CITY OF FAYETTEVILLE, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JULY 31, 2012

Prepared By:
Lorri Lynn Robinson
Director of Finance

Submitted By:
Joe Morton
City Manager

INTRODUCTORY SECTION

CITY OF FAYETTEVILLE, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JULY 31, 2012

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City of Fayetteville

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

MAYOR
Greg Clifton

COUNCIL
Ed Johnson
Larry Dell
Mickey Edwards
Paul Oddo
Walt White

CITY MANAGER
Joe Morton

CITY CLERK
Anne Barnard

January 21, 2013

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

Ladies and Gentlemen:

The comprehensive annual financial report of the City of Fayetteville, Georgia (the "City") for the fiscal year ended July 31, 2012 is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the government. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of the government. All disclosures necessary to enable to reader to gain an understanding of the City's financial activities have been included.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Fayetteville has a strong historical preservation ethic that is evident throughout the downtown district. At present there is an effort underway by the Main Street program to revitalize the downtown area. The city limits have been extended far beyond the courthouse, and the city business district now runs from a couple of miles south of the courthouse to almost three miles north for a total of about 5 miles of business area. There are now seven schools in Fayetteville, an outdoor shopping center (the Pavilion), the Southern Ground Amphitheater (formerly the Villages Amphitheater), two hotels, specialty shops of all descriptions, and a developing west side, that includes the Fayette Piedmont Hospital and medical complexes, all which make Fayetteville an attractive community. Numerous festivals and events are held on the square during the calendar year which brings thousands of people to downtown to participate in fellowship and community. Additionally the Southern Ground Amphitheater plays host to a wide array of concerts, films, and dramatic events. In 2012, the Downtown Development Authority negotiated a multi-year title sponsorship for the Villages Amphitheater with Southern Ground Artists, Inc. For the term of the agreement, the amphitheater will be listed in all advertising and mentions as the Southern Ground Amphitheater.

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

The population of Fayetteville is 16,124; a 43.03% increase since 2000. The median home cost in Fayetteville is $164,052. Renters make up about 20% of the City's population, while 80% own homes. 5% of the homes and apartments are vacant in the City. The housing market for Fayetteville increased in fiscal year 2012 as compared to fiscal year 2011. The total number of permits issued for new housing during 2012 was 12, as compared to 2 for 2011. The City remains affordable to residents as the per capita income is $27,738.

The total number of new commercial permits issued during fiscal year 2012 was 7, valued at $2,333,179. As compared to three permits issued in fiscal year 2011. There were approximately 27 new tenant finishes valued at $3,531,212 during fiscal year 2012.

The unemployment rate for Fayetteville is 8.7%, compared to the United States average of 9.1%. Sales and office type jobs are the most prominent jobs in Fayetteville, followed by professional and management, business, and financial operation.

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

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

The financial position of the City of Fayetteville has been affected by the recession, which has resulted in reduced revenues, mostly in sales taxes and building permits and fees. During fiscal year 2012, budget measures were continued to reduce the affected revenues and expenditures. Major expenditure reductions involved, but were not limited to, continuation of a hiring freeze, no purchasing on new and limited replacement capital items or projects, continuation of an employee voluntary reduction in work hours, no out-of-state training and travel, limited in-state training, fuel conservation policy, reorganization and reallocation of some employees between the General Fund departments and the Water and Sewer Fund when current employees terminate service with the City, amendments were approved to the City's deferred retirement program for new hires as of April 2012 for future cost savings, a voluntary early retirement incentive program (VERIP) was approved, and debt restructuring. Seventeen of the eighteen employees eligible chose to take the VERIP. The seventeen employees were staggered with different retirement dates beginning with July 31, 2012 as the first date of retirement and ending with July 2013. These measures and conservative spending allowed the City to offset the revenue deficit in fiscal year 2012.

Transportation projects, including highways and streets and sidewalks, that were funded via special local option sales tax, grants, and/or impact fees have continued as planned in the capital project fund budgets.

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

No new personnel were added during fiscal year 2012. As mentioned above, a hiring freeze was implemented in mid fiscal year 2008 and continued through fiscal year 2012. A one-time incentive pay was included in the fiscal year 2012 budgets. Personnel services and benefits decreased by (1.53%) from the previous fiscal year 2011. The decrease is mostly due to the hiring freeze and not replacing positions when they become vacant. Funds were budgeted for retention plan, wellness and safety program, workers compensation and retirement plan.

Major Initiatives. During fiscal year 2012, no new or replacement capital items were purchased in the major operating funds.

The most significant project occurred in the City's Stormwater program, which was the completion of the Pye Lake Tributary drainage.

Within the SPLOST and Capital Projects Funds, several major transportation, sidewalk, and pedestrian projects were completed and/or remain under construction. These projects are listed below in the table along with the funding source, which includes American Recovery and Reinvestment Act (ARRA) grants, and if they were completed or are still in progress to continue next fiscal year or are on hold pending future funding.

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

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

Financial analysis and planning is essentially a process, which assesses the future to the extent possible and determines what the picture of the community, from many different perspectives, should look like in the future years.

The Mayor and City Council have recognized the need for this type of planning effort, which will in turn provide the roadmap for future budgeting and capital planning efforts. Such a plan provides guidance to the legislative and administrative arms of city government, but also provides a guideline for residents and businesses of the community to act upon in the development of private programs and services.

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

Awards. The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Fayetteville for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended July 31, 2011. This was the sixteenth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

In addition, the City also received the GFOA Award for Distinguished Budget Presentation for the annual budget for fiscal year 2012. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient as a policy document, a financial plan, an operations guide, and a communication device.

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

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

Respectfully submitted,



Joe Morton
City Manager



Lorri Lynn Robinson
Director of Finance and Administrative Services

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Fayetteville

Georgia

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



Christopher P Morrill

President

Jeffrey L. Esser

Executive Director

CITY OF FAYETTEVILLE, GEORGIA

LIST OF PRINCIPAL OFFICIALS

MAYOR
Greg Clifton

CITY COUNCIL MEMBERS
Paul Oddo, Jr., Mayor Pro-Tem
Larry Dell
Mickey Edwards
Edward Johnson
Walt White

CITY MANAGER
Joe Morton

CITY CLERK
Anne Barnard

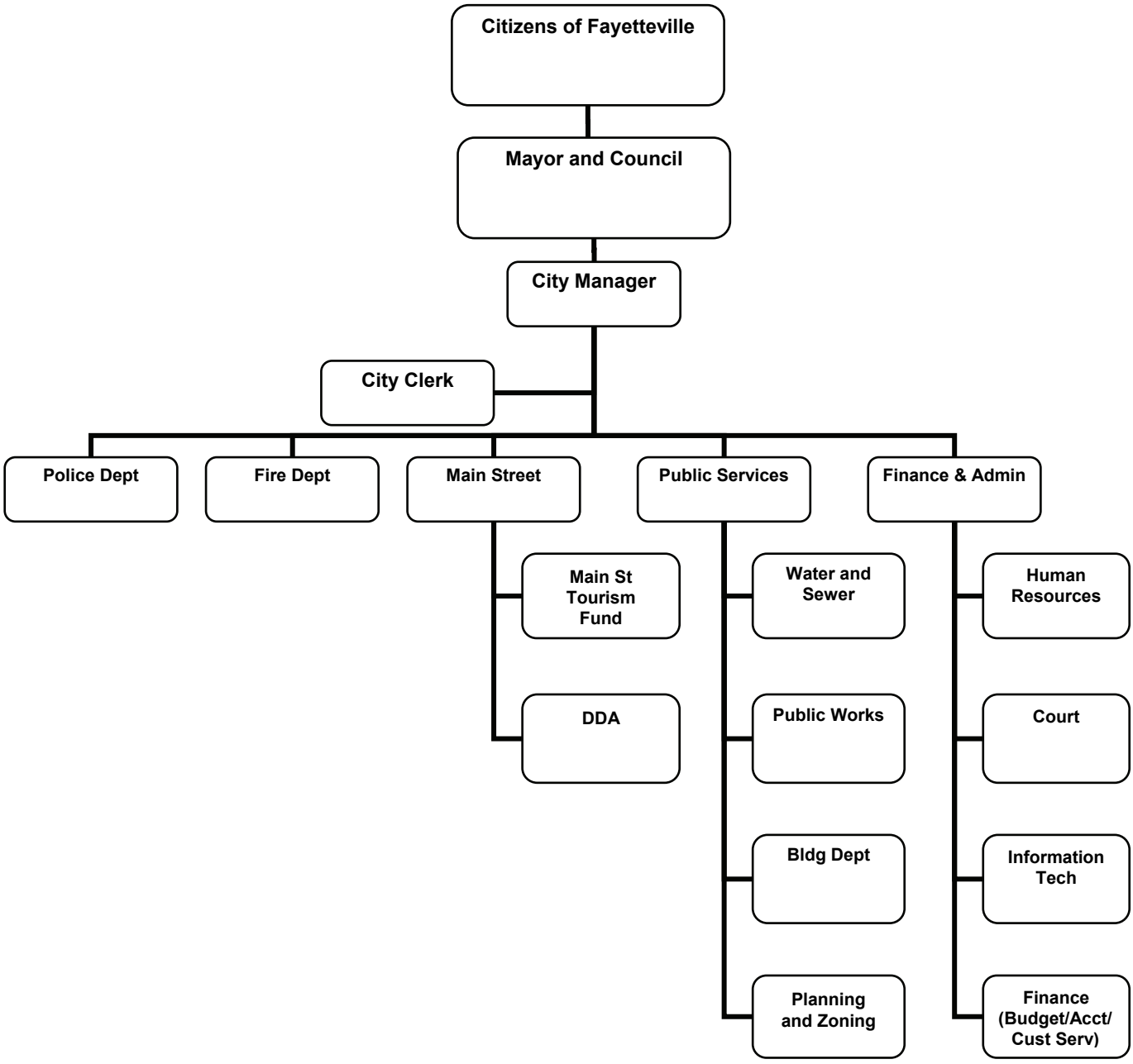
DIRECTOR OF FINANCE & ADMINISTRATIVE SERVICES
Lorri Lynn Robinson

CITY ATTORNEY
David Winkle

CITY AUDITORS
Mauldin & Jenkins, LLC

CITY OF FAYETTEVILLE, GEORGIA

ORGANIZATIONAL CHART



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FINANCIAL SECTION

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **City of Fayetteville, Georgia** (the "City") as of and for the year ended July 31, 2012, which collectively comprise the City of Fayetteville, Georgia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fayetteville, Georgia as of July 31, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison for 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 January 21, 2013, on our consideration of the City of Fayetteville, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages 3 through 11) and the Schedule of Funding Progress (on page 55) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

Mauldin & Jenkins, LLC

Macon, Georgia
January 21, 2013

CITY OF FAYETTEVILLE, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS
JULY 31, 2012

This management discussion and analysis of the City of Fayetteville, Georgia's financial performance provides an overall review of the City's financial activities for the fiscal year ended July 31, 2012. It is designed to give the reader an objective and easily readable analysis of the City's financial performance. The primary intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the letter of transmittal, notes to the basic financial statements, and the financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for FY2012 are as follows:

In total, combined net assets decreased ($655,934) which represents a (.77%) decrease over FY 2011. This decrease can primarily be attributed to the reduction of capital grants received by the City for infrastructure improvements and projects.

- Combined tax revenues accounted for $8,700,953 or 81% of all revenues from governmental activities. Service specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for $2,030,646 or 19% of total revenues of $10,740,852 from governmental activities.

- The City had $10,750,300 in expenses related to governmental activities; $2,030,646 of these expenses were offset by charges for services, grants, and contributions. General revenues (primarily taxes) of $8,710,206 provided for these services along with $9,448 of fund balance covering the difference.

- Total Water and Sewer Fund revenues for fiscal year 2012 were $5,548,060. Total expenses for fiscal year 2012 were $6,193,419. Capital contributions were recorded in the amount of $37,644, including but not limited to donated property and sewer proportionate share. The change in net assets after depreciation and non-operating revenues and/or expenses was ($607,715) for the fiscal year end.

- Revenues from the General Fund were $9,642,409 for fiscal year 2012, an increase of approximately 4.8% over the prior fiscal year, due to an increase in local option sales tax and insurance premium tax. General Fund expenditures totaled $9,015,964 for the fiscal year ending July 31, 2012, a decrease of (1.7%) over last fiscal year.

Overview of the Financial Statements

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

Statements of Net Assets and the Statement of Activities

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

The purpose of the Statement of Net Assets and the Statement of Activities is to answer the question, "How did we do financially during FY2012?" These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

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

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

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

Reporting the City's Most Significant Funds

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

Governmental Funds

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

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

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

Proprietary Funds

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

Financial Analysis

As was previously stated, the FY2012 total net assets represent a decrease of (.77%) over FY 2011. The City is starting to see changes in the economy that have affected some revenue sources: improvement in local option sales tax and other taxes with a decrease in capital grant monies. See Tables 1 (*Statement of Net Assets* on pages 12 and 13) and 2 (*Statement of Activities* on pages 14 and 15) for a schedule of net assets and change in net assets.

TABLE 1-NET ASSETS

	Governmental Activities		Business-type Activities		Total Activities	
	2012	2011	2012	2011	2012	2011
Current and other assets	$ 6,778,921	$ 7,064,897	$ 5,064,784	$ 4,860,139	$ 11,843,705	$ 11,925,036
Capital assets	67,483,186	68,003,688	28,398,323	29,759,823	95,881,509	97,763,511
Total assets	74,262,107	75,068,585	33,463,107	34,619,962	107,725,214	109,688,547
Long-term liabilites	3,613,703	4,122,905	18,515,498	19,026,294	22,129,201	23,149,199
Other liabilities	780,868	1,068,696	508,948	508,521	1,289,816	1,577,217
Total liabilities	4,394,571	5,191,601	19,024,446	19,534,815	23,419,017	24,726,416
Net assets:						
Invested in capital assets, net of related debt	64,305,483	64,398,879	9,882,825	10,733,529	74,188,308	75,132,408
Restricted	1,837,952	2,714,174	2,011,900	1,507,269	3,849,852	4,221,443
Unrestricted	3,724,101	2,763,931	2,543,936	2,844,349	6,268,037	5,608,280
Total net assets	$ 69,867,536	$ 69,876,984	$ 14,438,661	$ 15,085,147	$ 84,306,197	$ 84,962,131

TABLE 2-CHANGE IN NET ASSETS

	Governmental Activities		Business-type Activities		Total Activities	
	2012	2011	2012	2011	2012	2011
Revenues						
Program revenues:						
Charges for services	$ 1,623,609	$ 1,561,944	$ 6,171,106	$ 6,082,856	$ 7,794,715	$ 7,644,800
Operating grants and contributions	156,016	283,528	-	-	156,016	283,528
Capital grants and contributions	251,021	2,756,869	37,644	88,690	288,665	2,845,559
Total program revenues	2,030,646	4,602,341	6,208,750	6,171,546	8,239,396	10,773,887
General revenues:						
Property taxes	2,664,133	2,651,885	-	-	2,664,133	2,651,885
Other taxes	6,036,820	5,624,605	-	-	6,036,820	5,624,605
Unrestricted investment earnings	9,253	11,940	2,035	2,443	11,288	14,383
Gain on sale of capital assets	-	33,333	5,039	10,192	5,039	43,525
Total general revenues	8,710,206	8,321,763	7,074	12,635	8,717,280	8,334,398
Total revenues	10,740,852	12,924,104	6,215,824	6,184,181	16,956,676	19,108,285
Expenses						
General government	1,023,395	1,020,074	-	-	1,023,395	1,020,074
Judicial	584,782	719,103	-	-	584,782	719,103
Public safety	6,505,689	6,589,191	-	-	6,505,689	6,589,191
Public works	1,707,680	1,629,730	-	-	1,707,680	1,629,730
Culture and recreation	10	1,321	-	-	10	1,321
Housing and development	774,059	820,882	-	-	774,059	820,882
Interest on long-term debt	154,685	165,407	-	-	154,685	165,407
Water and sewer	-	-	5,838,861	5,736,799	5,838,861	5,736,799
Stormwater	-	-	354,558	423,132	354,558	423,132
Solid waste	-	-	668,891	628,225	668,891	628,225
Total expenses	10,750,300	10,945,708	6,862,310	6,788,156	17,612,610	17,733,864
Change in net assets	(9,448)	1,978,396	(646,486)	(603,975)	(655,934)	1,374,421
Net assets, beginning of year	69,876,984	67,898,588	15,085,147	15,689,122	84,962,131	83,587,710
Net assets, end of year	$ 69,867,536	$ 69,876,984	$ 14,438,661	$ 15,085,147	$ 84,306,197	$ 84,962,131

Governmental Activities

Please note that public safety expenses of $6,505,689 represent 60.5% of the total governmental expenses. The next most significant program expense is public works, which totals $1,707,680 and 15.9% of the total. Interest expense of $154,685 represents only 1.44%. Interest expense was attributable to the GMA Lease Program to lease/purchase the City's public safety vehicles as well as the Certificates of Participation for the construction of the law enforcement center.

