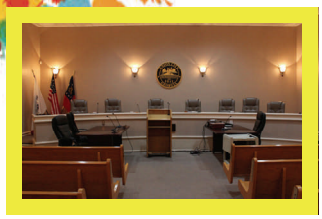
ACCOUNTABILITY





TRANSPARENCY



PERFORMANCE

This is YOUR UNION CITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For Fiscal Year Ending August 31, 2011

CITY OF UNION CITY, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
AUGUST 31, 2011

Prepared by:
Union City Finance Department

CITY OF UNION CITY, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YER ENDED AUGUST 31, 2011

TABLE OF CONTENTS

INTRODUCTORY SECTION

Page

Letter of Transmittal ..... I - v
Certificate of Achievement for Excellence in Financial Reporting vi
Organizational Chart vii
List of Principal Officials viii

FINANCIAL SECTION

Independent Auditor's Report ..... 1 and 2
Management's Discussion and Analysis ..... 3 - 12
Basic Financial Statements:
- Government-wide Financial Statements:
  - Statement of Net Assets 13
  - Statement of Activities 14
- Fund Financial Statements:
  - Balance Sheet – Governmental Funds 15
  - Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds 16
  - Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balances of Governmental Funds to the Statement of Activities 17
  - Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget (GAAP Basis) and Actual – General Fund 18
  - Statement of Net Assets – Proprietary Funds 19
  - Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds 20
  - Statement of Cash Flows – Proprietary Funds ..... 21 and 22
  - Statement of Fiduciary Assets and Liabilities – Agency Fund 23
- Notes to Financial Statements ..... 24 - 53

Required Supplementary Information
- Schedule of Funding Progress 54

Combining Statements and Schedules:
- Combining Balance Sheet – Nonmajor Governmental Funds ..... 55 and 56
- Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds ..... 57 and 58
- Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual (Special Revenue Funds and Debt Service Funds):
  - Federal Seized Funds 59
  - Vehicle Rental Excise Tax Fund 60
  - Hotel/Motel Tax Fund 61
  - Emergency 911 Fund 62

CITY OF UNION CITY, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED AUGUST 31, 2011

TABLE OF CONTENTS (CONTINUED)

FINANCIAL SECTION (CONTINUED)

Combining Statements and Schedules: (Continued) — Page

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual (Special Revenue Funds): (Continued)

- Inmate Welfare Fund 63
- Tax Allocation District Fund 64
- Multiple Operating Grant Fund 65
- 1993 General Obligation Bond Fund 66
- 2010 General Obligation Bond Fund 67
- 2010 Certificate of Participation Fund 68
- 2006 General Obligation Bond Fund 69

Statement of Cash Flows – Component Unit 70

STATISTICAL SECTION

Fund information:

- Net Assets by Activity 71
- Changes in Net Assets ..... 72 and 73
- Fund Balances, Governmental Funds 74
- Changes in Fund Balances, Governmental Funds ..... 75 and 76
- Assessed Value and Estimated Actual Value of Taxable Property 77
- Direct and Overlapping Property Tax Rates 78
- Property Tax Levies and Collections 79
- Principal Property Taxpayers 80
- Ratio of Outstanding Debt by Type 81
- Legal Debt Margin Information 82
- Direct and Overlapping Governmental Activities Debt 83
- Demographic and Economic Statistics 84
- Principal Employers 85
- Full-Time Equivalent City Employees by Function / Program 86
- Operating Indicators by Function 87
- Capital Assets Statistics by Function 88

COMPLIANCE SECTION

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 ..... 89 and 90

Schedule of Findings and Responses 91

Schedule of Prior Year Findings 92

INTRODUCTORY SECTION

CITY OF UNION CITY
"The Progressive City"

5047 UNION STREET
UNION CITY, GEORGIA 30291-1497
PHONE 770/964-2288
FAX 770/306-6861

February 24, 2012

To the Honorable Mayor, Members of the City Council, and Citizens
of The City of Union City, Georgia:

State law requires that all general-purpose local governments publish for the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Union City, Georgia for the fiscal year ended August 31, 2011.

This report consists of management's representations concerning the finances of the City of Union City, Georgia. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Union City, Georgia has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Union City, Georgia's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Union City, Georgia's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Union City, Georgia's financial statements have been audited by Mauldin & Jenkins, CPA, LLC, a license certified public accounting firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Union City, Georgia for the fiscal year ended August 31, 2011, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Union City, Georgia's financial statements for the fiscal year ended August 31, 2011, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires 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 Union City, Georgia's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

Union City was incorporated August 17, 1908, and was named for the Farmer's Union whose national headquarters was located in the area. Since that time the City's population has grown to its current population of approximately 19,456. The City is located in North Central Georgia on Interstate 85 in South Fulton County, the largest county in the State of Georgia. Approximately 15 miles south of downtown Atlanta, Union City is only 5 miles from Hartsfield-Jackson International Airport and is part of the metropolitan statistical area as designated by the Bureau of Census; a small town America within the sphere of downtown Atlanta, home of the 1996 Olympic Games.

The City of Union City, Georgia, operates under a Mayor and Council- Chief Administrative Officer form of government. The Chief Administrative Officer is appointed by and serves at the pleasure of the City Council. The City Council annually adopts a balanced budget and establishes a tax rate for the support of the City programs. The Chief Administrative Officer has the responsibility of administering these programs in accordance with policies and the annual budget adopted by the City Council.

