CITY OF DACULA, GEORGIA

FINANCIAL STATEMENTS

For the Year Ended December 31, 2011

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ROBERT A. MCALISTER, CPA, PC

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the City of Dacula, Georgia, as of and for the year ended December 31, 2011 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 Dacula, Georgia's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the City of Dacula, Georgia, as of December 31, 2011, and the respective changes in financial position and cash flows, where applicable, thereof 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 issued our report dated June 25, 2012 on our consideration of the City of Dacula, Georgia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of the report is to describe the scope of testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion of 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 read in conjunction with this report in considering the results of our audit.

3875 JOHNS CREEK PKWY, SUITE B, SUWANEE, GA 30024

The City of Dacula, Georgia has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The budgetary comparison information on pages 28 through 29 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Dacula, Georgia's basic financial statements. The schedule of projects constructed with special sales tax proceeds, and the other schedules included in other supplementary information as described in the accompanying table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. These statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Robert A. McAlister, CPA, PC

Suwanee, Georgia
June 25, 2012

CITY OF DACULA, GEORGIA
STATEMENT OF NET ASSETS
December 31, 2011

	Primary Government		
	Governmental Activities	Business Type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	$ 5,828,902	$ 16,267	$ 5,845,169
Receivables			
Property taxes	85,519	-	85,519
Sanitation	-	85,599	85,599
Due from other governments	117,242	-	117,242
Prepaid expenses	21,684	1,955	23,639
Total current assets	6,053,347	103,821	6,157,168
Noncurrent assets			
Land	1,025,702	-	1,025,702
Capital assets, net	2,893,857	-	2,893,857
Total noncurrent assets	3,919,559	-	3,919,559
TOTAL ASSETS	$ 9,972,906	$ 103,821	$ 10,076,727
LIABILITIES			
Current liabilities			
Accounts payable	$ 19,912	$ 3,665	$ 23,577
Deferred revenue	-	-	-
Compensated absenses	17,368	-	17,368
Total current liabilities	37,280	3,665	40,945
TOTAL LIABILITIES	37,280	3,665	40,945
NET ASSETS			
Invested in capital assets	3,919,559	-	3,919,559
Restricted for capital projects	2,240,992	-	2,240,992
Unrestricted	3,775,075	100,156	3,875,231
TOTAL NET ASSETS	9,935,626	100,156	10,035,782
TOTAL LIABILITIES AND NET ASSETS	$ 9,972,906	$ 103,821	$ 10,076,727

The accompanying notes are an integral part of this statement

CITY OF DACULA, GEORGIA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2011

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Assets: Primary Government: Governmental Activities	Net (Expense) Revenues and Changes in Net Assets: Primary Government: Business-type Activities	Net (Expense) Revenues and Changes in Net Assets: Primary Government: Total
Primary government							
Governmental activities							
General government	$ 923,340	$ 144,145	$ -	$ -	$ (779,195)	$ -	$ (779,195)
Streets	337,407	-	-	963,825	626,418	-	626,418
Total governmental activities	1,260,747	144,145	-	963,825	(152,777)	-	(152,777)
Business-type activities							
Sanitation	275,322	227,736	-	-	-	(47,586)	(47,586)
Total business-type activities	275,322	227,736	-	-	-	(47,586)	(47,586)
Total Primary government	$ 1,536,069	$ 371,881	$ -	$ 963,825	(152,777)	(47,586)	(200,363)
General revenues							
Taxes							
Property tax					565,665	-	565,665
Motor vehicle tax					41,161	-	41,161
Franchise tax					240,280	-	240,280
Beer & wine tax					111,307	-	111,307
Insurance premium tax					208,348	-	208,348
Other tax					36,150	-	36,150
Unrestricted investment income					3,993	-	3,993
Miscellaneous					56,178	-	56,178
Transfers					(103,317)	103,317	-
Total general revenues and transfers					1,159,765	103,317	1,263,082
Change in net assets					1,006,988	55,731	1,062,719
Net assets, beginning					8,928,638	44,425	8,973,063
Net assets, ending					$ 9,935,626	$ 100,156	$ 10,035,782