Business-Type Activities

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

Cost of Program Services

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

Although program revenues make up 18.9% of the combined revenues, the City is dependent upon tax revenues for governmental activities. The net cost of services amounts to $8,719,654, which approximates 100% of our local tax receipts of $8,700,953, along with $9,253 in interest earnings and $9,448 in fund balance. This information was taken from the *Statement of Activities* on pages 14 and 15.

TABLE 3 – Governmental and Business Type Activities

	Total Cost of Services		Net Cost of Services	
	2012	2011	2012	2011
General government	$ 1,023,395	$ 1,020,074	$ (745,158)	$ (758,692)
Judicial	584,782	719,103	506,026	473,141
Public safety	6,505,689	6,589,191	(6,270,343)	(6,248,240)
Public works	1,707,680	1,629,730	(1,342,021)	1,133,814
Culture and recreation	10	1,321	670	7,399
Housing and development	774,059	820,882	(714,143)	(785,382)
Interest on long-term debt	154,685	165,407	(154,685)	(165,407)
Total governmental activities	10,750,300	10,945,708	(8,719,654)	(6,343,367)
Business-type activities	6,862,310	6,788,156	(653,560)	(616,610)
Total expenses	$ 17,612,610	$ 17,733,864	$ (9,373,214)	$ (6,959,977)

Governmental Fund Balance

At the end of the fiscal year 2012, the combined ending fund balances for the City's Governmental Funds were $5,802,185. Of the total fund balance, $5,549,970 is available as working capital for current spending in accordance with the purposes of the specific funds. The remainder of fund balance is designated to indicate that it is not available for new spending because it is committed for the following purposes: reserved as non-spendable $252,215 (pre-paid items and inventory).

The General Fund's fund balance for the fiscal year ending 2012 was $3,678,148, which indicates an increase in fund balance over previous year by $628,217. The increase in General Fund's fund balance is due to reduction in personnel through attrition, the first few participants in the voluntary early retirement incentive program (VERIP), and improvement in local option sales tax and other taxes. The fund balance of the City's Impact Fee Fund decreased by ($410,127) during the fiscal year to an ending fund balance of $921,836. The SPLOST fund has decreased by ($273,153) due to a few projects underway, which are currently listed as construction in progress. Information provided in Table 4 is from the *Governmental Funds Balance Sheet* on page 15.

TABLE 4 – Governmental Fund Balance

	2012	2011
General Fund	$ 3,678,148	$ 3,049,931
SPLOST Fund	789,887	1,063,040
Other Governmental Funds	1,334,150	1,676,551
Total	$ 5,802,185	$ 5,789,522

Proprietary Net Assets

At the end of the fiscal year 2012, the combined net assets of the City's Proprietary Funds were $14,438,661. The most significant event that took place in the Stormwater Fund was the completion of the Pye Lake Tributary drainage project.

General Fund Budgeting Highlights

- The City's budget is prepared according to Georgia law. The most significant budget fund is the General Fund.
- For the General Fund, the actual revenues of $9,642,409 were over the final budgeted amount of $9,451,784 by $190,625. This difference was primarily due to increase in revenues for sales taxes and other taxes.
- The actual expenditures of $9,015,964 were less than the final budgeted amount of $9,364,755 by $348,791. This difference was primarily due to vacant personnel positions.

General Fund Budgeting Highlights (Continued)

- The original budget had to be increased by $95,542 due to the change in revenues. Property Taxes were originally budgeted as $2,066,950 with actual revenues of $2,101,877 for a total increase of $34,927, Other Taxes were originally budgeted as $3,187,897 with actual revenues of $3,496,794 for a total increase of $308,897, Licenses and Permits were originally budgeted as $223,200 with actual revenues of $229,816 for an increase of $6,616, and Fines and Forfeitures were originally budgeted as $1,300,000 with actual revenues of $1,090,230 for a decrease of ($209,770). With the downturn in the economic conditions and subsequent slow recovery conditions have rendered the historical data and past trends irrelevant, forecasting has become difficult.

Capital Assets and Debt Administration

At the end of fiscal year 2012, the City had $95,881,509 invested in capital assets, which is a decrease over FY2011 of ($1,882,002). Table 5 shows fiscal years 2012 and 2011 balances of the *Capital Assets, net of depreciation* as presented on pages 40 through 42 under Note 7 – Capital Assets.

TABLE 5 – Capital Assets, Net of Accumulated Depreciation

	Governmental Activities		Business-type Activities		Total Activities	
	2012	2011	2012	2011	2012	2011
Land	$ 3,989,650	$ 3,989,650	$ 1,630,139	$ 1,630,139	$ 5,619,789	$ 5,619,789
Construction in progress	1,766,771	2,604,452	442,568	495,316	2,209,339	3,099,768
Buildings	5,339,712	5,531,079	-	-	5,339,712	5,531,079
Land improvements	148,743	102,071	-	-	148,743	102,071
Equipment	593,804	843,852	141,353	174,940	735,157	1,018,792
Infrastructure	55,644,506	54,932,584	26,184,263	27,459,428	81,828,769	82,392,012
Total	$ 67,483,186	$ 68,003,688	$ 28,398,323	$ 29,759,823	$ 95,881,509	$ 97,763,511

Debt

The amount of outstanding debt of $18,840,000 in Water and Sewerage Revenue Bonds is to refinance the cost of a surface water supply, a water treatment and transmission facility, a new gravity sewer line to connect the new Fayette Community Hospital to the sewer collection system and to finance a new Wastewater Plant Expansion. The Water and Sewer Fund refinanced a loan to the Georgia Environmental Facilities Authority of the State of Georgia by issuing 2010 Series Revenue Bonds in the amount of $9,870,000. The amount of outstanding debt in Governmental Activities is $3,177,703 in Certificates of Participation (COPS) with Georgia Municipal Association (GMA) to finance the cost of construction and furnishing of the new Law Enforcement Center. The General Fund has paid off all lease purchase agreements. Table 6 – *Outstanding Long-Term Liabilities* reflects information provided on page 47 under Note 8 – Long-Term Debt.

TABLE 6 – Outstanding Long-Term Liabilities

	Governmental Activities		Business-type Activities	
	2012	2011	2012	2011
Capital leases	$ -	$ 219,955	$ -	$ -
Compensated absences	436,000	518,096	-	-
Certificates of participation:				
Certificates payable	3,210,000	3,420,000	-	-
Discount	(32,297)	(35,146)	-	-
Total Certificates of participation	3,177,703	3,384,854	-	-
Bonds payable:				
Revenue bonds	-	-	18,840,000	19,405,000
Deferred amounts:				
Premium	-	-	86,442	93,405
On refunding	-	-	(410,944)	(472,111)
Total bonds payable	-	-	18,515,498	19,026,294
Total long-term liabilities	$ 3,613,703	$ 4,122,905	$ 18,515,498	$ 19,026,294

Current Issues

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

Today, the population for the City of Fayetteville is estimated to be 16,124. This growth has been reflected in the City's General Fund revenues, which have increased from $3,840,328 in 1994 to $9,642,409 in 2012. The economic condition and outlook of the City is beginning to show slight improvement in residential construction, purchasing by City residents, and the loss of jobs and employment in our area has stabilized.

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

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

Contacting the City's Financial Management

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

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BASIC FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, GEORGIA

STATEMENT OF NET ASSETS
JULY 31, 2012

	Primary Government		
ASSETS	**Governmental Activities**	**Business-type Activities**	**Total**
Cash and cash equivalents	$ 2,927,017	$ 719,012	$ 3,646,029
Investments	2,413,546	-	2,413,546
Taxes receivable	421,772	-	421,772
Accounts receivable, net of allowances	241,335	795,904	1,037,239
Due from other governments	239,287	-	239,287
Internal balances	78,782	(78,782)	-
Due from primary government	-	-	-
Due from component unit	7,917	-	7,917
Inventories	15,945	189,135	205,080
Prepaid expenses	236,270	70,173	306,443
Restricted assets, cash and cash equivalents	82,191	2,980,776	3,062,967
Deferred charges, unamortized balance	114,859	388,566	503,425
Capital assets, nondepreciable	5,756,421	2,072,707	7,829,128
Capital assets, depreciable, net of accumulated depreciation	61,726,765	26,325,616	88,052,381
Total assets	74,262,107	33,463,107	107,725,214
LIABILITIES			
Accounts payable	148,647	199,855	348,502
Accrued liabilities	201,489	309,093	510,582
Unearned revenues	405,713	-	405,713
Due to primary government	-	-	-
Due to component unit	25,019	-	25,019
Liabilities payable from restricted assets	-	580,000	580,000
Compensated absences due within one year	218,000	-	218,000
Compensated absences due in more than one year	218,000	-	218,000
Certificates of participation due within one year	215,000	-	215,000
Certificates of participation due in more than one year	2,962,703	-	2,962,703
Notes payable due within one year	-	-	-
Notes payable due in more than one year	-	-	-
Bonds payable due in more than one year	-	17,935,498	17,935,498
Total liabilities	4,394,571	19,024,446	23,419,017
NET ASSETS			
Invested in capital assets, net of related debt	64,305,483	9,882,825	74,188,308
Restricted for:			
Debt service	-	2,011,900	2,011,900
Law enforcement	107,732	-	107,732
Cemetery improvements	10,422	-	10,422
Veterans memorial	8,075	-	8,075
Other capital projects	1,711,723	-	1,711,723
Unrestricted	3,724,101	2,543,936	6,268,037
Total net assets	$ 69,867,536	$ 14,438,661	$ 84,306,197

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

Component Units	
Downtown Development Authority	Main Street Tourism Association
$ 557,272	$ 31,116
-	-
-	-
-	548
-	-
-	-
9,518	15,501
-	-
-	15,838
432	6,993
56,202	-
64,201	-
541,105	-
2,475,725	-
3,704,455	69,996
952	8,181
18,431	14,808
-	17,271
1,950	5,967
-	-
-	-
-	-
-	-
-	-
-	-
44,519	-
629,530	-
1,843,287	-
2,538,669	46,227
514,420	-
-	-
-	-
-	-
-	-
56,202	-
595,164	23,769
$ 1,165,786	$ 23,769

CITY OF FAYETTEVILLE, GEORGIA

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JULY 31, 2012

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	$ 1,023,395	$ 278,237	$ -	$ -
Judicial	584,782	1,090,808	-	-
Public safety	6,505,689	85,134	147,032	3,180
Public works	1,707,680	109,514	8,304	247,841
Culture and recreation	10	-	680	-
Housing and development	774,059	59,916	-	-
Interest on long-term debt	154,685	-	-	-
Total governmental activities	10,750,300	1,623,609	156,016	251,021
Business-type activities:				
Water and sewer	5,838,861	5,058,146	-	37,644
Stormwater	354,558	482,941	-	-
Solid waste	668,891	630,019	-	-
Total business-type activities	6,862,310	6,171,106	-	37,644
Total primary government	$ 17,612,610	$ 7,794,715	$ 156,016	$ 288,665
Component units:				
Downtown Development Authority	$ 254,659	$ -	$ 241,859	$ -
Main Street Tourism Association	415,324	205,925	226,239	-
Total component units	$ 669,983	$ 205,925	$ 468,098	$ -
General revenues:				
Property taxes				
Sales taxes				
Franchise taxes				
Alcoholic beverage excise taxes				
Business and occupation taxes				
Insurance premium taxes				
Other taxes				
Unrestricted investment earnings				
Gain on sale of capital assets				
Total general revenues				
Change in net assets				
Net assets (deficit), beginning of year				
Net assets, end of year				

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

Net (Expenses) Revenues and Changes in Net Assets					
				Component Units	
Governmental Activities	Business-type Activities	Total		Downtown Development Authority	Main Street Tourism Association
$ (745,158)	$ -	$ (745,158)		$ -	$ -
506,026	-	506,026		-	-
(6,270,343)	-	(6,270,343)		-	-
(1,342,021)	-	(1,342,021)		-	-
670	-	670		-	-
(714,143)	-	(714,143)		-	-
(154,685)	-	(154,685)		-	-
(8,719,654)	-	(8,719,654)		-	-
-	(743,071)	(743,071)		-	-
-	128,383	128,383		-	-
-	(38,872)	(38,872)		-	-
-	(653,560)	(653,560)		-	-
(8,719,654)	(653,560)	(9,373,214)		-	-
-	-	-		(12,800)	-
-	-	-		-	16,840
-	-	-		(12,800)	16,840
2,664,133	-	2,664,133		-	-
2,374,473	-	2,374,473		-	-
1,374,943	-	1,374,943		-	-
332,731	-	332,731		-	-
825,213	-	825,213		-	-
747,887	-	747,887		-	-
381,573	-	381,573		-	-
9,253	2,035	11,288		772	89
-	5,039	5,039		-	-
8,710,206	7,074	8,717,280		772	89
(9,448)	(646,486)	(655,934)		(12,028)	16,929
69,876,984	15,085,147	84,962,131		1,177,814	6,840
$ 69,867,536	$ 14,438,661	$ 84,306,197		$ 1,165,786	$ 23,769

CITY OF FAYETTEVILLE, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
JULY 31, 2012