Services provided by the City under general governmental functions include finance, human resources, information technology, police and fire protection, economic development, public services, recreation services and administrative services to the citizens. In addition, water and sewer services, solid waste collection and disposal services, and criminal justice management are provided under an Enterprise Fund concept, with user charges set by the City Council to ensure adequate coverage of operating expenses and payments on outstanding debt.

Management of the City has reviewed all potential component units to determine if any should be included in these financial statements and has concluded that the South Fulton Municipal Regional Jail Authority is a component unit that should be included in the financial statements.

The annual budget is the financial plan for the operation of the City for the ensuing annual period. The budget process provides for a professional management approach to the establishment of priorities and the implementation of work programs while providing an orderly means for control and evaluation of the financial posture of the Government. The City adopts an annual budget no later than the beginning of each fiscal year. The Chief Administrative Officer and the Finance Director are required to prepare and submit a budget to the Council for review and adoption. The budget is accompanied by a message from the Chief Administrative Officer containing a statement of general fiscal policies of the City, the important features of the budgets, explanations of the major changes recommended for the next fiscal year, a general summary of the budgets, and such other comments and information as may be deemed pertinent. The Council may approve, reject, or modify the proposed budget and shall adopt the final budget by ordinance no later than August 31. Upon recommendation of the Chief Administrative Officer and approval of the Mayor and Council, the City may make interfund or interdepartmental transfers in the current operating or capital improvements budgets at any regular or special meeting called for such purpose, provided funds are available. The budget is prepared and adopted on a basis consistent with generally accepted accounting principles.

Annual budgets are adopted for the General Fund, Debt Service Funds, and Special Revenue Funds. Capital Projects Funds have legal budgets adopted on a total project basis rather than an annual basis. Annual operating budgets are prepared for each Enterprise Fund for planning, control, cost allocation, and evaluation purposes.

The legal level of budgetary control is the fund level. Increases in the total appropriations of a fund, whether accomplished through an increase in estimated revenues or through a transfer of appropriations among funds, require the recommendation of the Chief Administrative Officer and approval of the Mayor and Council. Appropriations lapse at year-end except those for capital projects which are accounted for in future periods as "fund balance reserved for construction" until the appropriation is expended or the project completed.

Final budget amounts included on all budget comparisons in this report are as amended as of August 31, 2011, by the Mayor and Council.

Financial Position and Future Prospects

The financial position of the City has continued to be sound over the past year, with actual operating results better than projected. This is due in part to careful budget management and expenditure of funds, the aggressive investment of all available surplus cash in interest bearing certificates, and the careful management of our utility billing rates. The implementation of local option sales tax has enabled the City to reduce the dependence on ad valorem taxes to support the General Fund.

Standard and Poor's Ratings Services maintained its underlying rating on Union City, Georgia's various-purpose GO bonds series 1997 and 2006 at "Aaa " based on the maintenance of the City's strong financial position and reserve levels and low overall debt burden. This rating is a clear testament that the City continues to demonstrate sound financial performance despite a tough economic climate.

Union City has a distinctive blend of new and established business clusters that are strategically designed to succeed. The digest reflects this diversification with 64.3% commercial; 13.5% Industrial and 22.2% residential. Over 87% of businesses located in Union City are in the services or retail trade sector. This is in part due to the existence of numerous services and retail establishments located along Georgia Highway 138 & 29.

The City continues to attract major business providing solid economic growth that contradicts the state of the national economy. This past year saw grand openings for Citizen Bowling Lanes, Sergio’s Pizza Bar, Legends Sports Bar, Southern Buffet & Grill, Lexus of South Atlanta and Classic Collision to name a few. Union City gained over a thousand new jobs this past year primarily with the opening of Dendreon (200 jobs), Kraft Food (432 jobs) and Newell Rubbermain (95 jobs). Development projects such as the planned Parkway South Center Mixed-Use development located along South Fulton Parkway allow for smart, mixed-use development in density ratios that promote progressive growth, an increased tax base and protection of vital green-space and conservation areas.

Incentives such as the Tax Allocation District (TAD) proposed a 885-acrea mixed-use development that helps focus redevelopment and local infrastructure improvements on a former Mall location. The City also obtained the Opportunity Zone designation to attract businesses by promotion job tax credits up to $3,500 per job created. Businesses are able to utilize this credit against their Georgia Income Taxes may claim excess credit against their withholding taxes. Recently, Union City received a federal designation as a Georgia Foreign Trade Zone (GFTZ) which helps businesses remain competitive, reducing processing fees, custom fees and enhancing the movement of goods in a global marketplace.

Union City provides various shopping opportunities to residents of the City as well as those from surrounding cities and counties. Several smaller shopping centers are located around the Mall as well as a substantial number of automobile dealerships. All combined, Union City has a solid retail district that continues to improve and expand. Currently there are nine manufacturing establishments, 18 wholesale trade outlets and 14 construction establishments, many of which are independent contractors operating out of their homes. Location advantages, such as the interstate and close proximity to Hartsfield-Jackson International Airport, present Union City with an opportunity distinct to South Fulton County. These resources have enabled the City to capture development, both commercial and residential.

Cash Management Policies and Practices

Cash temporarily idle during the year is invested in commercial bank certificates of deposit, U. S. Treasury bills and the State of Georgia Local Government Investment Pool. These instruments generally have terms of twelve months or less. Investments of this type are found in the General, Debt Service, and Water and Sewer funds.