The accompanying notes are an integral part of this statement

CITY OF DACULA, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUND
December 31, 2011

	General Fund	SPLOST Fund	Totals Governmental Funds
ASSETS			
Cash and cash equivalents	$ 3,705,152	$ 2,123,750	$ 5,828,902
Receivables			
Property taxes	85,519	-	85,519
Receivable from other funds	-	-	-
Due from other governments	-	117,242	117,242
Prepaid expenses	21,684	-	21,684
TOTAL ASSETS	$ 3,812,355	$ 2,240,992	$ 6,053,347
LIABILITIES			
Accounts payable	$ 19,912	$ -	$ 19,912
Deferred tax revenue	68,802	-	68,802
TOTAL LIABILITIES	88,714	-	88,714
FUND BALANCE			
Non-spendable for prepaids	21,684	-	21,684
Restricted for capital projects	-	2,240,992	2,240,992
Unrestricted			
Unassigned	3,701,957	-	3,701,957
TOTAL FUND BALANCE	3,723,641	2,240,992	5,964,633
TOTAL LIABILITIES & FUND BALANCE	$ 3,812,355	$ 2,240,992	$ 6,053,347

The accompanying notes are an integral part of this statement

CITY OF DACULA, GEORGIA
RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
December 31, 2011

Total Fund Balance for Governmental Fund	$ 5,964,633
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of $904,822	3,919,559
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Balances at December 31, 2011 are:	
Compensated absences	(17,368)
Because some property taxes will not be collected for several months after the City's year ends, they are not considered as "available" revenues in the governmental funds	68,802
Net assets of governmental activities	$ 9,935,626

The accompanying notes are an integral part of this statement

CITY OF DACULA, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
For the Year Ended December 31, 2011

	General Fund	SPLOST Fund	Total Governmental Funds
REVENUES			
Taxes	$ 1,239,357	$ -	$ 1,239,357
Licenses, Permits, & Fees	144,145	-	144,145
Intergovernmental	334,457	629,368	963,825
Other Income	60,171	-	60,171
TOTAL REVENUE	1,778,130	629,368	2,407,498
EXPENDITURES			
Current Operations			
General Government	892,435	-	892,435
Streets	589,331	-	589,331
Capital Outlays	-	864,958	864,958
Total Expenditures	1,481,766	864,958	2,346,724
Excess (Deficiency) of Revenues over (under) Expenditures	296,364	(235,590)	60,774
OTHER FINANCING SOURCES (USES)			
Transfers	(103,317)	-	(103,317)
Net Change in Fund Balance	193,047	(235,590)	(42,543)
Fund Balance - Beginning of Year	3,530,594	2,476,582	6,007,176
Fund Balance - End of Year	$ 3,723,641	$ 2,240,992	$ 5,964,633

The accompanying notes are an integral part of this statement

CITY OF DACULA, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2011

Net change in fund balance - total governmental fund	$	(42,543)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:		
Capital outlays		1,159,688
Depreciation		(73,367)
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available.		
Compensated absences		(344)
Governmental funds defer all tax revenues not collected within sixty days of year end. However, the Statement of Activities uses the accrual method and, thus, the entire amount is recognized as revenue, regardless of the collection date		(36,446)
Change in net asssets of governmental activities	$	1,006,988

The accompanying notes are an integral part of this statement

CITY OF DACULA, GEORGIA
STATEMENT OF NET ASSETS
PROPRIETARY FUND
December 31, 2011

	Sanitation	Totals
ASSETS		
Current Assets		
Cash and cash equivalents	$ 16,267	$ 16,267
Accounts receivable, net	85,599	85,599
Prepaid expenses	1,955	1,955
Total current assets	103,821	103,821
Capital Assets		
Vehicles	203,020	203,020
	203,020	203,020
Less accumulated depreciation	(203,020)	(203,020)
Total capital assets	-	-
TOTAL ASSETS	$ 103,821	$ 103,821
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 3,665	$ 3,665
Deferred Revenue	-	-
Total current liabilities	3,665	3,665
NET ASSETS		
Invested in capital assets	-	-
Unrestricted	100,156	100,156
Total net assets	100,156	100,156
TOTAL LIABILITIES AND NET ASSETS	$ 103,821	$ 103,821

