Entitlement Grants	14.218	N/A	428,752
U.S. Department of Justice			
Bureau of Justice Assistance Bulletproof Vest Partnership Program	16.607	N/A	6,315
Bureau of Justice Assistance Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	50,631
Total U.S. Department of Justice			56,946
U.S. Department of Transportation			
Federal Aviation Administration Passed through the Georgia Department of Transportation: Airport Improvement Program	20.106	AP012-9013-30(139)	51,975
Federal Highway Administration Passed through Georgia Department of Natural Resources: Recreational Trails Program	20.219	NRT-04(12)	61,734
Passed through the Georgia Department of Transportation: Federal Transit - Formula Grants	20.507	T003235-GA-90-0309 T003237-GA-90-4309 MTG00-0142-00-003 MTG00-0148-00-009	17,109 321,768 23,920 123,301 486,098
ARRA - Federal Transit - Formula Grants	20.507	T004208-GA-96-X012	18,740 504,838
Formula Grants for Other than Urbanized Areas	20.509	T003812-GA-18-4032	208,152
ARRA - Formula Grants for Other than Urbanized Areas	20.509	T002809-GA-86-X001	1,100 209,252
Passed through the Georgia Department of Human Resources Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	42700-362-0000008739	42,519
Passed through the Georgia Office of Highway Safety: State and Community Highway Safety	20.600	TEN-2011-174-00235 TEN-2012-174-00270	3,722 14,197 17,919
Total U.S. Department of Transportation			888,237
U.S. Department of the Treasury			
Internal Revenue Service Volunteer Income Tax Assistance (VITA) Matching Grant Program	21.009	N/A	7,485
U.S. Environmental Protection Agency			
Congressionally Mandated Projects	66.202	N/A	253,573
Passed through the Georgia Department of Natural Resources Nonpoint Source Implementation Grants	66.460	751-100067	405,000
Total U.S. Environmental Protection Agency			658,573

CITY OF GAINESVILLE, GEORGIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the fiscal year ended June 30, 2012

<u>Federal Grant/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Number</u>	<u>Expenditures</u>
U.S. Department of Energy			
Passed through the Georgia Environmental Facilities Authority ARRA - Energy Efficiency and Conservation Block Grant	81.128	ARRA_EECBG_LocGov2010_123	\$ 203,090
U.S. Department of Health and Human Services			
Aging Cluster of Programs			
Passed through the Georgia Department of Human Resources Special Programs for the Aging - Title III, Part B Grants for Supportive Services and Senior Centers	93.044	42700-362-0000008739	94,872
Passed through Legacy Link, Inc.: Special Programs for the Aging - Title III, Part C Nutrition Services	93.045	Gainesville - Title III, C1 Gainesville - Title III, C2	184,401 77,020 <u>261,421</u>
Nutrition Services Incentive Program	93.053	Gainesville - NSIP	<u>67,869</u>
Total Aging Cluster of Programs passed through Legacy Link, Inc.			<u>329,290</u>
Total Aging Cluster of Programs			<u>424,162</u>
Passed through Hall County Department of Family and Children Services: Promoting Safe and Stable Families	93.556	201102000639 201102000640	35,882 13,067 <u>48,949</u>
Passed through the Georgia Department of Human Resources Temporary Assistance for Needy Families	93.558	42700-362-0000008739	<u>10,198</u>
Passed through Governor's Office of Children and Families Caring Communities Community-Based Child Abuse Prevention Grants	93.590	CC11-01-001	<u>83,085</u>
Social Services Block Grant Passed through Legacy Link, Inc. Passed through the Georgia Department of Human Resources	93.667	Gainesville - SSBG 42700-362-0000008739	66,680 31,600 <u>98,280</u>
Total U.S. Department of Health and Human Services			<u>664,674</u>
U.S. Department of Homeland Security			
Federal Emergency Management Agency			
Passed through the Georgia Emergency Management Agency: Emergency Management Performance Grants	97.042	OEM11-162	<u>25,000</u>
Passed through the Georgia Emergency Management Agency: Homeland Security Grant Program	97.067	2007-GE-T7-0054 2008-GE-T8-0017	43,134 958,287 <u>1,001,421</u>
Staffing for Adequate Fire and Emergency Response	97.083	N/A	<u>419,475</u>
Total U.S. Department of Homeland Security			<u>1,445,896</u>
Total Federal Awards			<u>\$ 4,356,650</u>

See accompanying notes to the schedule of expenditures of federal awards and the schedule of findings and questioned costs.