Risk Management

The City of Union City is a member of the Georgia Interlocal Risk Management Agency. The Agency's purpose is to serve as a self-insurance fund for the management of liability and property damage risks of the member municipalities. GIRMA is administered by the Georgia Municipal Association through a 15 member Board of Trustees. The Board of Trustees is appointed from member municipalities meeting criteria set forth in GIRMA Bylaws.

The City pays an annual contribution to GIRMA as prescribed in the By-laws. As a member of GIRMA, the City agrees to participate in all loss reduction and prevention procedures by GIRMA. The City reports all claims to GIRMA. The claims are reviewed by GIRMA to determine what representation, if any, is required.

Pension Benefits

The City participates in the Georgia Municipal Employees Benefit System (GMEBS). Full time employees employed for at least one year are eligible to participate in the plan. The City has no fiduciary responsibility for the plan. Annual actuarial reviews are performed and funding requirements are adjusted as needed based upon directions received from the Georgia Municipal Employees Benefit System. All contributions required to meet the actuarial study have been made.

Awards & Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Union City for its Comprehensive Annual Financial Report (CAFR) for the fiscal period ended August 31, 2010. In order to be awarded a Certificate of Achievement, the City had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We are pleased to present the City’s twelfth Comprehensive Annual Financial Report (CAFR), and submit the same to the Government Finance Officers Association (GFOA) for consideration in the Certificate of Achievement for Excellence in Financial Reporting program. We believe that our current CAFR continues to meet the program’s requirements.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the mayor and the governing council for their unfailing support for maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,

Steven R. Rapson, CPA
City Manager

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Union City
Georgia

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

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



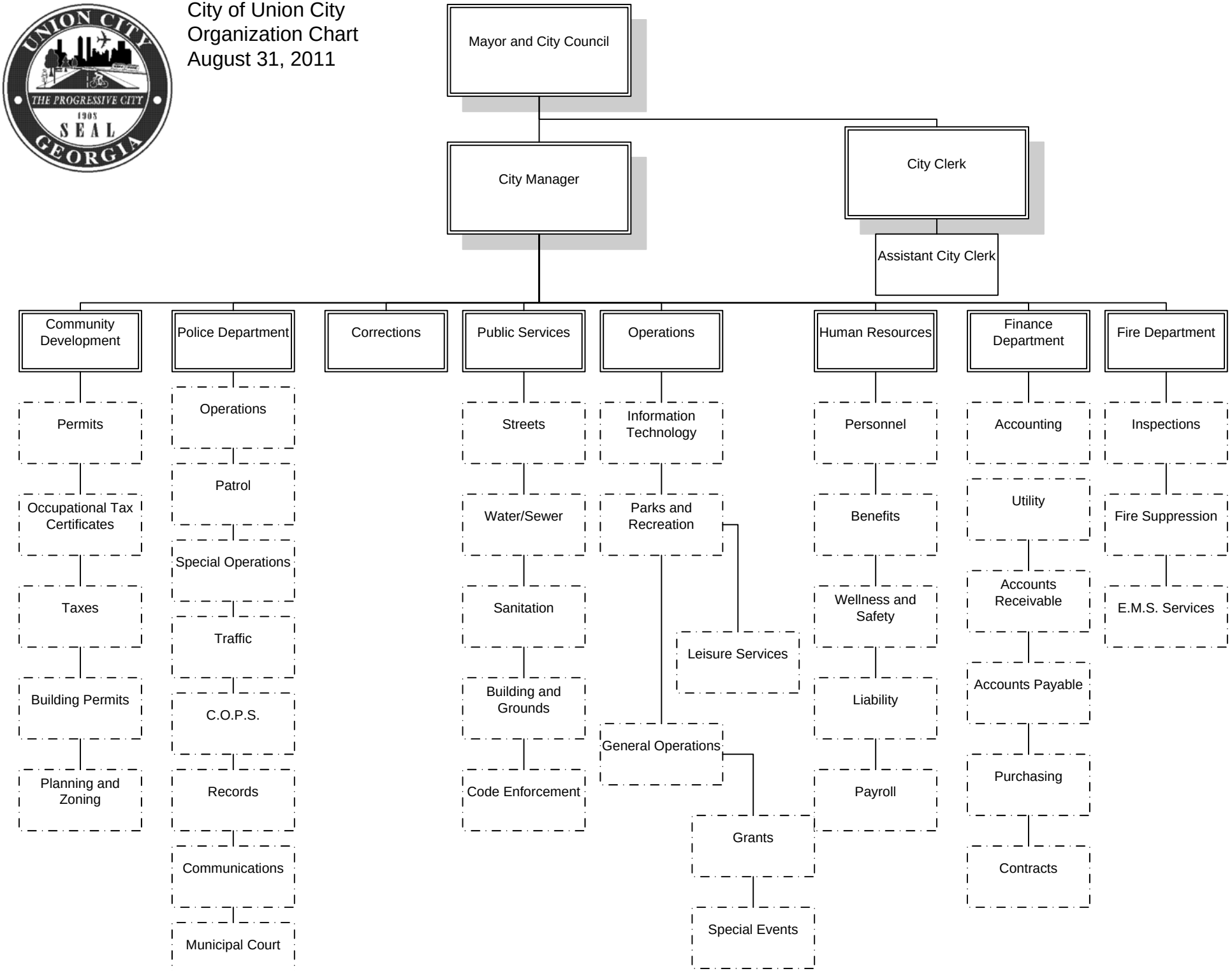
Linda C. Davidson

President

Jeffrey R. Esser

Executive Director

City of Union City
Organization Chart
August 31, 2011



CITY OF UNION CITY, GEORGIA

PRINCIPAL OFFICIALS
AUGUST 31, 2011

Elected Officials

Ralph Moore, Mayor

City Council
Shirley Jackson
Brian K. Jones
Angelette Mealing, Mayor Pro Tem
Vince R. Williams