The accompanying notes are an integral part of this statement

CITY OF DACULA, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
For the Year Ended December 31, 2011

	Sanitation	Totals
OPERATING REVENUES		
Charges for services	$ 219,077	$ 219,077
Penalties & forfeitures	8,584	8,584
Other income	75	75
Total operating revenues	227,736	227,736
OPERATING EXPENSES		
Personal services & benefits	137,887	137,887
Purchased/contracted services	130,497	130,497
Supplies	6,938	6,938
Depreciation	-	-
Total operating expenses	275,322	275,322
Operating income (loss)	(47,586)	(47,586)
TRANSFERS		
Transfers	103,317	103,317
Total transfers	103,317	103,317
Change in net assets	55,731	55,731
Total net assets - beginning of year	44,425	44,425
Total net assets - end of year	$ 100,156	$ 100,156

The accompanying notes are an integral part of this statement

CITY OF DACULA, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended December 31, 2011

CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$	177,852
Payments to suppliers		(143,146)
Payments to employees		(137,887)
Net cash provided by (used in) operating activities		(103,181)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating subsidies and transfers from other funds		103,317
Net cash provided by (used in) noncapital financing activities		103,317
Net increase (decrease) in cash and cash equivalents		136
Balances - beginning of year		16,131
Balances - end of year	$	16,267
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	$	(47,586)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense		-
Change in assets and liabilities:		
Receivables, net		(47,929)
Accounts payables		(5,711)
Prepaid expenses		(1,955)
Net cash provided by operating activities	$	(103,181)

The accompanying notes are an integral part of this statement

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The financial statements of City of Dacula, Georgia (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. As required by GAAP, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize they are legally separate from the City.

Currently, the City has no blended component units or discretely presented component units.

B. Government-wide and Fund Financial Statements

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The City has elected not to allocate indirect costs among the programs, functions and segments. 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 as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual are property taxes, interest and grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. Other receipts and taxes become measurable and available when cash is received by the City and are recognized as revenue at that time.

Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, primarily directed to continuing operations. Reporting focuses on the determination of net income, financial position and cash flows. Principal operating revenues for proprietary funds are charges to customers for services. Principal operating expenses are costs of providing services and includes administrative expenses and depreciation of capital assets.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The City reports the following major governmental fund:

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

The Capital Projects Fund is for SPLOST activities. It accounts for all financial resources of SPLOST projects such as roads, streets, bridges and recreational facilities.

The City reports the following major proprietary fund:

The Sanitation Fund is used to account for the provision of sanitation services to businesses and residents of the City. All activities necessary to provide such services are accounted for in the fund, including but not limited to, administration, operation, financing and related debt services, and billing and collections.

The City complies with Governmental Accounting Standards Board ("GASB") Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting. This Statement requires the City to apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB's). As permitted by GASB No. 20, the City has elected not to comply with the FASB Statements and Interpretations issued after November 30, 1989.

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary funds are charges to customers for sales and services; operating expenses 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 nonoperating revenues and expenses.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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

D. Cash, Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City.

Investments, if any, are stated at fair market value with unrealized holding gains and losses reported as the "Change in fair market value of investments" in the Statement of Revenues, Expenditures and Changes in Fund Balance.

E. Inventory

Materials purchased during the year are shown as expenditures when acquired and are not inventoried at year end due to lack of materiality.

F. Restricted Assets

The City is receiving SPLOST funds in advance of the actual projects. The funds are restricted for SPLOST approved projects shown on page 32. Total SPLOST funds received in advance as of December 31, 2011 are $2,123,750.

G. Prepaid Items

Prepaid balances, if any, are for payments made by the City in the current year to provide services occurring in the subsequent year, and a reserve for prepaid items is recognized to signify that a portion of fund balance is not available for other subsequent expenditures.

H. Capital Assets and Depreciation

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., streets, sidewalks, distribution systems and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

H. Capital Assets and Depreciation - Continued

Prior to January 1, 2004, governmental funds' infrastructure assets were not capitalized.