ASSETS	General Fund	SPLOST Fund	Other Governmental Funds	Totals Governmental Funds
Cash and cash equivalents	$ 958,059	$ 755,647	$ 1,213,311	$ 2,927,017
Investments	2,413,546	-	-	2,413,546
Taxes receivable	400,227	-	21,545	421,772
Accounts receivable	241,335	-	-	241,335
Due from other governments	22,089	217,198	-	239,287
Due from other funds	236,898	26,470	212,729	476,097
Due from component unit	6,675	-	1,242	7,917
Inventories	15,945	-	-	15,945
Prepaid expenditures	236,270	-	-	236,270
Restricted assets	-	-	82,191	82,191
Total assets	$ 4,531,044	$ 999,315	$ 1,531,018	$ 7,061,377
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 130,838	$ 17,809	$ -	$ 148,647
Accrued liabilities	179,799	-	-	179,799
Deferred revenue	508,412	-	-	508,412
Due to other funds	33,037	191,619	172,659	397,315
Due to component unit	810	-	24,209	25,019
Total liabilities	852,896	209,428	196,868	1,259,192
FUND BALANCES				
Fund balances:				
Nonspendable	252,215	-	-	252,215
Restricted	-	789,887	1,048,065	1,837,952
Assigned	2,381,335	-	286,085	2,667,420
Unassigned	1,044,598	-	-	1,044,598
Total fund balances	3,678,148	789,887	1,334,150	5,802,185
Total liabilities and fund balances	$ 4,531,044	$ 999,315	$ 1,531,018	

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.	$ 67,483,186
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.	102,699
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.	(3,520,534)
Net assets of governmental activities	$ 69,867,536

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

CITY OF FAYETTEVILLE, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JULY 31, 2012

	General Fund	SPLOST Fund	Other Governmental Funds	Totals Governmental Funds
Revenues				
Taxes	$ 7,973,144	$ -	$ 731,292	$ 8,704,436
Licenses and permits	229,816	-	-	229,816
Intergovernmental	146,390	246,812	-	393,202
Fines and forfeitures	1,090,230	-	53,463	1,143,693
Charges for services	148,823	-	-	148,823
Impact fees	-	-	57,836	57,836
Contributions	3,822	-	8,984	12,806
Interest income	6,743	1,029	2,510	10,282
Other revenues	43,441	-	-	43,441
Total revenues	9,642,409	247,841	854,085	10,744,335
Expenditures				
Current:				
General government	929,487	-	-	929,487
Judicial	580,976	-	-	580,976
Public safety	6,126,758	-	227,336	6,354,094
Public works	928,008	-	-	928,008
Culture and recreation	-	-	10	10
Housing and development	450,735	-	174,410	625,145
Capital outlay:				
Public works	-	584,461	-	584,461
Housing and development	-	-	155,121	155,121
Debt service:				
Principal	-	-	429,955	429,955
Interest	-	-	144,508	144,508
Total expenditures	9,015,964	584,461	1,131,340	10,731,765
Excess (deficiency) of revenues over (under) expenditures	626,445	(336,620)	(277,255)	12,570

(Continued)

CITY OF FAYETTEVILLE, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JULY 31, 2012

	General Fund	SPLOST Fund	Other Governmental Funds	Totals Governmental Funds
Other financing sources (uses):				
Proceeds from sale of assets	$ 93	$ -	$ -	$ 93
Transfers in	1,679	63,467	424,455	489,601
Transfers out	-	-	(489,601)	(489,601)
Total other financing sources (uses)	1,772	63,467	(65,146)	93
Net change in fund balances	628,217	(273,153)	(342,401)	12,663
Fund balances, beginning of year	3,049,931	1,063,040	1,676,551	5,789,522
Fund balances, end of year	$ 3,678,148	$ 789,887	$ 1,334,150	$ 5,802,185

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

CITY OF FAYETTEVILLE, GEORGIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JULY 31, 2012

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds	$	12,663
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period.		(459,562)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.		(60,940)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(3,483)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		429,955
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		71,919
Changes in net assets - governmental activities	$	(9,448)

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

CITY OF FAYETTEVILLE, GEORGIA
GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JULY 31, 2012

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Property taxes	$ 2,066,950	$ 2,075,179	$ 2,101,877	$ 26,698
Sales taxes	2,298,917	2,326,677	2,374,473	47,796
Other taxes	3,187,897	3,366,460	3,496,794	130,334
Licenses and permits	223,200	223,200	229,816	6,616
Intergovernmental	174,000	174,000	146,390	(27,610)
Fines and forfeitures	1,300,000	1,150,000	1,090,230	(59,770)
Charges for services	58,050	83,050	148,823	65,773
Contributions	5,500	5,500	3,822	(1,678)
Interest income	1,010	7,000	6,743	(257)
Other revenues	40,718	40,718	43,441	2,723
Total revenues	9,356,242	9,451,784	9,642,409	190,625
Expenditures:				
Current:				
General government:				
Mayor and council	117,591	122,591	116,401	6,190
Clerk of council	47,016	40,841	37,086	3,755
City manager	77,827	79,927	79,905	22
Elections	5,900	7,155	7,146	9
Financial administration	407,665	397,665	370,520	27,145
Law	98,374	98,374	94,887	3,487
Data processing	80,290	80,640	80,598	42
Human resources	53,805	48,455	40,085	8,370
Building and plant	98,202	111,202	102,859	8,343
Total general government	986,670	986,850	929,487	57,363
Judicial:				
Municipal court	666,710	666,710	580,976	85,734
Public safety:				
Police administration	393,259	386,259	354,416	31,843
Investigations	848,011	817,791	752,053	65,738
Patrol	2,046,306	2,065,906	2,065,391	515
Police stations and buildings	83,846	117,866	117,669	197
Support services	346,862	330,862	313,139	17,723
Fire administration	273,544	273,544	263,655	9,889
Fire fighting	1,951,904	1,948,804	1,909,931	38,873
Fire prevention	194,160	190,210	189,139	1,071
Fire station 91 and headquarters	49,278	53,228	53,199	29
Fire station 92	21,380	24,480	24,462	18
E911	117,649	85,000	83,704	1,296
Total public safety	6,326,199	6,293,950	6,126,758	167,192

(Continued)

CITY OF FAYETTEVILLE, GEORGIA
GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JULY 31, 2012

	Budget			Variance With
	Original	Final	Actual	Final Budget
Public works:				
Public works administration	$ 129,017	$ 129,017	$ 106,193	$ 22,824
Highways and streets	798,533	831,533	821,815	9,718
Total public works	927,550	960,550	928,008	32,542
Housing and development:				
Inspection	217,869	185,328	181,956	3,372
Planning and zoning	166,538	152,872	152,696	176
Engineering and development	43,895	43,495	41,083	2,412
Main Street	75,000	75,000	75,000	-
Total housing and development	503,302	456,695	450,735	5,960
Total expenditures	9,410,431	9,364,755	9,015,964	348,791
Excess (deficiency) of revenues over (under) expenditures	(54,189)	87,029	626,445	539,416
Other financing sources (uses):				
Proceeds from sale of assets	12,000	12,000	93	(11,907)
Transfers in	-	1,837	1,679	(158)
Transfers out	-	(100,866)	-	100,866
Total other financing sources (uses)	12,000	(87,029)	1,772	88,801
Net change in fund balances	(42,189)	-	628,217	628,217
Fund balances, beginning of year	3,049,931	3,049,931	3,049,931	-
Fund balances, end of year	$ 3,007,742	$ 3,049,931	$ 3,678,148	$ 628,217

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

CITY OF FAYETTEVILLE, GEORGIA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JULY 31, 2012

ASSETS	Major Enterprise Fund Water and Sewer Fund	Nonmajor Enterprise Fund Solid Waste Fund	Totals
CURRENT ASSETS			
Cash and cash equivalents	$ 659,365	$ 59,647	$ 719,012
Accounts receivable, net of allowances	795,904	-	795,904
Due from other funds	109,701	53,044	162,745
Inventories	189,135	-	189,135
Prepaid expenses	70,173	-	70,173
Restricted assets, cash and cash equivalents	2,980,776	-	2,980,776
Total current assets	4,805,054	112,691	4,917,745
NONCURRENT ASSETS			
Deferred charges, unamortized balance	388,566	-	388,566
Capital assets:			
Capital assets, non-depreciable	2,072,707	-	2,072,707
Capital assets, depreciable, net of accumulated depreciation	26,325,616	-	26,325,616
Total capital assets	28,398,323	-	28,398,323
Total noncurrent assets	28,786,889	-	28,786,889
Total assets	33,591,943	112,691	33,704,634
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	144,939	54,916	199,855
Accrued liabilities	104,699	-	104,699
Due to other funds	225,879	15,648	241,527
Current portion of revenue bonds payable from restricted assets	580,000	-	580,000
Accrued interest	204,394	-	204,394
Total current liabilities	1,259,911	70,564	1,330,475
NONCURRENT LIABILITIES			
Revenue bonds payable, net of current portion	17,935,498	-	17,935,498
Total noncurrent liabilities	17,935,498	-	17,935,498
Total liabilities	19,195,409	70,564	19,265,973

(Continued)

CITY OF FAYETTEVILLE, GEORGIA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JULY 31, 2012

	Major Enterprise Fund Water and Sewer Fund	Nonmajor Enterprise Fund Solid Waste Fund	Totals
NET ASSETS			
Invested in capital assets, net of related debt	$ 9,882,825	$ -	$ 9,882,825
Restricted for debt service	2,011,900	-	2,011,900
Unrestricted	2,501,809	42,127	2,543,936
Total net assets	$ 14,396,534	$ 42,127	$ 14,438,661

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

CITY OF FAYETTEVILLE, GEORGIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JULY 31, 2012

	Major Enterprise Fund Water and Sewer Fund	Nonmajor Enterprise Fund Solid Waste Fund	Totals
OPERATING REVENUES			
Charges for services:			
Water sales pledged as security for revenue bonds	$ 2,441,788	$ -	$ 2,441,788
Sewer sales pledged as security for revenue bonds	2,596,871	-	2,596,871
Stormwater sales pledged as security for revenue bonds	482,941	-	482,941
Sanitation charges	-	630,019	630,019
Other fees and charges	19,487	-	19,487
Total operating revenues	5,541,087	630,019	6,171,106
OPERATING EXPENSES			
Personal services and employee benefits	1,852,973	-	1,852,973
Contracted services	699,417	668,891	1,368,308
Supplies	1,227,839	-	1,227,839
Other operating expenses	2,675	-	2,675
Depreciation	1,511,080	-	1,511,080
Amortization	79,759	-	79,759
Total operating expenses	5,373,743	668,891	6,042,634
Operating income (loss)	167,344	(38,872)	128,472
NONOPERATING INCOME (EXPENSES)			
Gain on disposal of assets	5,039	-	5,039
Interest income	1,934	101	2,035
Interest expense	(819,676)	-	(819,676)
Total nonoperating income (expenses)	(812,703)	101	(812,602)
Loss before contributions	(645,359)	(38,771)	(684,130)
CAPITAL CONTRIBUTIONS	37,644	-	37,644
Change in net assets	(607,715)	(38,771)	(646,486)
NET ASSETS, beginning of year	15,004,249	80,898	15,085,147
NET ASSETS, end of year	$ 14,396,534	$ 42,127	$ 14,438,661

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

CITY OF FAYETTEVILLE, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JULY 31, 2012

	Major Enterprise Fund Water and Sewer Fund	Nonmajor Enterprise Fund Solid Waste Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 5,446,964	$ 629,469	$ 6,076,433
Payments to suppliers and service providers	(1,920,015)	(651,013)	(2,571,028)
Payments to employees	(1,813,952)	-	(1,813,952)
Net cash provided by (used in) by operating activities	1,712,997	(21,544)	1,691,453
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of property and equipment	(191,778)	-	(191,778)
Proceeds from sale of property and equipment	47,237	-	47,237
Principal paid on bonds	(565,000)	-	(565,000)
Interest paid	(822,051)	-	(822,051)
Capital contributions	31,644	-	31,644
Net cash used in capital and related financing activities	(1,499,948)	-	(1,499,948)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	1,934	101	2,035
Net cash provided by investing activities	1,934	101	2,035
Increase (decrease) in cash and cash equivalents	214,983	(21,443)	193,540
Cash and cash equivalents:			
Beginning of year (including $2,444,149) in restricted cash in the Water and Sewer Fund)	3,419,158	81,090	3,500,248
End of year (including $2,980,776 in restricted cash in the Water and Sewer Fund)	$ 3,634,141	$ 59,647	$ 3,693,788
Classified as:			
Cash and cash equivalents	$ 659,365	$ 59,647	$ 719,012
Restricted assets, cash and cash equivalents	2,980,776	-	2,980,776
	$ 3,640,141	$ 59,647	$ 3,699,788

(Continued)

CITY OF FAYETTEVILLE, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JULY 31, 2012

	Major Enterprise Fund Water and Sewer Fund	Nonmajor Enterprise Fund Solid Waste Fund	Totals
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	$ 167,344	$ (38,872)	$ 128,472
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	1,511,080	-	1,511,080
Amortization	79,759	-	79,759
Increase in accounts receivable	(91,448)	-	(91,448)
Decrease in inventories	20,080	-	20,080
Increase in due from other funds	(4,475)	(550)	(5,025)
Decrease in due from component units	122	-	122
Increase in prepaid expenses	(4,525)	-	(4,525)
Increase in accrued liabilities	4,533	-	4,533
Increase/(decrease) in accounts payable	(3,961)	2,230	(1,731)
Increase in due to other funds	34,488	15,648	50,136
Net cash provided by (used in) by operating activities	$ 1,712,997	$ (21,544)	$ 1,691,453

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements

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

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

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

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

The City reports the following major governmental funds:

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

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

The City reports the following major proprietary fund:

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

D. Cash and Deposits

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

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

E. Receivables and Payables

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Inventories

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

G. Prepaid Expenditures/Expenses

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

H. Restricted Assets

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

I. Capital Assets

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

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

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

Asset	Years
Land improvements	3-50
Buildings	3-40
Public domain infrastructure	3-100
System infrastructure	3-40
Equipment	3-30

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Compensated Absences

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

K. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bond using the straight-line method, which approximates the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. The gain on defeasance of bonds is presented as an addition to the face amount of bonds payable and is being amortized over the life of the bonds through interest expense.

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

L. Fund Equity

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Fund Equity (Continued)

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

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

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

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

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

- Committed
- Assigned
- Unassigned

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Use of Estimates

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

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

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

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds." The details of this $3,520,534 difference are as follows:

Accrued interest payable	$ (21,690)
Compensated absences payable	(436,000)
Certificates of participation	(3,210,000)
Less: Deferred charge for issuance costs (to be amortized over life of debt)	114,859
Less: Issuance discount (to be amortized as interest expense)	32,297
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net assets - governmental activities*	$ (3,520,534)

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

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense." The details of this $459,562 difference are as follows:

Capital outlay	$ 725,652
Depreciation expense	(1,185,214)
Net adjustment to decrease *net changes in fund balance - total governmental funds to arrive at changes in net assets of governmental activities*	$ (459,562)

Another element of the reconciliation states that "The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this $429,955 difference are as follows:

Principal repayments:	
Certificates of participation	$ 210,000
Capital leases	219,955
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*	$ 429,955

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

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

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds." The details of this $71,919 difference are as follows:

Compensated absences	$	82,096
Accrued interest		2,807
Amortization of issuance costs		(10,135)
Amortization of discounts on certificates of participation		(2,849)
Net adjustment to increase *net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities*	$	71,919

NOTE 3. LEGAL COMPLIANCE - BUDGETS

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

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

NOTE 3. LEGAL COMPLIANCE – BUDGETS (CONTINUED)

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

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as assignments or commitments of fund balances, as appropriate, and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. At July 31, 2012, there were no outstanding encumbrances.