Appointed Officials

City Manager
Steve Rapson

City Clerk
Jacqueline Cossey

Directors
Chief of Police
Charles Odom

Chief of Fire Bureau
Don Leasher

Chief of Corrections
John M. Mansch

Director of Public Services
Sylvester Alexander

Director of Community Development
Ann Lippmann

Comptroller
Tarsha Patterson

Director of Operations
LaSonja Fillingame

FINANCIAL SECTION

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members
of the City Council
Union City, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the **City of Union City, Georgia** (the "City"), as of and for the year ended August 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Union City, Georgia's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Union City, Georgia, as of August 31, 2011, and the respective changes in financial position and cash flows, where applicable, 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2012, on our consideration of the City of Union City, 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 12) and the Required Supplementary Information (on page 54) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Union City, Georgia's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide assurance on them.

Mauldin & Jenkins, LLC

Macon, Georgia
February 24, 2012

As management of the City of Union City, we offer readers of the City of Union City's financial statements this narrative overview and analysis of the financial activities of the City of Union City for the fiscal year ended August 31, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements and the notes to the financial statements.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2011 are as follows:

- The assets of the City of Union City exceeded its liabilities at the close of the fiscal year by $18,227,442 (net assets). Of this amount, $3,165,844 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets decreased by ($6,014,848).
- As of the close of the current fiscal year, the City of Union City's governmental funds reported combined ending fund balances of $7,154,057 a decrease of ($4,314,985) from the prior year.
- The City's General fund loaned $1,424,454 to the South Fulton Municipal Jail Authority to meet debt obligations of the Authority.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Discussion and Analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to those financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. All governmental and business-type activities are consolidated to arrive at a total for the Primary Government. There are two government-wide statements, the statement of net assets and the statement of activities, which are described below.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. It is important to note that this statement consolidates the governmental fund's current financial resources (short-term) with capital assets and long-term liabilities.

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

The governmental activities of the City include general government, judicial, public safety, public works, community services, recreation, and economic development.

The business-type activities of the City include water and sewer, sanitation, and criminal justice management.

The government-wide financial statements include not only the City itself (known as the primary government), but also the South Fulton Municipal Regional Jail Authority. This is a legally separate entity that is a component unit of the City due to the significance of its operational or financial relationship with the City. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The City's government-wide financial statements are presented on pages 13 and 14.

Reporting the City's Most Significant Funds

Unlike government-wide financial statements, the focus of fund financial statements is directed specific activities of the City rather than the city as a whole. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties or governmental statutes or regulations. The City's fund financial statements are divided into three broad categories, namely, (1) governmental funds, (2) proprietary funds, and (3) debt service funds.

Governmental Funds

Governmental fund financial statements consist of a balance sheet and statement of revenues, expenditures, and change in fund balances and are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted to cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a very short period of time, but do not include capital assets such as land and buildings. Fund liabilities include amounts that are to be paid within a very short period after the end of the fiscal year. The difference between a fund's total assets and total liabilities is labeled as the fund balance, and generally indicates the amount that can be used to finance the next fiscal year's activities. Likewise, the operating statement for governmental funds reports only those revenues and expenditures that were collected in cash or paid with cash, respectively, during the current period or very shortly after the end of the year.

For the most part, the balances and activities accounted for in governmental funds are also reported in the governmental activities columns of the government-wide financial statements; however, because different accounting bases are used to prepare fund financial statements, there are often significant differences between the totals presented in these financial statements. For this reason, there is an analysis at the bottom of the balance sheet that reconciles the total fund balances to the amount of net assets presented in the governmental activities column on the statement of net assets. Also, there is an analysis at the bottom of the statement of revenues, expenditures, and changes in fund balances that reconciles the total change in fund balances for all governmental funds to the change in net assets as reported in the governmental activities column in the statement of activities.

The City presents in separate columns funds that are most significant to the City (major funds) and all other governmental funds are aggregated and reported in a single column (non-major funds). The City's governmental fund financial statements are presented on pages 15 - 18.

For the most part, the balances and activities accounted for in governmental funds are also reported in the governmental activities columns of the government-wide financial statements; however, because different accounting bases are used to prepare fund financial statements, there are often significant differences between the totals presented in these financial statements. For this reason, there is an analysis at the bottom of the balance sheet that reconciles the total fund balances to the amount of net assets presented in the governmental activities column on the statement of net assets. Also, there is an analysis at the bottom of the statement of revenues, expenditures, and changes in fund balances that reconciles the total change in fund balances for all governmental funds to the change in net assets as reported in the governmental activities column in the statement of activities.

Proprietary Funds

Proprietary fund financial statements consist of a statement of net assets, statement of revenues, expenses, and changes in fund net assets and statement of cash flows, and are prepared on an accounting basis that is similar to the basis used to prepare the government-wide financial statements. For financial reporting purposes, proprietary funds are grouped into Enterprise Funds and Internal Service Funds.

The City uses Enterprise Funds to account for business-type activities that charge fees to customers for the use of specific goods or services. For the most part, the balances and activities accounted for in the City's Enterprise Funds are also reported in the business-type activities columns of the government-wide financial statements.