The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend assets lives are not capitalized. The City generally capitalizes assets with a cost of $5,000 or more as purchase and construction outlays occur.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Buildings	40 years
Infrastructure	40 years
Furniture and equipment	5 - 7 years
Vehicles	5 years
Land improvements	40 years

I. Compensated Absences

Accumulated leave of governmental funds that is expected to be liquidated with expendable available financial resources is reported as expenditure in the fund financial statements. All accumulated leave, including that which is not expected to be liquidated with expendable available financial resources, is reported in the government-wide financial statements. Accumulated leave of Enterprise Funds is recorded as an expense and liability of the respective fund as the benefits accrue to employees. Liabilities for compensated absences are recorded as other liabilities and accrued expenses in the Sanitation Fund. In accordance with the provisions of Governmental Accounting Standards Board Statement No. 16, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

Full-time, permanent employees who have twenty years of service are allowed to accumulate up to one hundred days sick leave. The employee shall then be paid upon retirement and at the normal rate of pay for an eligible employee. The City had $17,368 of accrued sick leave at December 31, 2011.

J. Long-Term Obligations

The City has no long-term obligations as of December 31, 2011.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

K. Equity Classifications

Government-wide Statements

Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as non-spendable, restricted and unrestricted. Non-spendable reports amounts that cannot be spent and are, therefore, not included in the current year appropriations. There are two components: 1) not in spendable form and 2) legally or contractually required to be maintained intact. Restricted reports on resources that have spending constraints that are either 1) externally imposed by creditors, grantors, contributors or laws and regulations of other governments or 2) imposed by law through constitutional provisions or enabling legislation. Unrestricted has three components: 1) Committed which represents amounts that have internally imposed restrictions mandated by formal action of the government's highest level of decision-making authority, 2) Assigned which reports amounts that are constrained by the government's intent that they will be used for a specific purpose and 3) Unassigned which is the residual fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

L. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly chargeable to another fund, are recorded as

L. Interfund Transactions – Continued

expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

2. DEPOSITS AND INVESTMENTS

Primary Government

Deposits – State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or obligations of Georgia and its agencies that have a market value of not less than the principal amount of the deposits. The City's deposits consist of checking and savings accounts, and non-negotiable certificates of deposits in local banks. At December 31, 2011, the book balance of checking and savings accounts, and non-negotiable certificates of deposits in all banks was $5,845,169 and the bank balance was $5,867,305. Of the bank balance, $750,000 was covered by federal depository insurance and $5,117,305 was covered by collateral held by the banks in the City's name.

The collateral for the City's deposits is categorized to give an indication of the level of risk assumed by the City at year-end. Category 1 includes deposits that are insured or collateralized with securities held by the City or its agent in the City's name. Category 2 includes deposits collateralized with securities held by the pledging financial institution's trust department or agent in the City's name. Category 3 includes deposits that are uncollateralized, including any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the City's name.

Bank Deposit	Category			Bank	Carrying
Covered By	1	2	3	Balance	Value
U.S. Government Agencies and Georgia county government bonds	$ 5,117,305	$ -	$ -	$ 5,117,305	$ 5,095,169
FDIC insurance	750,000	-	-	750,000	750,000
Total Cash and Cash Equivalents	$ 5,867,305	$ -	$ -	$ 5,867,305	$ 5,845,169

Investments – There were no investments at December 31, 2011.

3. PROPERTY TAXES

The value of all real and business personal property located in the City is assessed (appraised) by Gwinnett County. Taxable assessed value represents the appraisal value less applicable exemptions authorized by Gwinnett County. Appraised values are established by Gwinnett County. The City levies property taxes on August 13 of each year and the taxes are due on September 15 and November 15, with a lien date of April 1. Taxes are collected by Gwinnett County throughout the year and are remitted to the City. Current tax collections for the year ended December 31, 2011, were 92.4% of the tax levy.

Property taxes are recorded as receivables and deferred at the time the tax levy is billed. Revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible within sixty days following the close of the year, and therefore susceptible to accrual in accordance with GAAP have been recognized as revenue.