Excess Expenditures over Appropriations. For the year ended July 31, 2012, expenditures exceeded budget, as follows:

Department	Excess
Vehicle Excise Tax Fund:	
Housing and development	$ 1,358
Confiscated Assets Fund:	
Public safety	5,336
Hotel/Motel Tax Fund:	
Housing and development	10,210
Veterans Memorial Park Fund:	
Culture and recreation	10
Impact Fee Fund:	
Housing and development	1,054

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

NOTE 4. DEPOSITS AND INVESTMENTS

Credit risk. State statutes authorize the City to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime bankers' acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia. The City has no formal credit risk policy other than to only invest in obligations authorized by the State of Georgia. As of July 31, 2012, the City's investment in Georgia Fund 1 was rated AAAm by Standard & Poor's.

At July 31, 2012, the City had the following investments:

Investment	Maturities	Fair Value
Georgia Fund 1	51 day weighted average	$ 1,656,240
Certificate of Deposit	August 2012	757,306
		$ 2,413,546

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

Custodial credit risk – deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of July 31, 2012, all of the deposits for the City and component units were fully collateralized in accordance with the state statutes.

NOTE 5. RECEIVABLES

Receivables at July 31, 2012 for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

	General	Water and Sewer	Nonmajor and Other Funds	Total
Receivables:				
Taxes	$ 429,596	$ -	$ 21,545	$ 451,141
Accounts	270,860	896,023	-	1,166,883
Gross receivables	700,456	896,023	21,545	1,618,024
Less allowance for uncollectibles	58,894	100,119	-	159,013
Net total receivables	$ 641,562	$ 795,904	$ 21,545	$ 1,459,011

NOTE 6. PROPERTY TAXES

The City receives its property tax revenue from Fayette County, which assesses, levies, and collects the taxes, including real and personal property, mobile homes, and motor vehicles. Tax bills were levied to taxpayers on September 1, 2011, and were due and payable on November 15, 2011. All unpaid taxes became delinquent as of November 16, 2011. Property taxes attached as an enforceable lien on property as of November 16, 2011. Receivables are recorded when taxes are levied.

NOTE 7. CAPITAL ASSETS

Capital asset activity for the fiscal year ended July 31, 2012 is as follows:

A. Primary Government

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 3,989,650	$ -	$ -	$ -	$ 3,989,650
Construction in Progress	2,604,452	725,652	(60,940)	(1,502,393)	1,766,771
Total	6,594,102	725,652	(60,940)	(1,502,393)	5,756,421
Capital assets, being depreciated:					
Buildings	7,601,467	-	-	-	7,601,467
Land Improvements	163,378	-	-	59,142	222,520
Infrastructure	63,315,650	-	-	1,443,251	64,758,901
Equipment	4,209,488	-	(39,153)	-	4,170,335
Total	75,289,983	-	(39,153)	1,502,393	76,753,223
Less accumulated depreciation for:					
Buildings	2,070,388	191,367	-	-	2,261,755
Land Improvements	61,307	12,470	-	-	73,777
Infrastructure	8,383,066	731,329	-	-	9,114,395
Equipment	3,365,636	250,048	(39,153)	-	3,576,531
Total	13,880,397	1,185,214	(39,153)	-	15,026,458
Total assets, being depreciated, net	61,409,586	(1,185,214)	-	1,502,393	61,726,765
Governmental activities capital assets, net	$ 68,003,688	$ (459,562)	$ (60,940)	$ -	$ 67,483,186

NOTE 7. CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities:					
Capital assets, not being depreciated:					
Land	$ 1,630,139	$ -	$ -	$ -	$ 1,630,139
Construction in Progress	495,316	-	(42,198)	(10,550)	442,568
Total	2,125,455	-	(42,198)	(10,550)	2,072,707
Capital assets, being depreciated:					
Water and plant distribution system	11,809,986	-	-	-	11,809,986
Sewer plant and extensions	32,073,501	70,785	-	10,550	32,154,836
Stormwater system	3,133,205	120,993	-	-	3,254,198
Equipment	1,234,649	-	(17,095)	-	1,217,554
Total	48,251,341	191,778	(17,095)	10,550	48,436,574
Less accumulated depreciation for:					
Water and plant distribution system	7,645,242	521,071	-	-	8,166,313
Sewer plant and extensions	11,646,820	876,630	-	-	12,523,450
Stormwater system	265,202	79,792	-	-	344,994
Equipment	1,059,709	33,587	(17,095)	-	1,076,201
Total	20,616,973	1,511,080	(17,095)	-	22,110,958
Total assets, being depreciated, net	27,634,368	(1,319,302)	-	10,550	26,325,616
Business-type activities capital assets, net	$ 29,759,823	$ (1,319,302)	$ (42,198)	$ -	$ 28,398,323

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

Governmental activities:	
General government	$ 64,340
Public safety	357,288
Public works	752,553
Housing and development	11,033
Total depreciation expense - governmental activities	$ 1,185,214
Business-type activities:	
Water and sewer	$ 1,511,080
Total depreciation expense - business-type activities	$ 1,511,080

NOTE 7. CAPITAL ASSETS (CONTINUED)

C. Discretely Presented Component Unit – Downtown Development Authority

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	$ 449,826	$ -	$ -	$ -	$ 449,826
Historical treasures	91,279	-	-	-	91,279
Total	541,105	-	-	-	541,105
Capital assets, being depreciated:					
Land Improvements	306,337	-	-	-	306,337
Buildings	2,851,262	-	-	-	2,851,262
Total	3,157,599	-	-	-	3,157,599
Less accumulated depreciation for:					
Land Improvements	63,178	16,965	-	-	80,143
Buildings	530,269	71,462	-	-	601,731
Total	593,447	88,427	-	-	681,874
Total assets, being depreciated, net	2,564,152	(88,427)	-	-	2,475,725
Capital assets, net	$ 3,105,257	$ (88,427)	$ -	$ -	$ 3,016,830

NOTE 8. LONG-TERM DEBT

Revenue Bonds. During the year ended July 31, 2004, the City issued revenue bonds in the amount of $14,205,000. The bond proceeds were used to refund the series 1996 revenue bonds. Revenue bonds outstanding at July 31, 2012, are as follows:

Purpose	Interest Rate	Term	Due Date	Original Amount	Outstanding Amount
Water & Sewer Fund	2.00 - 5.00%	21 years	2024	$ 14,205,000	$ 8,970,000
	Plus unamortized premium				86,442
	Less unamortized deferred refunding loss				(383,519)
					$ 8,672,923

NOTE 8. LONG-TERM DEBT (CONTINUED)

Revenue Bonds (Continued). During the year ended July 31, 2010, the City issued revenue bonds in the amount of $9,870,000. The bond proceeds were used to pay off a note payable to the Georgia Environmental Facilities Authority and to refund a portion of the series 2003 revenue bonds. Revenue bonds outstanding at July 31, 2012, are as follows:

Purpose	Interest Rate	Term	Due Date	Original Amount	Outstanding Amount
Water & Sewer Fund	3.00 - 4.50%	23 years	2032	$ 9,870,000	$ 9,870,000
	Less unamortized deferred refunding loss				(27,425)
					$ 9,842,575

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

Year Ending July 31,	Principal	Interest
2013	$ 580,000	$ 799,210
2014	600,000	778,923
2015	625,000	757,266
2016	650,000	734,148
2017	675,000	709,369
2018-2022	3,785,000	3,100,996
2023-2027	4,840,000	2,086,924
2028-2032	6,085,000	898,836
2033	1,000,000	22,500
Total	$ 18,840,000	$ 9,888,172

NOTE 8. LONG-TERM DEBT (CONTINUED)

Revenue Bonds (Continued). The Downtown Development Authority issued revenue bonds during the year ended July 31, 2012 in the amount of $1,885,000. The purpose of the bonds is to advance refund the remaining series 2001 bonds issued during the year ended July 31, 2002. The principal and interest on the bonds is payable from and secured by certain payments made to the Downtown Development Authority by the City pursuant to a contract between the Downtown Development Authority and the City. To fulfill its obligations under the contract, the City has agreed that it will, to the extent necessary, levy an annual tax on all taxable property located within the boundaries of the City, at such rate or rates, limited to 3 mills, as may be necessary to make the payments to the Downtown Development Authority for its services as called for by the contract. Revenue bonds outstanding at July 31, 2012, are as follows:

Purpose	Interest Rate	Term	Due Date	Original Amount	Outstanding Amount
Downtown Development Authority	2.49%	10 years	2021	$ 1,885,000	$ 1,885,000
	Less unamortized deferred refunding loss				(41,713)
					$ 1,843,287

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

Year Ending July 31,	Principal	Interest
2013	$ -	$ 46,937
2014	80,000	45,941
2015	205,000	42,392
2016	215,000	37,163
2017	215,000	31,810
2018-2022	1,170,000	74,327
Total	$ 1,885,000	$ 278,570

NOTE 8. LONG-TERM DEBT (CONTINUED)

Notes Payable. The Downtown Development Authority has incurred debt to a financial institution to be used on specifically identified Main Street projects. In connection with this debt, a contract has been entered into between the Downtown Development Authority and the City of Fayetteville whereby the City is to levy an annual tax on all taxable property located within the boundaries of the City in order to produce revenues sufficient to pay the debt service on the Downtown Development Authority debt. In the event that payments of this tax by the City to the Downtown Development Authority each year are not sufficient to pay the debt service payment on the debt, the City will be liable for any difference. The note is as follows at July 31, 2012:

Interest Rate	Term	Due Date	Original Amount	Outstanding Amount
4.17%	15 years	2023	$ 540,000	$ 442,102

The Downtown Development Authority has also incurred debt to a nonprofit corporation to be used for the renovation of a specifically identified historic building. This debt is secured by a first mortgage, as well as an assignment of all leases and rents on the identified property. The Downtown Development Authority must also contribute approximately $350,000 in acquisition and renovation costs to the property under the terms of the loan agreement. The note is as follows as of July 31, 2012:

Interest Rate	Term	Due Date	Original Amount	Outstanding Amount
3.00%	10 years	2021	$ 250,000	$ 231,947

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

Year Ending July 31,	Principal	Interest
2013	$ 44,519	$ 24,890
2014	46,331	23,174
2015	48,115	21,340
2016	49,969	19,536
2017	51,896	17,609
2018-2022	362,987	52,996
2023-2024	70,232	2,949
Total	$ 674,049	$ 162,494

NOTE 8. LONG-TERM DEBT (CONTINUED)

Certificates of Participation. During the year ended July 31, 2005, the City entered into lease-purchase agreements with the Georgia Municipal Association for the construction of a new law enforcement center issuing certificates of participation in the amount of $4,575,000. Certificates of participation outstanding at July 31, 2012 are as follows:

Interest Rate	Term	Due Date	Original Amount	Outstanding Amount
2.00 - 4.50%	20 years	2023	$ 4,575,000	$ 3,210,000
		Less unamortized discount		(32,297)
				$ 3,177,703

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

Year Ending July 31,	Principal	Interest
2013	$ 215,000	$ 126,486
2014	225,000	118,894
2015	230,000	110,816
2016	240,000	102,176
2017	250,000	92,676
2018-2022	1,405,000	298,041
2023-2024	645,000	29,205
Total	$ 3,210,000	$ 878,294

NOTE 8. LONG-TERM DEBT (CONTINUED)

Long-term liability activity for the year ended July 31, 2012 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Capital leases	$ 219,955	$ -	$ (219,955)	$ -	$ -
Compensated absences	518,096	305,388	(387,484)	436,000	218,000
Certificates of participation:					
Certificates payable	3,420,000	-	(210,000)	3,210,000	215,000
Discount	(35,146)	-	2,849	(32,297)	-
Total certificates of participation	3,384,854	-	(207,151)	3,177,703	215,000
Governmental activity Long-term liabilities	$ 4,122,905	$ 305,388	$ (814,590)	$ 3,613,703	$ 433,000
Business-type activities:					
Bonds payable:					
Revenue bonds	$ 19,405,000	$ -	$ (565,000)	$ 18,840,000	$ 580,000
Deferred amounts:					
Premium	93,405	-	(6,963)	86,442	-
Deferred loss on refunding	(472,111)	-	61,167	(410,944)	-
Total bonds payable	19,026,294	-	(510,796)	18,515,498	580,000
Business-type activity Long-term liabilities	$ 19,026,294	$ -	$ (510,796)	$ 18,515,498	$ 580,000

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Downtown Development Authority:					
Revenue bonds	$ 1,835,000	$ 1,885,000	$ (1,835,000)	$ 1,885,000	$ -
Deferred amounts:					
Deferred loss on refunding	-	(44,344)	2,631	(41,713)	-
Total bonds payable	1,835,000	1,840,656	(1,832,369)	1,843,287	-
Notes payable	717,012	-	(42,963)	674,049	44,519
Downtown Development Authority Long-term liabilities	$ 2,552,012	$ 1,840,656	$ (1,875,332)	$ 2,517,336	$ 44,519

Defeasance of Debt. During prior years, the City defeased certain water and sewer bonds and Downtown Development Authority bonds by placing part of the proceeds of the new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. On July 31, 2012, the total outstanding amount of bonds considered defeased was $4,047,400 for the water and sewer bonds and $1,775,000 for the Downtown Development Authority bonds.

NOTE 9. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of July 31, 2012 is as follows:

	Payable Fund					
Receivable Fund	General Fund	SPLOST Fund	Water and Sewer Fund	Nonmajor Business-Type Fund	Nonmajor Governmental Fund	Total
General Fund	$ -	$ 14,302	$ 172,835	$ -	$ 49,761	$ 236,898
SPLOST Fund	-	-	-	-	26,470	26,470
Water and Sewer Fund	6,844	-	-	15,648	87,209	109,701
Nonmajor governmental funds	26,193	177,317	-	-	9,219	212,729
Nonmajor business-type funds	-	-	53,044	-	-	53,044
Total	$ 33,037	$ 191,619	$ 225,879	$ 15,648	$ 172,659	$ 638,842

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

Interfund transfers:

	Transfers
Transfers In	Nonmajor governmental funds
General Fund	$ 1,679
SPLOST Fund	63,467
Nonmajor governmental funds	424,455
Total	$ 489,601

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

NOTE 10. JOINT VENTURE

Under Georgia law, the City, in conjunction with other cities and counties in the ten (10) county Atlanta area, is a member of the Atlanta Regional Commission (RC) and is required to pay annual dues thereto. During its fiscal year ended July 31, 2012, the City's membership dues were paid by Fayette County, Georgia. The City did not pay any annual dues. Membership in an RC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the RC in Georgia. The RC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RC. Separate financial statements may be obtained from:

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

NOTE 11. DEFINED BENEFIT PENSION PLAN

Plan Description

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

Funding Policy

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

NOTE 11. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Annual Pension Cost

For the year ended July 31, 2012, the City's annual pension cost was $635,080 for the City of Fayetteville Retirement Plan. The City's annual recommended contribution for the pension plan year beginning January 1, 2012, (the most recent actuarial valuation date) was $657,569. The difference between the City's actual contribution and the required contribution is due to the five month variance between the City's fiscal year and the contribution period. The recommended contribution was determined as part of the January 1, 2012 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return, (b) projected salary increases for inflation of 3.0% per year and for merit or seniority of .5% per year, and (c) no postretirement benefit increases or cost of living adjustments. The period for amortizing the initial unfunded actuarial accrued liability varies for the bases, with a net effective amortization period of four years using the level dollar method of amortization. These amortization periods are closed for this plan year.