The City presents in separate columns Enterprise Funds that are most significant to the City and all other Enterprise Funds are aggregated and reported in a single column. A statement of cash flows is presented at the fund financial statement level for proprietary funds, but no equivalent statement is presented in the government-wide financial statements for either governmental activities or business-type activities.

The City's proprietary fund financial statements are presented on pages 19 - 22.

Overview of the City's Financial Position and Operations

The City's overall financial position and operations for the past two years are summarized as follows based on the information included in the government-wide financial statements (see pages 13 and 14):

City of Union City's Net Assets
August 31, 2011

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	$ 9,876,968	$ 13,854,036	$ 1,374,921	$ 1,478,013	$ 11,251,889	$ 15,332,049
Capital assets, net	17,353,365	17,195,348	11,905,504	12,298,174	29,258,869	29,493,522
Total assets	27,230,333	31,049,384	13,280,425	13,776,187	40,510,758	44,825,571
Other liabilities	2,519,938	1,767,428	1,823,049	1,097,442	4,342,987	2,864,870
Long-term liabilities outstanding	17,856,396	17,593,588	83,933	124,823	17,940,329	17,718,411
Total liabilities	20,376,334	19,361,016	1,906,982	1,222,265	22,283,316	20,583,281
Net assets:						
Invested in capital assets, net of related debt	2,298,610	4,350,167	11,905,504	12,298,174	14,204,114	16,648,341
Restricted	857,484	4,645,673	-	-	857,484	4,645,673
Unrestricted	3,697,905	2,692,528	(532,061)	255,748	3,165,844	2,948,276
Total net assets	$ 6,853,999	$ 11,688,368	$ 11,373,443	$ 12,553,922	$ 18,227,442	$ 24,242,290

Financial Position

The total net assets of the City decreased by ($6,014,848) (24.8%), from $24,242,290 to $18,227,442 as noted in the table above. The governmental activities net assets decreased by ($4,834,369), while the business-type activities net assets decreased by ($1,180,479).

City of Union City's Changes in Net Assets
August 31, 2011

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues						
Charges for services	$ 3,525,888	$ 3,901,344	$ 8,750,735	$ 8,242,375	$ 12,276,623	$ 12,143,719
Operating grants and contributions	495,636	533,300	-	-	495,636	533,300
Capital grants and contributions	98,986	50,000	-	-	98,986	50,000
General revenues:						
Property taxes	5,314,492	5,891,035	-	-	5,314,492	5,891,035
Sales taxes	2,753,242	2,825,733	-	-	2,753,242	2,825,733
Franchise taxes	1,110,159	1,165,361	-	-	1,110,159	1,165,361
Other taxes	866,972	924,859	-	-	866,972	924,859
Unrestricted investment earnings	25,896	84,538	21,867	33,291	47,763	117,829
Total revenues	14,191,271	15,376,170	8,772,602	8,275,666	22,963,873	23,651,836
Expenses:						
General government	2,197,152	2,490,131	-	-	2,197,152	2,490,131
Judicial	467,691	426,544	-	-	467,691	426,544
Public safety	10,127,843	9,806,401	-	-	10,127,843	9,806,401
Public works	4,906,720	3,034,056	-	-	4,906,720	3,034,056
Parks and recreation	443,054	330,248	-	-	443,054	330,248
Economic development	643,677	932,850	-	-	643,677	932,850
Interest on long-term debt	665,503	839,703	-	-	665,503	839,703
Water & Sewer	-	-	5,961,017	6,551,474	5,961,017	6,551,474
Sanitation	-	-	677,006	700,470	677,006	700,470
Criminal Justice Management	-	-	2,889,058	3,568,864	2,889,058	3,568,864
Total expenses	19,451,640	17,859,933	9,527,081	10,820,808	28,978,721	28,680,741
Decrease in net assets before transfers	(5,260,369)	(2,483,763)	(754,479)	(2,545,142)	(6,014,848)	(5,028,905)
Transfers	426,000	-	(426,000)	-	-	-
Change in net assets	(4,834,369)	(2,483,763)	(1,180,479)	(2,545,142)	(6,014,848)	(5,028,905)
Net assets, beginning of year	11,688,368	14,172,131	12,553,922	15,099,064	24,242,290	29,271,195
Net assets, end of year	$ 6,853,999	$ 11,688,368	$ 11,373,443	$ 12,553,922	$ 18,227,442	$ 24,242,290

Governmental Activities

Net assets for governmental activities decreased ($4,834,369). Governmental revenues decreased ($1,184,899) (7.71%). The more significant decreases were property taxes which decreased ($576,543) or (9.79%) as a result of decreases in property values. Charges for services decreased ($375,456) or (9.62%) primarily as a result of delay in the Moore-Jackson Community Center coming on line as well as decreases in community development activity and decreases in court related fines and forfeitures. Other revenue categories decreased modestly over the prior year.

Expenditures for governmental activities expenses increased $1,591,707 or 8.9%. The largest increase was in public works expenses which increased $1,872,664 or 61.7% as the City is nearing completion of street improvement projects related to the 2006 general obligation bond issue. Public safety expenditures increased $321,442 or 3.2% due to transfers to the South Fulton Municipal Jail Authority to meet debt service requirements guaranteed by the City. General government expenditures decreased ($292,979) or (11.8%) and economic development expenses decreased ($289,173) or (31%) due to austerity measures in light of the decreases in revenue discussed above and lack of new commercial related development. Interest on long term debt decreased ($174,200) or (21%) due to refinancing arrangements completed in the prior year.