4. ACCOUNTS RECEIVABLE

At December 31, 2011, accounts receivable consisted of the following:

	Governmental Activities	Business-type Activities	Total
General fund			
Taxes receivable	$ 85,519	$ -	$ 85,519
Special Purpose Local Option Sales Tax	117,242	-	117,242
Proprietary fund			
Sanitation receivable	-	85,599	85,599
	202,761	85,599	288,360
Allowance for Doubtful Accounts	-	-	-
	$ 202,761	$ 85,599	$ 288,360

5. INTERFUND TRANSACTIONS AND BALANCES

For the year ended December 31, 2011, the General Fund transferred $103,317 to the Sanitation Fund for purposes of subsidizing operating functions.

6. CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended December 31, 2011 was as follows:

	Balance 01/01/11	Additions	Deletions	Balance 12/31/11
Governmental activities				
Not being depreciated				
Land	$ 1,025,702	$ -	$ -	$ 1,025,702
Subtotal	$ 1,025,702	$ -	$ -	$ 1,025,702
Depreciable capital assets				
Buildings	$ 754,152	$ 19,130	$ -	$ 773,282
Infrastructure	756,947	1,140,558	-	1,897,505
Furniture & equipment	280,421	-	-	280,421
Vehicles	100,457	-	-	100,457
Land improvements	747,014	-	-	747,014
Subtotal	$ 2,638,991	$ 1,159,688	$ -	$ 3,798,679
Accumulated depreciation				
Buildings	$ 333,013	$ 19,133	$ -	$ 352,146
Infrastructure	66,944	23,676	-	90,620
Furniture & equipment	276,724	1,199	-	277,923
Vehicles	56,282	10,684	-	66,966
Land improvements	98,492	18,675	-	117,167
Subtotal	$ 831,455	$ 73,367	$ -	$ 904,822
Net capital assets	$ 2,833,238	$ 1,086,321	$ -	$ 3,919,559

6. CAPITAL ASSETS AND DEPRECIATION – CONTINUED

	Balance 01/01/11	Additions	Deletions	Balance 12/31/11
Business-type activities				
Depreciable capital assets				
Vehicles	$ 203,020	$ -	$ -	$ 203,020
Subtotal	$ 203,020	$ -	$ -	$ 203,020
Accumulated depreciation				
Vehicles	$ 203,020	$ -	$ -	$ 203,020
Subtotal	$ 203,020	$ -	$ -	$ 203,020
Net capital assets	$ -	$ -	$ -	$ -

Depreciation was charged to functions as follows:

Governmental activities	
General government	$ 49,691
Streets	23,676
Business-type activities	
Sanitation	-
	$ 73,367

7. FUND DEFICITS

No fund had a deficit fund balance or retained earnings balance at December 31, 2011.

8. COMMITMENTS AND CONTINGENCIES

Amounts received or receivable from federal grantor agencies are subject to audit and adjustment by the applicable agency. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Litigation

The City Attorney advised that no legal actions were in progress by or against the City at December 31, 2011, that would have a material effect on the City's financial condition.

9. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, job related illnesses or injuries to employees; natural disaster and unemployment compensation.

The City manages its risk by the purchase of commercial insurance and fidelity bonds. The commercial insurance purchased is in an amount sufficient to the City's risk of loss and consequently the City has effectively not retained the risk of loss. There were no significant reductions in insurance coverage compared to the prior year nor were there any settlements in excess of insurance coverage for the past three years.

10. RETIREMENT PLAN

A. Plan Description

As authorized by the City Council, through the adoption of a city ordinance, the City participates in a defined benefit agent-multiple-employer retirement plan, which is administered through the Georgia Municipal Employees Benefit System (GMEBS). The plan covers all of the City's employees. The plan's actuarial valuation is not computed for individual funds of the City that participates in the plan. Accordingly, the pension plan disclosures herein are for the Plan as a whole.

The City is required to contribute at an actuarially determined rate. Section 47-20 of the Georgia Code sets forth the funding standards for state and local governmental pension plans. Administrative expenses are based on total covered payroll of plan members and are added to the annual funding requirements

10. RETIREMENT PLAN – CONTINUED

The Georgia Constitution enables the governing authority, the City Council, to establish and amend from time to time, the contribution rates of the employer and its plan members.