CITY OF GAINESVILLE, GEORGIA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2012

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City of Gainesville, Georgia, under programs for the federal government for the year ended June 30, 2012. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because this schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets or cash flows of the City.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

CITY OF GAINESVILLE, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the fiscal year ended June 30, 2012

1. Summary of the Auditor's Results

A. Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	None reported
Significant deficiencies identified not considered material weaknesses?	None reported
Noncompliance material to financial statements noted?	None reported

B. Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	None reported
Significant deficiencies identified not considered material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	None reported
Identification of major programs:	
66.202 Congressionally Mandated Projects	
66.460 Nonpoint Source Implementation Grants	
97.067 Homeland Security Grant Program	
Dollar threshold used to distinguish Between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

CITY OF GAINESVILLE, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the fiscal year ended June 30, 2012

2. Financial Statement Findings

A. Material Noncompliance

None reported

B. Significant Deficiencies

None reported

C. Prior Year Audit Findings Follow-Ups

None reported

3. Federal Award Findings and Questioned Costs

A. Material Noncompliance

None reported.

B. Significant Deficiencies

None reported

C. Prior Year Audit Findings Follow-Ups

None reported



STATE REPORTING SECTION

CITY OF GAINESVILLE, GEORGIA
SCHEDULE OF PROJECTS FINANCED WITH SPECIAL
PURPOSE LOCAL OPTION SALES TAX
For the fiscal year ended June 30, 2012

Project	Estimated Cost *		Expenditures		
	Original	Current	Prior Years	Current Year	Total
SPLOST V					
Municipal Allocations	\$ 6,764,982	\$ 6,532,907			
Road Improvements			\$ 2,344,422	\$ 27,880	\$ 2,372,302
Storm Drain Improvements			591,609	0	591,609
Green Street Facilities			383,000	0	383,000
Georgia Mountain Center Improvements			492,970	0	492,970
Joint Administration Building Improvements			96,000	0	96,000
Hall Area Transit Facilities			84,775	0	84,775
Joint Public Safety Facilities			1,044,213	53,251	1,097,464
Fire Facilities			35,586	0	35,586
Rockcreek Greenway Connector			71,544	0	71,544
Road Improvements	<u>1,591,760</u>	<u>1,537,155</u>	<u>1,499,627</u>	<u>37,529</u>	<u>1,537,156</u>
Total	<u>\$ 8,356,742</u>	<u>\$ 8,070,062</u>	<u>\$ 6,643,746</u>	<u>\$ 118,660</u>	<u>\$ 6,762,406</u>

SPLOST VI					
Public Safety Facilities	\$ 27,000,000	\$ 27,000,000	\$ 8,162,948	\$ 6,880,875	\$ 15,043,823
Road Improvements	2,500,000	2,500,000	0	0	0
Streetscape Projects	3,000,000	3,000,000	0	0	0
Park Facilities	<u>3,000,000</u>	<u>3,000,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 35,500,000</u>	<u>\$ 35,500,000</u>	<u>\$ 8,162,948</u>	<u>\$ 6,880,875</u>	<u>\$ 15,043,823</u>

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

Current year SPLOST expenditures	
SPLOST V	\$ 118,660
SPLOST VI	6,880,875
	<u>6,999,535</u>
Expenditures financed through other revenues and transfers from other funds	480,309
Reassignment of prior year's assigned fund balance	461,096
Total expenditures and transfers out of the SPLOST Capital Projects Fund	<u>\$ 7,940,940</u>