Business-Type Activities

Net assets for business type activities decreased ($1,180,479). The Water and Sewer fund had a change in net assets of ($703,251); the Criminal Justice Management Fund had a net loss of ($428,380); and the Sanitation fund had a net loss of ($48,848).

The Water and Sewer fund had net operating income of $729,814 and a loss of ($466,296) for 2011 and 2010, respectively. The improvement in operating income is attributable to a 12.5% increase in rates in fiscal 2011. The water and sewer fund still shows a loss after non-operating expenses of ($378,251) as a result of continuing obligations under an intergovernmental agreement to fund the repayment of construction bonds for alternative water and sewer resources. These obligations were $1,129,932 and $985,674 for 2011 and 2010, respectively. (See Note 14, page 51). These expenses will be covered as the City's population increases or water rates are increased to cover these expenses.

The Criminal Justice Management fund had a net loss of ($428,380) compared to a loss of ($1,004,970) in 2010. The jail facility's largest customer, the Fulton County Sheriff's Department, decided to relocate their inmates to other facilities in 2010 and, although Fulton County has begun using the facility again in 2011, has not committed enough inmates to reach 2009 levels. As a result, the General Fund of the City was required to loan $1,424,454 to meet debt obligations of the Jail Authority.

The City manages the billing and collection of revenues for its Sanitation customers, and outsources the collection and disposal of garbage to a private vendor for both residential and commercial customers. The City's goal in the process is to at a minimum, break-even and attempt to maintain a level retained earnings balance in order to refrain from having to transfer funds into the Sanitation activities from other sources. This is a service that the City provides to its residents which aides residents further by controlling and maintaining the lowest cost for these services, as opposed to allowing a private vendor to take over the entire process and expose residents to garbage fees that could be inflated for profit reasons. The Sanitation Fund had net income before transfers of $52,152 and $25,632 for 2011 and 2010, respectively.

Financial Analysis of the City's Funds

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

Governmental Fund Balance

The City's combined fund balances as of the end of the current year for governmental funds, presented on page 15, were $7,154,057. This balance represents a decrease of ($4,314,985) or (37.6%) from last year's ending balance. One of the major factors in the decrease, ($2,802,817), relates to the spending of the 2006 General Obligation Bond proceeds for road construction.

The combined fund balances includes $1,497,338 restricted for building and road improvement projects as compared to $4,300,155 in the prior year. The decrease, as previously discussed is related to the spending of the 2006 General Obligation bond proceeds.

City of Union City's Governmental Fund Balance
August 31, 2011

	2011	2010	$ Change	% Change
General Fund	$ 3,707,430	$ 5,804,097	$ (2,096,667)	(36.12) %
2006 General Obligation Bonds Fund	1,497,338	4,300,155	(2,802,817)	(65.18)
Other Governmental Funds	1,949,289	1,364,790	584,499	42.83
Total Governmental Fund Balance	$ 7,154,057	$ 11,469,042	$ (4,314,985)	(37.62)

Excess of expenditures over revenues prior to other financing sources (uses) in the Governmental Funds was ($6,240,985) as compared to ($5,087,019) in the prior year. Overall governmental revenues decreased ($434,839) or (2.89%). The most significant decrease was licenses and permits which decreased ($269,960) or (16.39%) as a result of decreased development in the area. Fines and forfeitures decreased ($105,139) or (6.61%) primarily related to decreases in probationary related activity and implementation of community service programs in lieu of monetary fines.

General government expenses decreased ($399,382) or (15.52%) and planning and economic development expenses decreased ($289,173) or (31%) due to austerity measures implemented by management. Public safety expenses increased slightly by $77,763, or less than 1% from the prior year. Parks and recreation expenses have increased $130,595 or 53.14% due to budgeted increases in this area by management.

Capital outlay has increased $1,550,474 or 61.2% as the City meets is spending obligations under the 2006 General Obligation Bond issue. Interest expense decreased ($194,502) or (22.7%) as a result of refinancing certain bond issues in 2010. Bond issuance costs of $176,033 incurred in 2010 were not necessary in 2011 since there were no new bond issues or refinancing of previous issues.

The remaining 2006 General Obligation Bonds' Capital Projects Fund bond proceeds of $1,497,338 were placed in temporary investments, and they will be used during the next fiscal year to complete various road improvement projects. The proceeds represent a liability of the City, and the bonds will have to be paid off over the next eighteen years.