Trend Information

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

Fiscal Year Ending	Annual Pension Cost	Actual City Contribution	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
7/31/2009	$ 599,063	$ 599,063	100 %	$ -
7/31/2010	599,063	599,063	100	-
7/31/2011	700,000	700,000	100	-
7/31/2012	635,080	635,080	100	-

As of the most recent valuation date, January 1, 2012, the funded status of the City of Fayetteville Retirement Plan was as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
01/01/12	$ 9,741,353	$ 10,614,882	$ 873,529	91.8 %	5,811,581	15.0 %

NOTE 11. DEFINED BENEFIT PENSION PLAN (CONTINUED)

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan net assets is increasing or decreasing over time relative to the actuarial accrued liability. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect long-term perspective. Calculations are based on the substantive plan in effect as of January 1, 2012.

NOTE 12. DEFINED CONTRIBUTION PENSION PLAN

The City participates in the Georgia Municipal Association 401(a) Defined Contribution Plan (the Plan) which is administered by the Georgia Municipal Association through their service manager, MetLife. The Plan provides retirement benefits to plan participants and beneficiaries. Plan provisions and contribution requirements are established and may be amended by the City. Employees are not required to contribute to the Plan. The City contributes an amount equal to 50% of the amount contributed by participants to the City's deferred compensation plan, except that the City shall not match in excess of 2% of the participant's annual compensation. The City's contribution for each employee is 100% vested after five (5) years of continuous service. For the fiscal year ending July 31, 2012, the City's contribution to the Plan was $14,064. The amount contributed by employees was $198,780.

NOTE 13. RISK MANAGEMENT

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

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

NOTE 13. RISK MANAGEMENT (CONTINUED)

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

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

NOTE 14. FUND EQUITY

A. Fund Balances:

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

General Fund	
Prepaid items	$ 236,270
Inventories	15,945

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

Special Revenue Funds	
Confiscated Assets Fund - used to account for public safety-related expenditures funded by drug confiscations.	$ 107,732
Veterans Memorial Park Fund - used for the design and construction of a Veterans Memorial.	8,075
Cemetery Fund - accounts for the revenues earned from a trust set up for cemetery improvements.	10,422
Capital Projects Funds	
SPLOST Fund - used to account for capital projects financed with SPLOST.	789,887
Impact Fee Fund - accounts for capital projects activity funded by development impact fees.	921,836

NOTE 14. FUND EQUITY (CONTINUED)

A. Fund Balances (Continued):

- ***Assigned*** – The following fund balance is assigned to:

General Fund	
Three-month operating reserve, as provided for in adopted City policy	$ 2,381,335
Capital Projects Funds	
Building Fund - accounts for various public improvements funded by a percentage of property taxes.	286,085

NOTE 15. COMMITMENTS AND CONTINGENCIES

Litigation:

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

Grant Contingencies:

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

NOTE 16. HOTEL/MOTEL LODGING TAX

The City has levied a 5% lodging tax. The Official Code of Georgia Annotated 48-13-50 requires that all lodging taxes levied of 5% or more be expended or obligated contractually for the promotion of tourism, conventions, or trade shows. For the fiscal year ended July 31, 2012, the City collected $98,203 of hotel/motel taxes. Management represents that $98,206, or 100%, of the lodging tax received during the year ended July 31, 2012, was used for the promotion of tourism.

NOTE 17. EXCISE TAXES ON RENTAL MOTOR VEHICLES

Under the provisions of the Official Code of Georgia Annotated Section 48-13-93, the City has imposed and collected an excise tax on rental motor vehicles. The Code section requires the City to expend taxes collected for the purpose of promoting tourism, conventions, trade shows, etc., and promoting the City and business therein. During the year ended July 31, 2012, the City transferred all motor vehicle excise taxes to the Downtown Development Authority, where it was used for the promotion of tourism. The following schedule represents the revenue and expenditures pertaining to the tax for the year ended July 31, 2012:

Revenue	$67,358
Expenditures	$67,358

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FAYETTEVILLE, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
09/01/05	$ 4,988,033	$ 6,418,052	$ 1,430,019	77.7 %	$ 4,783,301	29.9 %
09/01/06	5,732,501	6,684,957	952,456	85.8	4,893,624	19.5
09/01/07	6,558,197	7,823,385	1,265,188	83.8	5,593,930	22.6
09/01/08	7,361,955	8,628,483	1,266,528	85.3	5,402,223	23.4
01/01/10	8,178,368	9,966,537	1,788,169	82.1	5,745,395	31.1
01/01/11	8,920,853	10,094,207	1,173,354	88.4	5,612,831	20.9
01/01/12	9,741,353	10,614,882	873,529	91.8	5,811,581	15.0

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

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

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NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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

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

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

Capital Project Funds

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

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

CITY OF FAYETTEVILLE, GEORGIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JULY 31, 2012

	Special Revenue Funds				
ASSETS	**Vehicle Excise Tax Fund**	**Confiscated Assets Fund**	**Hotel/Motel Tax Fund**	**Veterans Memorial Park Fund**	**Cemetery Fund**
Cash and cash equivalents	$ -	$ 107,732	$ -	$ 8,095	$ 32,852
Taxes receivable	6,855	-	14,690	-	-
Due from other funds	-	-	-	-	4,040
Due from component units	-	-	-	-	-
Restricted assets	-	-	-	-	-
Total assets	$ 6,855	$ 107,732	$ 14,690	$ 8,095	$ 36,892
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Due to other funds	$ -	$ -	$ -	$ 20	$ 26,470
Due to component unit	6,855	-	14,690	-	-
Total liabilities	6,855	-	14,690	20	26,470
FUND BALANCES					
Restricted	-	107,732	-	8,075	10,422
Assigned	-	-	-	-	-
Total fund balances	-	107,732	-	8,075	10,422
Total liabilities and fund balances	$ 6,855	$ 107,732	$ 14,690	$ 8,095	$ 36,892

Capital Projects Funds		Total Nonmajor Governmental Funds
Building Fund	Impact Fee Fund	
$ 239,533	$ 825,099	$ 1,213,311
-	-	21,545
9,219	199,470	212,729
1,242	-	1,242
82,191	-	82,191
$ 332,185	$ 1,024,569	$ 1,531,018
$ 46,100	$ 100,069	$ 172,659
-	2,664	24,209
46,100	102,733	196,868
-	921,836	1,048,065
286,085	-	286,085
286,085	921,836	1,334,150
$ 332,185	$ 1,024,569	$ 1,531,018

CITY OF FAYETTEVILLE, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JULY 31, 2012

	Special Revenue Funds				
	Vehicle Excise Tax Fund	Confiscated Assets Fund	Hotel/Motel Tax Fund	Veterans Memorial Park Fund	Cemetery Fund
Revenues:					
Property taxes	$ -	$ -	$ -	$ -	$ -
Other taxes	67,350	-	98,203	-	-
Fines and forfeitures	-	53,463	-	-	-
Impact fees	-	-	-	-	-
Contributions	-	-	-	680	8,304
Interest income	8	284	3	5	42
Total revenues	67,358	53,747	98,206	685	8,346
Expenditures:					
Current:					
Public safety	-	227,336	-	-	-
Culture and recreation	-	-	-	10	-
Housing and development	67,358	-	98,206	-	-
Capital outlay:					
Housing and development	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	67,358	227,336	98,206	10	-
Excess (deficiency) of revenues over (under) expenditures	-	(173,589)	-	675	8,346
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	(28,374)
Total other financing sources (uses)	-	-	-	-	(28,374)
Net change in fund balances	-	(173,589)	-	675	(20,028)
Fund balances, beginning of year	-	281,321	-	7,400	30,450
Fund balances, end of year	$ -	$ 107,732	$ -	$ 8,075	$ 10,422

Capital Projects Funds		Total Nonmajor Governmental Funds
Building Fund	Impact Fee Fund	
$ 565,739	$ -	$ 565,739
-	-	165,553
-	-	53,463
-	57,836	57,836
-	-	8,984
58	2,110	2,510
565,797	59,946	854,085
-	-	227,336
-	-	10
-	8,846	174,410
155,121	-	155,121
429,955	-	429,955
144,508	-	144,508
729,584	8,846	1,131,340
(163,787)	51,100	(277,255)
424,455	-	424,455
-	(461,227)	(489,601)
424,455	(461,227)	(65,146)
260,668	(410,127)	(342,401)
25,417	1,331,963	1,676,551
$ 286,085	$ 921,836	$ 1,334,150

CITY OF FAYETTEVILLE, GEORGIA
SPECIAL REVENUE FUNDS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE FISCAL YEAR ENDED JULY 31, 2012

	Vehicle Excise Tax Fund		
	Final Budget	Actual	Variance With Final Budget
Revenues:			
Other taxes	$ 66,000	$ 67,350	$ 1,350
Fines and forfeitures	-	-	-
Contributions	-	-	-
Interest income	-	8	8
Total revenues	66,000	67,358	1,358
Expenditures:			
Current:			
Public safety	-	-	-
Public works	-	-	-
Culture and recreation	-	-	-
Housing and development	66,000	67,358	(1,358)
Total expenditures	66,000	67,358	(1,358)
Excess (deficiency) of revenues over (under) expenditures	-	-	-
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	-	-	-
Fund balances, beginning of year	-	-	-
Fund balances, end of year	$ -	$ -	$ -

Confiscated Assets Fund		
Final Budget	Actual	Variance With Final Budget
$ -	$ -	$ -
30,000	53,463	23,463
-	-	-
500	284	(216)
30,500	53,747	23,247
222,000	227,336	(5,336)
-	-	-
-	-	-
-	-	-
222,000	227,336	(5,336)
(191,500)	(173,589)	17,911
191,500	-	(191,500)
-	-	-
191,500	-	(191,500)
-	(173,589)	(173,589)
281,321	281,321	-
$ 281,321	$ 107,732	$ (173,589)

(Continued)

CITY OF FAYETTEVILLE, GEORGIA
SPECIAL REVENUE FUNDS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE FISCAL YEAR ENDED JULY 31, 2012

	Hotel/Motel Tax Fund		
	Final Budget	Actual	Variance With Final Budget
Revenues:			
Other taxes	$ 87,996	$ 98,203	$ 10,207
Fines and forfeitures	-	-	-
Contributions	-	-	-
Interest income	-	3	3
Total revenues	87,996	98,206	10,210
Expenditures:			
Current:			
Public safety	-	-	-
Public works	-	-	-
Culture and recreation	-	-	-
Housing and development	87,996	98,206	(10,210)
Total expenditures	87,996	98,206	(10,210)
Excess (deficiency) of revenues over (under) expenditures	-	-	-
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	-	-	-
Fund balances, beginning of year	-	-	-
Fund balances, end of year	$ -	$ -	$ -

Veterans Memorial Park Fund		
Final Budget	Actual	Variance With Final Budget
$ -	$ -	$ -
-	-	-
-	680	680
-	5	5
-	685	685
-	-	-
-	-	-
-	10	(10)
-	-	-
-	10	(10)
-	675	675
-	-	-
-	-	-
-	-	-
-	675	675
7,400	7,400	-
$ 7,400	$ 8,075	$ 675

(Continued)

CITY OF FAYETTEVILLE, GEORGIA
SPECIAL REVENUE FUNDS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE FISCAL YEAR ENDED JULY 31, 2012

	Cemetery Fund		
	Final Budget	Actual	Variance With Final Budget
Revenues:			
Other taxes	$ -	$ -	$ -
Fines and forfeitures	-	-	-
Contributions	8,200	8,304	104
Interest income	101	42	(59)
Total revenues	8,301	8,346	45
Expenditures:			
Current:			
Public safety	-	-	-
Public works	-	-	-
Culture and recreation	-	-	-
Housing and development	-	-	-
Total expenditures	-	-	-
Excess (deficiency) of revenues over (under) expenditures	8,301	8,346	45
Other financing sources (uses):			
Transfers in	30,450	-	(30,450)
Transfers out	(38,751)	(28,374)	10,377
Total other financing sources (uses)	(8,301)	(28,374)	(20,073)
Net change in fund balances	-	(20,028)	(20,028)
Fund balances, beginning of year	30,450	30,450	-
Fund balances, end of year	$ 30,450	$ 10,422	$ (20,028)

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CITY OF FAYETTEVILLE, GEORGIA
CAPITAL PROJECTS FUNDS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE FISCAL YEAR ENDED JULY 31, 2012

	Building Fund		
	Final Budget	Actual	Variance With Final Budget
Revenues:			
Property taxes	$ 565,739	$ 565,739	$ -
Intergovernmental	-	-	-
Impact fees	-	-	-
Interest income	101	58	(43)
Total revenues	565,840	565,797	(43)
Expenditures:			
Capital outlay:			
General government	-	-	-
Public works	-	-	-
Housing and development	156,363	155,121	1,242
Debt service:			
Principal	429,956	429,955	1
Interest	150,543	144,508	6,035
Total expenditures	736,862	729,584	7,278
Excess (deficiency) of revenues over (under) expenditures	(171,022)	(163,787)	7,235
Other financing sources (uses):			
Transfers in	416,703	424,455	7,752
Transfers out	-	-	-
Total other financing sources (uses)	416,703	424,455	7,752
Net change in fund balances	245,681	260,668	14,987
Fund balances, beginning of year	25,417	25,417	-
Fund balances, end of year	$ 271,098	$ 286,085	$ 14,987

Impact Fee Fund		
Final Budget	Actual	Variance With Final Budget
$ -	$ -	$ -
-	-	-
35,880	57,836	21,956
4,100	2,110	(1,990)
39,980	59,946	19,966
34	-	34
-	-	-
7,792	8,846	(1,054)
-	-	-
-	-	-
7,826	8,846	(1,020)
32,154	51,100	18,946
-	-	-
(460,631)	(461,227)	(596)
(460,631)	(461,227)	(596)
(428,477)	(410,127)	18,350
1,331,963	1,331,963	-
$ 903,486	$ 921,836	$ 18,350

(Continued)

CITY OF FAYETTEVILLE, GEORGIA
CAPITAL PROJECTS FUNDS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE FISCAL YEAR ENDED JULY 31, 2012

	Special Purpose Local Option Sales Tax Fund		
	Final Budget	Actual	Variance With Final Budget
Revenues:			
Property taxes	$ -	$ -	$ -
Intergovernmental	851,867	246,812	(605,055)
Impact fees	-	-	-
Interest income	1,500	1,029	(471)
Total revenues	853,367	247,841	(605,526)
Expenditures:			
Capital outlay:			
General government	-	-	-
Public works	1,904,621	584,461	1,320,160
Housing and development	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total expenditures	1,904,621	584,461	1,320,160
Excess (deficiency) of revenues over (under) expenditures	(1,051,254)	(336,620)	714,634
Other financing sources (uses):			
Transfers in	73,843	63,467	(10,376)
Transfers out	-	-	-
Total other financing sources (uses)	73,843	63,467	(10,376)
Net change in fund balances	(977,411)	(273,153)	704,258
Fund balances, beginning of year	1,063,040	1,063,040	-
Fund balances, end of year	$ 85,629	$ 789,887	$ 704,258

CITY OF FAYETTEVILLE, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS FOR THE FISCAL YEAR ENDED JULY 31, 2012

Project	Original Estimated Cost	Current Estimated Cost	Prior Years	Current Year	Total
Intersections	$ 291,000	$ 335,000	$ 133,384	$ -	$ 133,384
Roadways	2,196,494	2,289,374	1,213,591	312,958	1,526,549
Streetscapes/paths	1,759,833	1,622,953	1,301,356	100,037	1,401,393
Totals	$ 4,247,327	$ 4,247,327	$ 2,648,331	$ 412,995	$ 3,061,326

NOTE: Included in the total expenditures of the SPLOST fund for the year ended July 31, 2012 are expenditures funded by grant revenues and transfers from other funds in the amounts of $107,999 and $63,467, respectively. These amounts are excluded from the above schedule.