The Plan issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. A copy of that report may be obtained by writing to the City of Dacula, P.O. Box 400, Dacula, Georgia 30019-0400.

Employees are eligible for participation after one year of continuous service. The City's plan is a Non-Contributory plan, which means the City bears the entire cost of the plan. Covered employees are not required to contribute to the plan. An employee is entitled to a 50% vested benefit after 5 years of credited service; 60% after 6 years; 70% after 7 years; 80% after 8 years; 90% after 9 years; and 100% after 10 years. The benefits of the

Plan is paid in the form of a monthly life annuity based on the employees' final average earnings. Benefits are calculated at 1.25% to 2.0% of the average monthly earnings for the period of the five highest years prior to retirement. Normal retirement age is 62, with 5 years of service.

As of July 1, 2011 (the date of the most recent actuarial valuation report), the total current year payroll for the City was $599,258. Total covered payroll for the City was $524,094. The plan covered:

Active Employees (vested)	4
Active Employees (non-vested)	7
Retirees	2

10. RETIREMENT PLAN – CONTINUED

B. Funding Policy

The City's plan is a non-contributory plan, which means the City bears the entire cost of the plan. Covered employees are not required to contribute to the plan. The City contributed the entire cost of $81,040 to the plan for the year ended June 30, 2011. This cost was determined using the actuarial basis known as the projected unit credit method.

C. Annual Pension Cost

The City's contributions to the Plan for the Plan's years ended June 30, 2011, 2009, 2008 were $81,040, $76,443 and $78,191 respectively, and were equal to the required contribution for each year.

A schedule of Employer's required contributions follows:

Fiscal Year Ended June 30	Required Contribution	Percentage Contributed
2002	$ 43,920	100.0%
2003	$ 46,209	100.0%
2004	$ 53,986	100.0%
2005	$ 50,654	100.0%
2006	$ 66,362	100.0%
2007	$ 62,484	100.0%
2008	$ 67,490	100.0%
2009	$ 78,191	100.0%
2010	$ 76,443	100.0%
2011	$ 81,040	100.0%

10. RETIREMENT PLAN – CONTINUED

C. Annual Pension Cost - Continued

Additional information as of the latest actuarial valuation follows:

Valuation Date	July 1, 2011
Actuarial Cost Method	Project Unit Credit
Amortization Method	Level Dollar (Closed)
Remaining amortization period	10 years
(Estimated amortization period for all unfunded liabilities combined into one account)	
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment rate of return	7.75%
Projected salary increases	3.5%
Includes inflation at	3.5%
Merit or seniority increases at	0.0%
Cost-of-living Adjustments	N/A
Post-retirement Benefit Increases	N/A

10. RETIREMENT PLAN – CONTINUED

D. Analysis of Funding Progress

Historical trend information designed to provide information about the City's progress made in accumulating sufficient assets to pay benefits due are as follows:

Actual Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Percentage Funded (1) / (2)	(4) Unfunded AAL (UAAL) (2) - (1)	(5) Annual Covered P/R (Prior Year)	(6) UAAL as % of Covered P/R (4) / (5)
2002	$ 329,086	$ 534,329	61.6%	$ 205,243	$ 224,189	91.5%
2003	$ 384,563	$ 632,374	60.8%	$ 247,811	$ 221,586	111.8%
2004	$ 408,607	$ 683,824	59.8%	$ 275,217	$ 227,836	120.8%
2005	$ 432,182	$ 742,723	58.2%	$ 310,541	$ 344,373	90.2%
2006	$ 469,918	$ 783,633	60.0%	$ 313,715	$ 394,986	79.4%
2007	$ 524,577	$ 792,834	66.2%	$ 268,257	$ 454,961	59.0%
2008	$ 573,524	$ 846,404	67.8%	$ 272,880	$ 468,610	58.2%
2009	$ 585,503	$ 899,455	65.1%	$ 313,952	$ 480,548	65.3%
2010	$ 653,123	$ 964,941	67.7%	$ 311,818	$ 482,348	64.6%
2011	$ 722,413	$ 1,029,375	70.2%	$ 306,962	$ 524,094	58.6%