City of Union City's Changes in Governmental Fund Balance
August 31, 2011

	2011	2010	$ Change	% Change
Revenues				
Property taxes	$ 5,673,239	$ 5,543,663	$ 129,576	2.34 %
Other taxes	3,664,155	3,750,593	(86,438)	(2.30)
Charges for services	548,195	509,548	38,647	7.58
Licenses and permits	1,377,168	1,647,128	(269,960)	(16.39)
Intergovernmental	223,481	168,100	55,381	32.95
Franchise fees	1,110,159	1,165,361	(55,202)	(4.74)
Fines and forfeitures	1,484,361	1,589,500	(105,139)	(6.61)
Interest revenue	25,896	84,538	(58,642)	(69.37)
Rental income	13,030	12,609	421	3.34
Other revenue	474,275	557,758	(83,483)	(14.97)
Total revenues	14,593,959	15,028,798	(434,839)	(2.89)
Expenditures				
Current:				
General government	2,174,146	2,573,528	(399,382)	(15.52)
Judicial	384,047	342,954	41,093	11.98
Public safety	9,703,075	9,625,312	77,763	0.81
Public works	1,727,828	1,713,341	14,487	0.85
Parks and recreation	376,373	245,778	130,595	53.14
Planning and economic development	643,677	932,850	(289,173)	(31.00)
Capital outlay	4,083,991	2,533,517	1,550,474	61.20
Debt service				
Principal (net of refunding)	1,079,492	1,115,687	(36,195)	(3.24)
Interest	662,315	856,817	(194,502)	(22.70)
Bond issuance costs	-	176,033	(176,033)	(100.00)
Total expenditures	20,834,944	20,115,817	719,127	3.57
Deficiency of revenues under expenditures	(6,240,985)	(5,087,019)	(1,153,966)	22.68
Other financing sources (uses)				
Proceeds from capital lease	1,500,000	-	1,500,000	
Premium on bonds	-	101,052	(101,052)	
Net transfers	426,000	-	426,000	
Total other financing sources (uses)	1,926,000	101,052	1,824,948	
Net change in fund balance	$ (4,314,985)	$ (4,985,967)	$ 670,982	(13.46) %

The City of Union City's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Union City's business-type activities.

General Fund Budgetary Highlights

The final budgets passed by the City Council anticipated using ($3,167,033) of general fund reserves to meet expenses.

A comparison of the final budgetary figures and the actual budgetary figures for revenues are located on page 17.

- For the General Fund, the actual revenues were ($1,205,233) lower than budgeted. Revenues were budgeted at $14,579,000 and actual revenues were $13,373,767, a variance of ($1,205,233) or (8.3%) of budget. The City experienced significant shortfalls in several areas. License and permits had budgeted $379,000 for a large development that did not materialize during the fiscal year; Leisure fee revenue was $366,000 lower than budgeted because of the delay in opening the Moore-Jackson Community Center; Fines and forfeitures were $217,000 less than budgeted because of decreases in probationary related activity and implementation of community service in lieu of monetary fines; Georgia Power franchise taxes were $121,000 less than budgeted due to business closings; and interest earnings were $103,000 less than budgeted due to decreases in interest rates and reduction of cash reserves during the year. Management compensated for these shortfalls by reducing expenditures in several areas as noted below.
- The actual expenditures of $13,934,169 were ($1,195,797) less than the budgeted amount of $15,129,966. Expenses were less than budgeted across all expenditure categories as management reduced expenditures in all departments to coincide with reduced revenue expectations as discussed above.

Capital Asset and Debt Administration

Capital Assets

The City has invested $29,258,869 in capital assets (net of depreciation). Capital assets held by the City at the end of the current and previous year are summarized below:

City of Union City's Capital Assets, net of Accumulated Depreciation
August 31, 2011

	Governmental Activities		Business -type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	$ 506,506	$ 506,506	$ 493,194	$ 493,194	$ 999,700	$ 999,700
Construction in progress	715,712	1,625,311	199,958	199,958	915,670	1,825,269
Buildings, grounds and improvements	7,108,534	5,801,986	11,167,775	11,541,479	18,276,309	17,343,465
Machinery and equipment	340,189	215,505	5,642	9,405	345,831	224,910
Infrastructure	6,693,187	7,047,730	-	-	6,693,187	7,047,730
Vehicles	1,989,237	1,998,310	38,935	54,138	2,028,172	2,052,448
Total	$ 17,353,365	$ 17,195,348	$ 11,905,504	$ 12,298,174	$ 29,258,869	$ 29,493,522

The detailed schedule capital assets are reported in Note 5, on page 39 and 40 of the financial statements.

Total capital asset additions for 2011 were $1,265,871 compared to $1,966,953 in 2010. Prior year additions included the construction of a fire station.

Long-term Debt

At the end of the current year, the City had long term debt related to governmental activities of $15,205,000 and none for business type activities. The City paid off early, $5,040,000 of Water and Sewer bonds in fiscal year 2010. Of the amount of debt outstanding as of the end of 2011, 100% was backed by the full faith and credit of the government. Governmental debt is secured by property tax revenue sources.

The Citizens of Union City approved the 2006 Bond Referendum in March of 2006 for $12,575,000 which required an increase in the property tax millage rate from 7.5 mills to 9.5 mills. The additional property tax revenue collected from the increase in the millage rate will be used to repay the 2006 Series Bonds. Standard and Poor's Ratings Services continues to maintain its underlying rating of "Aaa" on the City's various purpose general obligation bonds series 1997 and 2006 based on the maintenance of the City's strong financial position and reserve levels and low overall debt burden.

The debt position of the City is summarized below and is more fully analyzed in Note 6 beginning on page 41 of the financial statements.

City of Union City's Outstanding Long-Term Liabilities
August 31, 2011

	Governmental Activities		Business -type Activities		Total	
	2011	2010	2011	2010	2011	2010
General obligation bonds backed by property taxes	$ 15,205,000	$ 16,210,000	$ -	$ -	$ 15,205,000	$ 16,210,000
Capital lease	2,198,821	773,313	-	-	2,198,821	773,313
	$ 17,403,821	$ 16,983,313	$ -	$ -	$ 17,403,821	$ 16,983,313

Economic Factors and Next Year's Budgets and Rates

Union City along with most other municipalities in the Clayton County and southern Fulton County area have been hit extremely hard by the housing depression caused by sub-prime lending practices. As a result, expected services and revenues will be revised as economic conditions dictate. Millage rates for property taxes were increased by the City Council to 10.238 mills.