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COMPONENT UNIT –
DOWNTOWN DEVELOPMENT AUTHORITY

CITY OF FAYETTEVILLE, GEORGIA

BALANCE SHEET
COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY
JULY 31, 2012

ASSETS		
Current assets:		
Cash	$	557,272
Due from primary government		9,518
Prepaid expenditures		432
Restricted cash		56,202
Total current assets		623,424
Total assets	$	623,424
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Current liabilities:		
Accounts payable	$	952
Accrued liabilities		552
Due to primary government		1,950
Total current liabilities		3,454
Total liabilities		3,454
FUND BALANCE		
Restricted for:		
Capital projects		56,202
Committed to:		
Special projects		5,033
Job Incentive Program		50,000
Unassigned		508,735
Total fund balance		619,970
Total liabilities and fund balance	$	623,424

CITY OF FAYETTEVILLE, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY FOR THE FISCAL YEAR ENDED JULY 31, 2012

Revenues:		
Contributions	$	241,859
Interest income		772
Total revenues		242,631
Expenditures:		
Current:		
Housing and development		44,830
Debt service:		
Principal		102,963
Interest		87,256
Bond issuance costs		68,250
Total debt service		258,469
Total expenditures		303,299
Deficiency of revenues under expenditures		(60,668)
Other financing sources (uses):		
Refunding bonds issued		1,885,000
Payment to refunded bond escrow agent		(1,811,080)
Total other financing sources (uses)		73,920
Net change in fund balance		13,252
Fund balance, beginning of year		606,718
Fund balance, end of year	$	619,970

COMPONENT UNIT –
MAIN STREET TOURISM ASSOCIATION

CITY OF FAYETTEVILLE, GEORGIA

STATEMENT OF CASH FLOWS
COMPONENT UNIT - MAIN STREET TOURISM ASSOCIATION
FOR THE FISCAL YEAR ENDED JULY 31, 2012

CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$	211,247
Payments to suppliers and service providers		(363,517)
Payments to employees		(84,448)
Net cash used in operating activities		(236,718)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Contributions		226,239
Net cash provided by noncapital financing activities		226,239
Decrease in cash and cash equivalents		(10,390)
Cash and cash equivalents:		
Beginning of year		41,506
End of year	$	31,116
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$	(209,399)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Decrease in accounts receivable		5,285
Increase in inventories		(1,596)
Decrease in due from primary government		8,216
Decrease in prepaid expenses		8,773
Decrease in accounts payable		(47,211)
Increase in accrued liabilities		4,481
Increase in deferred revenue		37
Decrease in due to primary government		(5,304)
Net cash used in operating activities	$	(236,718)

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STATISTICAL SECTION

STATISTICAL SECTION

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

Contents **Page**

Financial Trends ..... **72 - 85**

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity ..... **86 - 95**

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

Debt Capacity ..... **96 - 101**

These schedules contain information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information ..... **102 and 103**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information ..... **104 - 106**

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

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

CITY OF FAYETTEVILLE, GEORGIA

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

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

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

2007	2008	2009	2010	2011	2012
$ 60,009,707	$ 60,352,897	$ 60,089,837	$ 60,622,894	$ 64,398,879	$ 64,305,483
1,214,750	1,566,870	1,954,676	2,036,624	2,714,174	1,837,952
5,768,939	5,197,192	5,586,322	5,239,070	2,763,931	3,724,101
$ 66,993,396	$ 67,116,959	$ 67,630,835	$ 67,898,588	$ 69,876,984	$ 69,867,536
$ 12,776,513	$ 12,195,150	$ 13,532,153	$ 11,607,708	$ 10,733,529	$ 9,882,825
1,923,585	1,091,708	134,721	1,350,819	1,507,269	2,011,900
1,061,924	2,707,452	2,422,675	2,730,595	2,844,349	2,543,936
$ 15,762,022	$ 15,994,310	$ 16,089,549	$ 15,689,122	$ 15,085,147	$ 14,438,661
$ 72,786,220	$ 72,548,047	$ 73,621,990	$ 72,230,602	$ 75,132,408	$ 74,188,308
3,138,335	2,658,578	2,089,397	3,387,443	4,221,443	3,849,852
6,830,863	7,904,644	8,008,997	7,969,665	5,608,280	6,268,037
$ 82,755,418	$ 83,111,269	$ 83,720,384	$ 83,587,710	$ 84,962,131	$ 84,306,197

CITY OF FAYETTEVILLE, GEORGIA

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

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

(Continued)

2007	2008	2009	2010	2011	2012
$ 1,349,586	$ 1,217,486	$ 1,158,496	$ 1,084,097	$ 1,020,074	$ 1,023,395
849,251	860,758	896,534	820,922	719,103	584,782
6,144,495	6,520,196	6,847,442	6,676,928	6,589,191	6,505,689
1,751,093	2,786,357 (6)	1,883,585	1,765,659	1,629,730	1,707,680
39,053	39,053	-	-	1,321 (17)	10
1,100,831	1,100,831	1,034,348	946,682	820,882	774,059
205,627	205,627	186,816	177,001	165,407	154,685
11,439,936	12,730,308	12,007,221	11,471,289	10,945,708	10,750,300
5,403,258	5,403,258	5,490,099	5,460,020	5,736,799	5,838,861
142,592	142,592	273,320 (11)	294,409	423,132	354,558
697,810	697,810	716,104	616,359 (15)	628,225	668,891
6,243,660	6,243,660	6,479,523	6,370,788	6,788,156	6,862,310
$ 17,683,596	$ 18,973,968	$ 18,486,744	$ 17,842,077	$ 17,733,864	$ 17,612,610
$ 423,077	$ 348,843	$ 469,854	$ 271,628 (16)	$ 261,382	$ 278,237
1,679,139	1,188,335	1,620,845	1,748,018	1,192,244	1,090,808
35,609	127,415	449,589	81,738	73,026	85,134
- (5)	115,816 (7)	74,522 (7)	-	(208)	109,514
-	-	-	-	-	-
710,715 (5)	384,464 (8)	122,168 (8)	38,190 (8)	35,500	59,916
112,863	126,400	448,281 (14)	365,152 (14)	283,528	156,016
2,932,053	1,194,669	1,001,476	1,107,764	2,756,869	251,021
5,893,456	3,485,942	4,186,735	3,612,490	4,602,341	2,030,646
4,526,852	4,624,121	4,905,681 (12)	4,810,109	4,956,688	5,058,146
474,224	489,195	493,799	494,976	494,238	482,941
697,958	726,883	718,570	632,549 (15)	631,930	630,019
1,319,076	650,687 (9)	452,785 (9)	32,686 (9)	88,690	37,644
7,018,110	6,490,886	6,570,835	5,970,320	6,171,546	6,208,750
$ 12,911,566	$ 9,976,828	$ 10,757,570	$ 9,582,810	$ 10,773,887	$ 8,239,396

CITY OF FAYETTEVILLE, GEORGIA

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

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

(1) Donations of capital assets (streets and roadways).

(2) Collection of new stormwater program fees implemented in fiscal year 2004.

(3) The net effect of various public works sales, trade-ins and donations of capital assets.

(4) Depreciation expense has been recorded in fiscal year 2006 due to GASB Statement 34 (retroactively reporting of major general infrastructure assets).

(5) Reclassification of impact fees (program revenues) from public works to housing and

(6) Multiple transportation and sidewalk construction projects.

(7) State of Georgia Local Assistance Road Program (LARP) for street maintenance.

(8) Decrease in residential and commercial building; therefore, decrease in impact fees collected.

2007	2008	2009	2010	2011	2012
$ (5,546,480)	$ (9,229,746)	$ (7,820,486)	$ (7,858,799)	$ (6,343,367)	$ (8,719,654)
774,450	150,602	91,312	(400,468)	(616,610)	(653,560)
$ (4,772,030)	$ (9,079,144)	(7,729,174)	$ (8,259,267)	$ (6,959,977)	$ (9,373,214)
$ 2,489,094	$ 2,670,751	$ 2,764,455	$ 2,670,285	$ 2,651,885	$ 2,664,133
3,294,819	3,127,513	2,147,990 (13)	2,259,642	2,215,415	2,374,473
3,286,540	3,326,490	3,381,128	3,171,974	3,409,190	3,662,347
331,489	182,744 (10)	40,789 (10)	13,315 (10)	11,940	9,253
-	45,811	-	11,336	33,333	-
-	-	-	-	-	-
9,401,942	9,353,309	8,334,362	8,126,552	8,321,763	8,710,206
270,277	81,686 (10)	3,927 (10)	41 (10)	2,443	2,035
-	-	-	-	10,192	5,039
-	-	-	-	-	-
270,277	81,686	3,927	41	12,635	7,074
$ 9,672,219	$ 9,434,995	$ 8,338,289	$ 8,126,593	$ 8,334,398	$ 8,717,280
$ 3,855,462	$ 123,563	$ 513,876	$ 267,753	$ 1,978,396	$ (9,448)
1,044,727	232,288	95,239	(400,427)	(603,975)	(646,486)
$ 4,900,189	$ 355,851	$ 609,115	$ (132,674)	$ 1,374,421	$ (655,934)

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

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

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

(12) Increase in sewer rates.

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

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

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

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

(17) Veterans Memorial Park Fund opened.

CITY OF FAYETTEVILLE, GEORGIA

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

Fiscal Year	Property Tax	Sales Tax	Franchise Tax	Alcoholic Beverage Tax	Insurance Premium Tax	Business and Occupation Tax
2003	$ 1,716,999	$ 2,026,571	$ 820,915	$ 303,255	$ 444,312	$ 752,542
2004	1,856,492	2,235,325	839,639	316,115	478,864	761,193
2005	2,111,885	2,384,936	955,592	358,800	518,958	760,525
2006	2,287,451	3,210,939 (1)	1,032,289	323,977	558,331	857,935
2007	2,489,094	3,294,819	1,075,645	323,232	584,154	912,002
2008	2,670,751	3,127,513	1,134,982	315,813	609,337	903,792
2009	2,764,455	2,147,990 (2)	1,267,033	320,781	623,934	855,782
2010	2,670,285	2,259,642	1,150,101	309,881	618,080	817,237
2011	2,651,885	2,215,415	1,324,949	318,257	600,117	814,309
2012	2,664,133	2,374,473	1,374,943	332,731	747,887	825,213

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

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

Other Taxes	Total
$ 290,548	$ 6,355,142
319,863	6,807,491
267,100	7,357,796
343,244	8,614,166
391,507	9,070,453
362,566	9,124,754
313,598	8,293,573
276,675	8,101,901
351,558	8,276,490
381,573	8,700,953

CITY OF FAYETTEVILLE, GEORGIA

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

	Fiscal Year			
	2003	2004	2005	2006
General Fund				
Reserved	$ 224,023	$ 191,238	$ 201,701	$ 221,603
Unreserved	2,453,341	2,663,047	2,173,967	2,741,170
Nonspendable	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total General Fund	$ 2,677,364	$ 2,854,285	$ 2,375,668	$ 2,962,773
All Other Governmental Funds				
Reserved	$ -	$ -	$ -	$ -
Unreserved, reported in:				
Special revenue funds	147,655	115,103	80,476	83,864
Capital project funds	674,054	3,742,412 (1)	2,047,978	3,215,686 (2)
Restricted, reported in:				
Special revenue funds	-	-	-	-
Capital project funds	-	-	-	-
Assigned, reported in:				
Capital project funds	-	-	-	-
Total all other governmental funds	$ 821,709	$ 3,857,515	$ 2,128,454	$ 3,299,550

(1) The increase of fund balance is due to the financing of the Law Enforcement Center through Certificates of Participation (COPS).

(2) The increase of fund balance is due to the collection of special purpose local option sales taxes that began at the end of fiscal year 2005.

(3) Prepaid expenditures.

(4) The City adopted and implemented GASB 54 during fiscal year 2011.

2007	2008	2009	2010	2011	2012
$ 294,565	$ 233,337	$ 251,234	$ 193,539	$ -	$ -
3,168,063	2,903,291	2,896,626	2,904,019	-	-
-	-	-	-	145,621 (4)	252,215
-	-	-	-	2,358,940 (4)	2,381,335
-	-	-	-	545,370 (4)	1,044,598
$ 3,462,628	$ 3,136,628	$ 3,147,860	$ 3,097,558	$ 3,049,931	$ 3,678,148
$ -	$ -	$ 14,847 (3)	$ -	$ -	$ -
75,970	136,193	409,933	302,866	-	-
3,733,553	3,766,360	4,205,072	4,126,822	-	-
-	-	-	-	319,171 (4)	126,229
-	-	-	-	2,395,003 (4)	1,711,723
-	-	-	-	25,417 (4)	286,085
$ 3,809,523	$ 3,902,553	$ 4,629,852	$ 4,429,688	$ 2,739,591	$ 2,124,037

CITY OF FAYETTEVILLE, 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	$ 6,354,389	$ 6,828,255	$ 7,337,120	$ 8,623,312
Licenses and permits	336,138	387,670	479,681	533,974
Intergovernmental	165,226	483,421	96,542	132,601
Fines and forfeitures	948,205	850,897	1,100,542	1,247,609
Charges for services	75,051	119,287	14,065	64,132
Main Street	73,718	58,634	58,369	- (4)
Impact fees	472,465	701,270	922,321	1,063,092
Contributions	147,280	7,888	278,301	77,874
Interest income	44,395	44,827	102,383	205,016
Other revenues	54,895	59,036	32,927	12,975
Total revenues	8,671,762	9,541,185	10,422,251	11,960,585
Expenditures				
General government	936,396	1,072,138	1,029,781	1,025,695
Judicial	477,836	477,543	585,993	642,889
Public safety	4,482,098	5,277,726	5,645,529	5,335,737
Public works	732,198	922,451	928,637	1,014,991
Culture and recreation	-	-	-	-
Housing and development	1,091,648	914,415	849,263	828,463
Capital outlay	433,054	2,354,857 (1)	3,378,871	886,963 (5)
Debt service				
Principal	343,942	322,110	292,780	490,586
Interest	23,796	82,296	210,876	195,437
Issuance costs	-	202,696 (2)	-	-
Total expenditures	8,520,968	11,626,232	12,921,730	10,420,761
Excess of revenues over (under) expenditures	150,794	(2,085,047)	(2,499,479)	1,539,824
Other financing sources (uses)				
Capital leases	229,542	763,384	205,942	204,819
Issuance of certificates of participation	-	4,575,000 (2)	-	-
Discount on certificates of participation	-	(56,989)	-	-
Proceeds from sale of assets	11,675	31,811	60,860	13,558
Transfers in	256,178	280,024	574,468	500,467
Transfers out	(256,178)	(295,456)	(549,469)	(500,467)
Total other financing sources (uses)	241,217	5,297,774	291,801	218,377
Net change in fund balances	$ 392,011	$ 3,212,727	$ (2,207,678)	$ 1,758,201
Debt service as a percentage of noncapital expenditures	4.5%	6.8%	5.4%	7.2%