Analysis of the dollar amounts of net assets available for benefits, actuarial accrued liability and unfunded actuarial accrued liability/(excess funding) in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the actuarial accrued liability provides one indication of the plan's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan is. Trends in both unfunded actuarial accrued liability/(excess funding) and annual covered payroll are affected by inflation. Expressing the unfunded actuarial accrued liability/(excess funding) as a percentage of the annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the plan progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the plan is.

11. COMPENSATED ABSENCES

Compensated absences are paid primarily by the General Fund. As of December 31, 2011, compensated absences activity was as follows:

	Balance 1/1/2011	Additions	Retired	Balance 12/31/2011
Compensated Absences	$ 17,024	$ 344	$ -	$ 17,368

12. JOINT VENTURE

Under Georgia law, the City in conjunction with other cities and counties in the ten county metro Atlanta area, is a member of the Atlanta Regional Commission (ARC). The City pays no annual dues to ARC. Membership in a Regional Commissions (RC) is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34, which provides for the organizational structure of the RC in Georgia. The RC Board membership includes each county commission chairman in the region, one mayor from each county (except Fulton County) chosen by the caucus of mayors, one mayor from the northern half and one mayor from the southern half of Fulton County elected by a caucus of mayors within northern and southern Fulton County, the mayor of the City of Atlanta, one member of the Atlanta City Council, fifteen private citizens, one from each of the fifteen multi-jurisdictional districts of roughly equal population, elected by the twenty-three public officials, and one member appointed by the Board of the Georgia Department of Community Affairs. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RC. Separate financial statements may be obtained from Atlanta Regional Commission, 40 Courtland Street, NE, Atlanta, GA 30303.

13. GRANTS

In the normal course of operations, the City receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

CITY OF DACULA, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET (GAAP BASIS) TO ACTUAL
For the Year Ended December 31, 2011

	Budgeted Amounts			
	Original Budget	Final Budget	Actual	Variance
TAXES				
Property Taxes	$ 600,000	$ 568,500	$ 602,111	$ 33,611
Motor Vehicle Taxes	40,000	40,000	41,161	1,161
Mobile Home Taxes	200	-	293	293
Franchise Taxes	225,000	235,000	240,280	5,280
Beer & Wine Taxes	60,000	100,000	111,307	11,307
Insurance Premium Taxes	207,000	208,300	208,348	48
Real Estate Transfer Taxes	4,000	10,000	11,172	1,172
Financial Institution Taxes	8,500	14,000	14,376	376
Penalties	6,000	10,000	10,309	309
Total Taxes	$ 1,150,700	$ 1,185,800	$ 1,239,357	$ 53,557
LICENSES, PERMITS, & FEES				
Business Licenses	$ 52,000	$ 66,000	$ 71,639	$ 5,639
Liquor Licenses	22,000	22,000	28,250	6,250
Building Permits	35,000	39,000	44,256	5,256
Total Licenses, Permits, & Fees	$ 109,000	$ 127,000	$ 144,145	$ 17,145
INTERGOVERNMENTAL				
Grants - CDBG	$ -	$ 245,000	$ 245,000	$ -
Gwinnett County - Homeowner Relief	-	-	-	-
Transportation Enhancement Grant	-	89,000	89,457	457
Total Intergovernmental	$ -	$ 334,000	$ 334,457	$ 457
OTHER INCOME				
Printing/Duplication	$ 500	$ 2,000	$ 3,344	$ 1,344
Interest Income	5,000	3,000	3,993	993
Other	3,200	5,500	52,834	47,334
Total Miscellaneous Income	$ 8,700	$ 10,500	$ 60,171	$ 49,671
TOTAL REVENUES	$ 1,268,400	$ 1,657,300	$ 1,778,130	$ 120,830

CITY OF DACULA, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET (GAAP BASIS) TO ACTUAL – CONTINUED
For the Year Ended December 31, 2011