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

2007	2008	2009	2010	2011	2012
$ 9,067,548	$ 9,102,276	$ 8,252,754 (12)	$ 8,076,848	$ 8,319,973	$ 8,704,436
404,811	300,705 (7)	261,485 (7)	217,086 (7)	217,496	229,816
82,039	801,844 (8)	1,187,335 (12)	1,450,723 (16)	745,573 (16)	393,202
1,685,084	1,292,402 (9)	2,040,086 (13)	1,798,758	1,236,945	1,143,693
34,833	146,998	112,990	41,443	34,528	148,823
-	-	-	-	-	-
710,715 (6)	384,064 (7)	121,768 (7)	37,890 (7)	35,229	57,836
58,608	20,460	12,079	18,146	21,472	12,806
331,489	182,744 (10)	40,789 (10)	17,262 (10)	14,311	10,282
13,097	51,597	200,649 (14)	44,497	37,746	43,441
12,388,224	12,283,090	12,229,935	11,702,653	10,663,273	10,744,335
1,122,977	1,172,837	1,026,932	1,019,212	959,036	929,487
825,873	862,715	895,312	828,909	718,830	580,976
5,807,045	5,965,835	6,429,522	6,304,775	6,167,299	6,354,094
1,101,204	1,176,544	1,087,963	1,007,576	912,264	928,008
-	-	-	-	1,321 (18)	10
846,697	850,737	851,542	743,571	640,226	625,145
1,320,032	2,246,574 (11)	573,427 (15)	1,526,584 (17)	2,543,618 (17)	739,582
468,652	474,107	456,149	378,721	338,899	429,955
192,204	185,217	173,579	165,971	154,232	144,508
-	-	-	-	-	-
11,684,684	12,934,566	11,494,426	11,975,319	12,435,725	10,731,765
703,540	(651,476)	735,509	(272,666)	(1,772,452)	12,570
284,664	367,209	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
21,624	51,297	3,022	22,200	34,728	93
574,958	531,041	112,490	400,811	912,284	489,601
(574,958)	(531,041)	(112,490)	(400,811)	(912,284)	(489,601)
306,288	418,506	3,022	22,200	34,728	93
$ 1,009,828	$ (232,970)	$ 738,531	$ (250,466)	$ (1,737,724)	$ 12,663
6.3%	5.5%	5.7%	5.1%	4.9%	5.7%

(10) Drastic decrease in interest rates due to the current economic recession.
(11) Costs associated with the Downtown Pedestrian Improvements project and other transportation and sidewalk projects.
(12) Beginning in 2009, Special Purpose Local Option Sales Taxes received from the County were reclassified as Intergovernmental revenues.
(13) Increase in fine fees and confiscated assets.
(14) Collection adjustment of tower rental.
(15) No major cost associated with transportation or sidewalk projects.
(16) The City has received several grants for transportation and sidewalk projects.
(17) Cost associated with transportation and sidewalk projects.
(18) Veterans Memorial Park Fund opened.

CITY OF FAYETTEVILLE, GEORGIA

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

Fiscal Year	Property Tax	Sales Tax	Franchise Tax	Alcoholic Beverage Tax	Insurance Premium Tax
2003	1,716,246	2,026,571	820,915	303,255	444,312
2004	1,877,256	2,235,325	839,639	316,115	478,864
2005	2,091,209	2,384,936	955,592	358,800	518,958
2006	2,296,597	3,210,939 (1)	1,032,289	354,818	558,331
2007	2,486,189	3,294,819	1,075,645	349,428	584,154
2008	2,648,273	3,127,513	1,134,982	341,816	609,337
2009	2,723,636	2,147,990 (2)	1,267,033	349,069	623,934
2010	2,645,232	2,259,642	1,150,101	339,515	618,080
2011	2,695,368	2,215,415	1,324,949	350,585	600,117
2012	2,667,616	2,374,473	1,374,943	373,104	747,888

(1) The City began collecting Special Purpose Local Option Sales Taxes from the County at the end of fiscal year 2005.
(2) Beginning in 2009, Special Purpose Local Option Sales Taxes received from the County were reclassified as Intergovernmental revenues.

Business and Occupation Tax	Other Taxes	Total
752,542	290,548	6,354,389
761,193	319,863	6,828,255
760,525	267,100	7,337,120
857,935	312,403	8,623,312
912,002	365,311	9,067,548
903,792	336,563	9,102,276
855,782	285,310	8,252,754
817,237	247,041	8,076,848
814,309	319,230	8,319,973
825,213	341,199	8,704,436

CITY OF FAYETTEVILLE, GEORGIA

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

Fiscal Year	Assessed Value					
	Residential	Commercial	Industrial	Agricultural	Utility	Motor Vehicle
2003	272,530,275	228,890,427	9,278,780	3,641,909	8,032,951	35,615,900
2004	310,515,295	254,935,371	8,977,075	3,030,349	7,801,976	36,278,270
2005	337,492,765	309,075,403	10,431,109	1,361,596	7,531,135	37,328,240
2006	380,193,347	318,175,668	10,168,393	678,036	7,466,898	37,336,640
2007	431,942,747	341,533,006	10,755,712	214,976	7,683,612	39,031,150
2008	470,285,294	365,896,540	11,109,738	154,976	8,193,162	42,481,910
2009	480,596,431	385,936,262	10,779,452	154,976	7,926,971	49,614,470
2010	472,686,132	383,151,099	11,317,909	154,976	8,790,447	51,646,580
2011	415,908,249	367,331,508	10,757,511	111,440	8,184,468	42,264,380
2012	393,340,653	341,459,925	10,903,338	161,400	8,054,235	41,599,160

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

(1) Includes heavy duty equipment, timber, and conservation use.
(2) State of Georgia requires 40% assessment of actual value.

Other (1)	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value (2)
430,632	595,133	557,825,741	3.110	1,394,564,353	40%
374,095	1,019,891	620,892,540	3.033	1,552,231,350	40%
373,502	1,350,081	702,243,669	3.033	1,755,609,173	40%
532,228	1,272,459	753,278,751	3.033	1,883,196,878	40%
959,228	2,042,492	830,077,939	2.990	2,075,194,848	40%
1,278,367	1,328,760	898,071,227	2.990	2,245,178,068	40%
873,427	1,809,096	934,072,893	2.988	2,335,182,233	40%
390,463	1,379,107	926,758,499	2.988	2,316,896,248	40%
351,732	1,479,328	843,429,960	3.240	2,108,574,900	40%
1,042,744	2,541,634	794,019,821	3.441	1,985,049,553	40%

CITY OF FAYETTEVILLE, GEORGIA

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

Fiscal Year	State	County	County School District	City of Fayetteville General Fund	City of Fayetteville Capital Projects Fund	City of Fayetteville Total City	Total
2003	0.25	6.20	21.69	2.36	0.75	3.11	31.25
2004	0.25	6.82	22.70	2.28	0.75	3.03	32.80
2005	0.25	6.38	22.68	2.28	0.75	3.03	32.34
2006	0.25	6.08	18.75	2.28	0.75	3.03	28.11
2007	0.25	5.98	22.15	2.24	0.75	2.99	31.37
2008	0.25	5.95	23.92	2.24	0.75	2.99	33.11
2009	0.25	5.95	23.42	2.24	0.75	2.99	32.61
2010	0.25	5.95	23.42	2.24	0.75	2.99	32.61
2011	0.25	5.95	21.65	2.37	0.87	3.24	31.09
2012	0.25	6.30	21.65	2.69	0.75	3.44	31.64

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

CITY OF FAYETTEVILLE, GEORGIA

PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO

	Fiscal Year 2012			Fiscal Year 2003		
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
DDRTC Fayette Pavilion I & II	$ 68,744,510	1	7.42%	$ -		-
DDRTC Fayette Pavilion III & IV	41,963,360	2	4.53%	-		-
Piedmont Fayette Medical & Office Bldg	14,675,905	3	1.58%	4,808,368	3	1.00%
Piedmont Hospital Inc	13,963,450	4	1.51%	-		-
Chartwell Cobblestone, LLC	13,505,050	5	1.46%	-		-
Banks Crossing Associates LLC & BC Plaza	13,285,140	6	1.43%	3,863,920	5	0.80%
TNT SRT Summit Point LLC	11,692,110	7	1.26%	-		-
Norbelle LLC & Lasalle Investment	11,270,280	8	1.22%	-		-
Centro NP Banks Station LLC	10,457,670	9	1.13%	-		-
Lowes Home Centers, Inc.	9,850,050	10	1.06%	3,147,296	8	-
Fourth Quarter Properties I	-		-	37,607,922	1	7.80%
Parkway Fayette, LP	-		-	5,711,360	2	1.18%
BellSouth Telecommunication	-		-	4,606,852	4	0.96%
Wal-Mart Stores, Inc.	-		-	3,283,193	6	0.68%
FAI LTD C/O Alexander Properties Inc	-		-	3,209,200	7	0.67%
JDN Realty Corporation	-		-	2,294,136	9	0.48%
Home Depot USA, Inc.	-		-	2,079,392	10	0.43%
Total	$ 209,407,525		22.60%	$ 70,611,639		13.99%

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

CITY OF FAYETTEVILLE, GEORGIA

PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2003	1,567,067	1,486,650	94.9	17,257	1,503,907	96.0
2004	1,885,197	1,835,197	97.3	45,783	1,880,980	99.8
2005	2,016,641	1,852,886	91.9	31,764	1,884,650	93.5
2006	2,170,958	2,051,676	94.5	37,762	2,089,438	96.2
2007	2,364,823	2,239,406	94.7	28,502	2,267,908	95.9
2008	2,556,835	2,379,452	93.1	38,608	2,418,060	94.6
2009	2,642,618	2,456,059	92.9	37,999	2,494,058	94.4
2010	2,614,719	2,471,256	94.5	51,526	2,522,782	96.5
2011	2,595,776	2,431,436	93.7	119,790	2,551,226	98.3
2012	2,732,222	2,449,988	89.7	89,897	2,539,885	93.0

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

CITY OF FAYETTEVILLE, GEORGIA

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

Type of Customer	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Residential (1)	368.13	398.30	391.96	403.51	383.18	335.84	321.75	300.96	289.10	308.97
Commercial (1)	49.75	53.83	53.06	54.00	113.27	112.95	44.51	91.13	95.51	93.85
Senior (1)	60.44	65.39	64.40	70.20	40.70	39.61	82.33	58.79	69.20	58.26
Other (1)	14.29	15.46	15.48	16.04	11.76	11.94	15.23	11.17	16.50	14.26
Total usage	492.61	532.98	524.90	543.75	548.91	500.34	463.82	462.05	470.31	475.34
Total direct rate per 1,000 gallons (2)	$ 2.40	$ 2.40	$ 2.40	$ 2.65	$ 2.65	$ 2.90	$ 2.90	$ 2.90	$ 2.90	$ 2.90

(1) City of Fayetteville billing registers.
(2) City of Fayetteville ordinances.

CITY OF FAYETTEVILLE, GEORGIA

WATER AND SEWER USER RATES
LAST TEN FISCAL YEARS

Fiscal Year	Water (Residential)		Water (Commercial)		Water (Senior)	
	Monthly Base Rate	Rate per 1000 Gallons	Monthly Base Rate	Rate per 1000 Gallons	Monthly Base Rate	Rate per 1000 Gallons
2003	12.00	2.40	22.00	2.40	9.00	2.40
2004	12.00	2.40	22.00	2.40	9.00	2.40
2005	12.00	2.40	22.00	2.40	9.00	2.40
2006	13.20	2.65	24.20	2.65	11.22	2.65
2007	13.20	2.65	24.20	2.65	11.22	2.65
2008	14.50	2.90	26.60	2.90	12.33	2.90
2009	14.50	2.90	26.60	2.90	12.33	2.90
2010	14.50	2.90	26.60	2.90	12.33	2.90
2011	14.50	2.90	26.60	2.90	12.33	2.90
2012	14.50	2.90	26.60	2.90	12.33	2.90

SOURCE:
City of Fayetteville, Georgia ordinances.

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

CITY OF FAYETTEVILLE, GEORGIA

TEN LARGEST WATER CUSTOMERS
CURRENT YEAR AND NINE YEARS AGO

	Fiscal Year 2012			Fiscal Year 2003		
Taxpayer	Total Water Revenue	Rank	Percentage of Total Water Revenue	Total Water Revenue	Rank	Percentage of Total Water Revenue
Banks Station	$ 37,649	1	1.64%	$ 25,338	1	1.38%
HCCC, Inc.	26,624	2	1.16%	7,927	6	0.43%
Fayette County BOE	23,898	3	1.04%	-		-
Fayette County Jail Complex	22,782	4	0.99%	-		-
Swanbrook	19,242	5	0.84%	16,061	2	0.88%
Bay Branch Condo	18,710	6	0.82%	6,437	7	-
Board of Commissioners	16,502	7	0.72%	11,782	3	0.64%
Cobblestone of Fayette	15,260	8	0.67%	5,885	10	0.32%
Summit Retail	14,010	9	0.61%	-		-
Marksman Landscaping	9,884	10	0.43%	6,416	8	0.35%
Fayetteville Towne Center	-		-	7,938	5	0.43%
Walker Concrete	-		-	9,087	4	0.50%
Holiday Inn Express	-		-	6,063	9	0.33%
Subtotal (10 Largest)	204,561		8.92%	102,934		5.62%
			-			
Balance from Other Customers	2,089,220		91.08%	1,729,926		94.38%
Total	$ 2,293,781		100.00%	$ 1,832,860		100.00%

SOURCE:
City of Fayetteville, Georgia Water/Sewer Department records.

CITY OF FAYETTEVILLE, GEORGIA

TEN LARGEST SEWER CUSTOMERS
CURRENT YEAR AND NINE YEARS AGO

	Fiscal Year 2012			Fiscal Year 2003		
Taxpayer	Total Sewer Revenue	Rank	Percentage of Total Sewer Revenue	Total Sewer Revenue	Rank	Percentage of Total Sewer Revenue
Fayette Community Hospital	$ 127,908	1	5.56%	$ -		-
Inland Group	53,424	2	2.32%	-		-
Banks Station	40,079	3	1.74%	19,756	1	1.29%
Fayette County Jail Complex	24,622	4	1.07%	-		0.00%
Marksman Landscaping	22,038	6	0.96%	5,022	6	0.33%
Bay Branch Condo	20,529	8	0.89%	4,444	8	0.29%
Swanbrook	20,938	7	0.91%	12,972	2	0.85%
Fayette County BOE	24,622	5	1.07%	-		-
Board of Commissioners	16,152	9	0.70%	10,674	3	0.70%
Cobblestone Fayette	15,999	10	0.70%	4,552	7	0.30%
HCCC, Inc	14,400		-	5,826	5	0.38%
Fayetteville Towne Center	-		-	6,275	4	0.41%
Holiday Inn Express	-		-	4,236	9	0.28%
Magnolia Park Daycare	-		-	3,313	10	0.22%
Subtotal (10 Largest)	380,711		16.56%	77,070		5.04%
Balance from Other Customers	1,918,699		83.44%	1,451,138		94.96%
Total	$ 2,299,410		100.00%	$ 1,528,208		100.00%

SOURCE:
City of Fayetteville, Georgia Water/Sewer Department records.