	Budgeted Amounts			
	Original Budget	Final Budget	Actual	Variance
GENERAL GOVERNMENT				
Personal Services & Benefits	$ 581,918	$ 580,667	$ 580,588	$ 79
Purchased / Contracted Services	229,600	255,100	230,079	25,021
Supplies	36,400	39,000	37,851	1,149
Other	155,600	88,839	43,917	44,922
Total General Government	$ 1,003,518	$ 963,606	$ 892,435	$ 71,171
STREETS				
Personal Services & Benefits	$ 157,721	$ 167,177	$ 166,746	$ 431
Purchased / Contracted Services	33,500	399,500	399,277	223
Supplies	20,200	23,700	23,308	392
Total Streets	$ 211,421	$ 590,377	$ 589,331	$ 1,046
OTHER FINANCING USES				
Transfers	$ 53,461	$ 103,317	$ 103,317	$ -
TOTAL EXPENDITURES	$ 1,268,400	$ 1,657,300	$ 1,585,083	$ 72,217
Net change in Fund Balance			193,047	
Fund Balance - Beginning			3,530,594	
Fund Balance - Ending			$ 3,723,641	

CITY OF DACULA, GEORGIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended December 31, 2011

1. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The City's annual budget is prepared based on anticipated revenues and appropriated expenditures. Revenues anticipation's, generally conservative, are designed to help insure fiscal responsibility and maintain a balanced budget. The responsibility of budgeting is with the Mayor and City Council members. Sums sufficient to provide for debt service may not be diverted to any other purpose by the Mayor and the City Council. Public hearings are held to obtain taxpayer input and a final budget is enacted by passage of an ordinance prior to December 31. The appropriated budget is prepared by fund, function and department. Budgets were adopted for the General Fund on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). The legal level of budgetary control is the department level.

CITY OF DACULA, GEORGIA

SPECIAL SCHEDULES AND REPORTS

For the Year Ended December 31, 2011

CITY OF DACULA, GEORGIA
SCHEDULE OF PROJECT EXPENDITURES WITH
SPECIAL OPTION SALES TAX REVENUE
For the Year Ended December 31, 2011

Project	Original Estimated Cost	Revised Estimated Cost	Expenditures Prior Years	Expenditures Current Year	Expenditures Total	% of Completion
2005 SPLOST						
Roadway Resurfacing	$ 75,000	$ 59,213	$ 59,213	$ -	$ 59,213	100%
Park Land Construction	504,238	747,014	747,014	-	747,014	100%
Roadway Improvements	3,014,986	3,014,986	1,408,194	806,111	2,214,305	73%
Recreation Improvements	300,000	300,000	213,849	-	213,849	71%
	3,894,224	4,121,213	2,428,270	806,111	3,234,381	
2009 SPLOST						
Roads, Streets, Bridges	2,183,990	2,183,990	-	-	-	0%
Public Safety Fac & Equip	39,709	39,709	39,709	-	39,709	100%
Recreational Facilities	158,836	158,836	18,611	19,130	37,741	24%
Administrative Facilities	1,389,812	1,389,812	394,460	37,962	432,422	31%
Water & Sewer	198,545	198,545	8,800	1,754	10,554	5%
	3,970,892	3,970,892	461,580	58,846	520,426	
	$ 7,865,116	$ 8,092,105	$ 2,889,850	$ 864,957	$ 3,754,807	

ROBERT A. MCALISTER, CPA, PC

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

Honorable Mayor and City Council
City of Dacula, Georgia

We have audited the financial statements of the governmental activities, the business-type activities and each major fund of City of Dacula, Georgia, as of and for the year ended December 31, 2011, which collectively comprise the City of Dacula, Georgia's basic financial statements and have issued our report thereon dated June 25, 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 City of Dacula, 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 Dacula, Georgia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Dacula, 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 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 internal control over financial reporting 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 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.

3875 JOHNS CREEK PKWY, SUITE B, SUWANEE, GA 30024

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Dacula, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provision 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 management, City Council, others within the entity, 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.

Robert A. McAlister, CPA, PC

Suwanee, Georgia
June 25, 2012