CITY OF FAYETTEVILLE, GEORGIA

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities			Business-type Activities		
	Certificates of Participation	Capital Leases	Total	Revenue Bonds	Notes Payable	Total
2003	$ -	$ 460,941	$ 460,941	$ 7,135,000	$ 2,613,115	$ 9,748,115
2004	4,575,000	902,215	5,477,215	14,205,000	2,382,219	16,587,219
2005	4,575,000	815,377	5,390,377	13,710,000	2,202,916	15,912,916
2006	4,395,000	709,610	5,104,610	13,120,000	3,215,038	16,335,038
2007	4,210,000	710,622	4,920,622	12,510,000	7,824,049	20,334,049
2008	4,020,000	793,724	4,813,724	11,890,000	9,519,481	21,409,481
2009	3,825,000	532,575	4,357,575	11,250,000	8,316,684	19,566,684
2010	3,625,000	353,854	3,978,854	19,955,000	-	19,955,000
2011	3,420,000	219,955	3,639,955	19,405,000	-	19,405,000
2012	3,210,000	-	3,210,000	18,840,000	-	18,840,000

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

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

Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
$ 10,209,056	2.05 %	767
22,064,434	4.16	1,600
21,303,293	4.37	1,480
21,439,648	4.15	1,426
25,254,671	4.63	1,639
26,223,205	4.73	1,734
23,924,259	4.94	1,581
23,933,854	5.38	1,586
23,044,955	5.15	1,429
22,050,000	4.93	1,368

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CITY OF FAYETTEVILLE, GEORGIA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JULY 31, 2012

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
Fayette County School District	$ 72,691,588	10 %	$ 7,269,159
Fayette County Public Facilities Authority	39,350,000	10 %	3,935,000
Total overlapping debt			11,204,159
City of Fayetteville direct debt			3,210,000
Total direct and overlapping debt			$ 14,414,159

SOURCES:

Fayette County School District and Fayette County Public Facilities Authority.

NOTE:

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

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

CITY OF FAYETTEVILLE, GEORGIA

LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

	2003	2004	2005	2006
Debt limit	$ 55,842,087	$ 62,191,243	$ 70,359,375	$ 75,455,121
Total net debt applicable to limit	-	-	-	-
Legal debt margin	$ 55,842,087	$ 62,191,243	$ 70,359,375	$ 75,455,121
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%

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

2007	2008	2009	2010	2011	2012
$ 83,212,043	$ 89,939,999	$ 93,588,199	$ 92,813,761	$ 84,490,929	$ 79,656,146
-	-	-	-	-	-
$ 83,212,043	$ 89,939,999	$ 93,588,199	$ 92,813,761	$ 84,490,929	$ 79,656,146
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Legal Debt Margin Calculation for Fiscal Year 2012

Assessed value	$ 794,019,821
Add back: exempt real property	2,541,634
Total assessed value	796,561,455
Debt limit (10% of assessed value)	79,656,146
Debt applicable to limit:	
General obligation bonds	-
Less: Amount set aside for repayment of General obligation debt	-
Total net debt applicable to limit	-
Legal debt margin	$ 79,656,146

CITY OF FAYETTEVILLE, GEORGIA

PLEDGED-REVENUE COVERAGE
LAST TEN FISCAL YEARS

Fiscal Year	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Principal	Interest	Coverage
2003	3,389,526	2,986,627	402,899	340,000	392,933	0.55
2004	3,979,731	2,883,941	1,095,790	350,000	415,386	1.43
2005	4,191,258	3,353,886	837,372	495,000	531,196	0.82
2006	4,614,379	3,503,080	1,111,299	590,000	517,431	1.00
2007	5,001,076	3,715,636	1,285,440	610,000	506,889	1.15
2008	5,113,316	3,760,191	1,353,125	620,000	494,279	1.21
2009	5,399,480	3,675,834	1,723,646	640,000	480,089	1.54
2010	5,305,085	3,337,598	1,967,487	655,000	506,369	1.69
2011	5,450,926	3,716,167	1,734,759	550,000	840,828	1.25
2012	5,541,087	3,782,904	1,758,183	565,000	818,038	1.27

NOTES:
Details regarding the City's outstanding debt can be found in the notes to the financial statements.
Utility service charges include tap fees, but exclude interest.
Operating expenses do not include interest, depreciation, or amortization expense.

CITY OF FAYETTEVILLE, GEORGIA

DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

Fiscal Year	Population (1)	Personal Income (thousands) (2)	Per Capita Personal Income (2)	Median Age (1)	School Enrollment (3)	Unemployment Rate (4)
2003	13,306	497,432	37,384	36.1	21,239	3.0
2004	13,792	530,882	38,492	36.1	21,624	2.7
2005	14,395	487,976	33,899	36.1	22,338	4.6
2006	15,033	517,240	34,407	36.1	22,291	4.0
2007	15,408	545,320	35,392	36.1	22,190	3.8
2008	15,126	554,670	36,670	36.1	21,597	4.7
2009	15,136	484,322	31,998	36.1	21,899	8.8
2010	15,093	445,002	29,484	36.1	20,756	8.6
2011	15,945	423,356	26,551	36.1	20,607	8.3
2012	16,124	447,248	27,738	41.3	20,506	8.1

SOURCES:

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

CITY OF FAYETTEVILLE, GEORGIA

PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

	Fiscal Year 2012			Fiscal Year 2003		
Employer	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Fayette County Board of Education	2,826	1	27.76%	805	1	5.28%
Fayette Hospital	1,430	2	14.05%	771	2	5.06%
Fayette County Board of Commissioners	770	3	7.56%	450	3	2.95%
Wal-Mart Stores, Inc.	348	4	3.42%	120	6	0.79%
Kroger	226	5	2.22%	125	5	0.82%
Publix	213	6	2.09%	-		-
Brent Scarbrough & Company	198	7	1.95%	110	9	0.72%
Lafayette Nursing Home	166	8	1.63%	120	7	0.79%
Lowe's	132	9	1.30%	-		-
City of Fayetteville	124	10	1.22%	115	8	0.75%
Home Depot	-		-	150	4	0.98%
Leslie Contracting	-		-	105	10	0.69%
Total	6,433		63.20%	2,871		18.83%

SOURCE:
City of Fayetteville, Georgia records.

CITY OF FAYETTEVILLE, GEORGIA

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

Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government	14	15	15	15	13	13	10	14	14	13
Judicial	3	3	3	2	2	2	2	2	2	2
Public safety										
Police	47	48	48	48	49	54	48	45	45	44
Fire	27	27	27	27	26	30	36	36	36	35
Public works	11	12	12	14	14	14	13	12	12	11
Housing and development	11	11	12	10	9	9	6	5	5	6
Main Street Tourism	2	2	2	2	2	2	2	2	2	2
Water and Sewer										
Water	18	18	18	18	12	12	10	10	10	10
Wastewater	5	7	7	7	14	14	11	10	10	7
Total	138	143	144	143	141	150	138	136	136	130

SOURCE:
City of Fayetteville, Georgia records

CITY OF FAYETTEVILLE, GEORGIA

OPERATING INDICATORS BY FUNCTION
LAST NINE CALENDAR YEARS

Function	2004	2005	2006	2007	2008	2009	2010	2011	2012
Mayor And Council									
Citizen contacts	-	1,745	5,871	4,859	4,626	7,000	5,000	5,000	4,600
Council meetings	23	26	25	25	26	24	26	26	25
Correspondence generated	67	74	55	85	81	150	100	100	80
Finance and Administration									
A/P checks processed	4,638	4,044	4,472	4,869	4,354	4,066	4,282	4,200	3,739
Business licenses processed	2,212	2,168	2,015	2,157	2,337	2,250	2,092	2,100	2,217
Utility bills generated	84,641	88,274	97,494	99,286	100,337	101,877	101,010	101,051	99,936
Information Technology									
Number of work orders received	1,055	523	468	529	530	528	600	600	600
Hits on City website per year	80,455	110,255	121,322	181,776	164,475	115,882	125,000	150,000	150,000
Municipal Court									
Citations processed	8,369	7,210	8,218	10,033	8,060	7,742	8,704	8,000	6,518
Cases adjudicated	7,894	8,736	9,708	11,990	7,319	7,900	9,131	9,000	5,301
Average inmates per month	12	12	11	16	20	12	14	12	9
Police									
Number of arrests	1,332	1,164	1,385	1,427	1,434	1,392	1,521	1,431	1,382
Number of traffic accidents	1,506	1,618	1,507	1,396	1,148	1,621	1,084	1,351	1,317
Citations/warnings issued	8,577	8,897	11,777	7,869	9,752	11,624	10,969	10,398	10,161
Fire									
Emergency calls	2,367	2,387	2,570	2,560	2,656	2,691	2,737	2,800	3,110
Hydrants maintained	947	1,089	1,117	1,250	1,250	1,289	1,300	1,315	1,261
Inspections completed	1,795	1,660	1,446	1,431	1,391	1,436	1,391	1,400	1,381
Public Works									
Miles resurfaced	2.0	2.0	2.5	1.3	1.3	1.3	1.5	1.5	1.3
Miles of cracks sealed	1.5	1.5	1.5	2.0	1.0	1.0	1.0	1.0	1.0
Miles of right of way mowed	370	380	430	435	445	455	465	465	352
Housing And Development									
Building permit inspections	5,487	5,484	7,020	4,097	3,087	3,087	2,294	2,300	2,600
Development plan applications	38	33	37	28	15	9	-	8	15
Erosion control inspections	3,668	3,672	3,452	2,085	1,643	1,060	461	460	427
Water And Sewer									
Water - gallons processed (X 1,000)	584,183	540,480	474,920	388,624	319,419	359,764	427,071	322,906	300,269
Wastewater - gallons processed (X 1,000)	768,169	833,790	770,502	716,985	684,408	561,675	630,894	637,203	543,576
New meter installations	156	153	168	54	25	11	13	15	14

NOTE:

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

SOURCE:

City of Fayetteville, Georgia records.

CITY OF FAYETTEVILLE, GEORGIA

CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government										
Phone system	-	-	1	1	1	1	1	1	1	1
Computer system	1	1	1	1	1	1	1	1	1	1
Buildings	1	1	1	2	2	2	2	2	2	2
Police										
Station	0.5	0.5	1	1	1	1	1	1	1	1
Fire										
Stations	1.5	1.5	2	2	2	2	2	2	2	2
Fire trucks	2	3	3	3	3	3	3	3	3	4
Public Works										
Parks	3	3	4	5	5	5	5	5	5	5
Highways/streets	47.12	53.41	56.55	62.83	63.30	63.30	63.30	63.30	63.30	63.30
Building	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Bridge	1	1	1	1	1	1	1	1	1	1
Traffic signals	3	3	3	3	3	3	3	3	3	3
Cemetery	1	1	1	1	1	1	1	1	1	1
Lake	1	1	1	1	1	3	3	3	3	3
Water And Sewer										
Buildings	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Lift stations	20	21	22	24	24	24	24	24	24	24
Miles of sewer lines	92	99	107	122	126	126	126	126	126	126
Miles of water lines	N/A	N/A	N/A	104	108	108	108	108	108	108
Manholes	2,138	2,309	2,494	2,798	2,798	2,798	2,798	2,798	2,798	2,798
Stormwater detention	-	-	1	1	1	1	1	1	1	1
Lake	-	-	1	1	1	1	1	1	1	1
Wells	3	3	3	3	3	3	3	3	3	3

SOURCE:
City of Fayetteville, Georgia records.

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CONTINUING DISCLOSURE SECTION

CITY OF FAYETTEVILLE, GEORGIA

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

Calendar Year	Fayette County Volume	Fayette County Percent	System Well/Water Plant Volume	System Well/Water Plant Percent	Total Usage	Percent Change
2003	28,147	4.6 %	585,799	95.4 %	613,946	10.8 %
2004	59,077	9.8	542,820	90.2	601,897	(2.0)
2005	30,836	5.4	541,150	94.6	571,986	(5.0)
2006	118,026	21.7	426,439	78.3	544,465	(4.8)
2007	231,331	41.3	328,434	58.7	559,765	2.8
2008	153,581	31.5	334,700	68.5	488,281	(12.8)
2009	115,328	22.9	387,705	77.1	503,033	3.0
2010	118,314	23.0	395,035	77.0	513,349	2.1
2011	149,076	31.6	322,906	68.4	471,982	(8.1)
2012	196,070	39.5	300,269	60.5	496,339	5.2

Source: City of Fayetteville, Georgia records.

CITY OF FAYETTEVILLE, GEORGIA

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

Calendar Year	Average Daily Flow MGD	Average Weekly Peak Flow MGD
2003	2.27	2.50
2004	2.11	2.31
2005	2.28	2.54
2006	2.29	2.10
2007	1.96	2.24
2008	1.86	1.81
2009	1.54	1.51
2010	1.73	1.90
2011	1.63	1.88
2012	1.46	1.65

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

Source: City of Fayetteville, Georgia records.

CITY OF FAYETTEVILLE, GEORGIA

WATER AND SEWER CUSTOMERS
LAST TEN CALENDAR YEARS

Calendar Year	Number of Water Customers	% Increase Water Customers	Number of Sewer Customers	% Sewer to Water Customers
2003	6,263	0.4 %	6,183	98.7 %
2004	6,322	0.9	6,494	102.7
2005	6,576	4.0	6,748	102.6
2006	6,640	1.0	6,870	103.5
2007	6,643	0.0	8,062	121.4
2008	6,631	(0.2)	8,051	121.4
2009	6,585	(0.7)	8,032	122.0
2010	6,615	0.5	8,035	121.5
2011	6,607	(0.1)	8,027	121.5
2012	6,628	0.3	8,083	122.0

SOURCE:
City of Fayetteville, Georgia records.

CITY OF FAYETTEVILLE, GEORGIA

WATER AND SEWER USER FEES AND CHARGES

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

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

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

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

COMPLIANCE SECTION

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

INDEPENDENT AUDITOR'S 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 City Council
City of Fayetteville
Fayetteville, Georgia

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fayetteville, Georgia (the "City") for the year ended July 31, 2012, and have issued our report thereon dated January 21, 2013. 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

Management of the City of Fayetteville, Georgia is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered City of Fayetteville, 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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City'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 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Fayetteville, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

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

Mauldin & Jenkins, LLC

Macon, Georgia
January 21, 2013

CITY OF FAYETTEVILLE, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JULY 31, 2012

SECTION I
SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	____ yes __X__ no
Significant deficiencies identified not considered to be material weaknesses?	____ yes __X__ no
Noncompliance material to financial statements noted?	____ yes __X__ no

Federal Awards

There was not an audit of major federal award programs as of July 31, 2012 due to the total amount expended being less than $500,000.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

None reported.

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Not applicable.

SECTION IV
STATUS OF PRIOR YEAR FINDINGS

None reported.

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