Contacting the City's Financial Management

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City's Finance Department (770) 964-2288, City Hall, 5047 Union Street, Union City, Georgia 30291.

CITY OF UNION CITY, GEORGIA

STATEMENT OF NET ASSETS
AUGUST 31, 2011

	Primary Government			Component Unit
ASSETS	**Governmental Activities**	**Business-type Activities**	**Total Primary Government**	**South Fulton Municipal Regional Jail Authority**
Cash and cash equivalents	$ 4,902,354	$ 391,997	$ 5,294,351	$ 49,034
Investments	231,828	293,948	525,776	-
Taxes receivable	353,434	-	353,434	-
Accounts receivable, net of allowances	12,934	1,039,281	1,052,215	513,253
Internal balances	1,712,987	(1,712,987)	-	-
Due from component unit	1,424,454	403,259	1,827,713	-
Due from other governments	371,395	-	371,395	-
Due from others	96,135	-	96,135	-
Inventory	16,498	31,039	47,537	-
Prepaid expenses	313,777	-	313,777	33,654
Restricted assets:				
Cash and cash equivalents	-	818,568	818,568	-
Investments	-	109,816	109,816	-
Other noncurrent asset	441,172	-	441,172	593,595
Capital assets:				
Nondepreciable	1,222,218	693,152	1,915,370	286,986
Depreciable, net of accumulated depreciation	16,131,147	11,212,352	27,343,499	8,710,142
Total assets	27,230,333	13,280,425	40,510,758	10,186,664
LIABILITIES				
Accounts payable	1,796,217	1,191,601	2,987,818	3,088
Accrued liabilities	492,015	66,744	558,759	137,392
Unearned revenues	31,411	-	31,411	-
Due to other governments	47,430	-	47,430	-
Customer deposits payable	-	564,704	564,704	-
Due to primary government	-	-	-	1,827,713
Other noncurrent liability - pension	152,865	-	152,865	-
Capital leases due within one year	566,694	-	566,694	-
Capital leases due in more than one year	1,632,127	-	1,632,127	-
Bonds payable due within one year	1,005,000	-	1,005,000	660,000
Bonds payable due in more than one year	14,353,306	-	14,353,306	6,780,000
Claims payable due within one year	11,662	-	11,662	-
Compensated absences due within one year	287,607	83,933	371,540	-
Total liabilities	20,376,334	1,906,982	22,283,316	9,408,193
NET ASSETS				
Invested in capital assets, net of related debt	2,298,610	11,905,504	14,204,114	1,557,128
Restricted				
Law enforcement	136,566	-	136,566	-
Economic development	265,352	-	265,352	-
Debt service	346,559	-	346,559	-
Capital outlay	109,007	-	109,007	-
Unrestricted	3,697,905	(532,061)	3,165,844	(778,657)
Total net assets	$ 6,853,999	$ 11,373,443	$ 18,227,442	$ 778,471

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

CITY OF UNION CITY, GEORGIA

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

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Unit: South Fulton Municipal Regional Jail Authority
Primary government:								
Governmental activities:								
General government	$ 2,197,152	$ 1,472,105	$ 369,966	$ -	$ (355,081)	$ -	$ (355,081)	$ -
Judicial	467,691	128,438	-	-	(339,253)	-	(339,253)	-
Public safety	10,127,843	1,856,768	125,670	-	(8,145,405)	-	(8,145,405)	-
Public works	4,906,720	-	-	98,986	(4,807,734)	-	(4,807,734)	-
Parks and recreation	443,054	58,992	-	-	(384,062)	-	(384,062)	-
Planning and economic development	643,677	9,585	-	-	(634,092)	-	(634,092)	-
Interest on long-term debt	665,503	-	-	-	(665,503)	-	(665,503)	-
Total governmental activities	19,451,640	3,525,888	495,636	98,986	(15,331,130)	-	(15,331,130)	-
Business-type activities:								
Water and sewerage	5,961,017	5,560,899	-	-	-	(400,118)	(400,118)	-
Sanitation	677,006	729,158	-	-	-	52,152	52,152	-
Criminal justice management	2,889,058	2,460,678	-	-	-	(428,380)	(428,380)	-
Total business-type activities	9,527,081	8,750,735	-	-	-	(776,346)	(776,346)	-
Total primary government	$ 28,978,721	$ 12,276,623	$ 495,636	$ 98,986	(15,331,130)	(776,346)	(16,107,476)	-
Component units:								
South Fulton Municipal Regional Jail Authority	$ 3,639,827	$ 2,513,972	$ -	$ -	-	-	-	(1,125,855)
Total component units	$ 3,639,827	$ 2,513,972	$ -	$ -	-	-	-	(1,125,855)
General revenues:								
Property taxes					5,314,492	-	5,314,492	-
Sales taxes					2,753,242	-	2,753,242	-
Insurance premium tax					625,579	-	625,579	-
Alcoholic beverage taxes					11,754	-	11,754	-
Other taxes					229,639	-	229,639	-
Franchise taxes					1,110,159	-	1,110,159	-
Unrestricted investment earnings					25,896	21,867	47,763	1,608
Transfers					426,000	(426,000)	-	-
Total general revenues					10,496,761	(404,133)	10,092,628	1,608
Change in net assets					(4,834,369)	(1,180,479)	(6,014,848)	(1,124,247)
Net assets, beginning of year					11,688,368	12,553,922	24,242,290	1,902,718
Net assets, end of year					$ 6,853,999	$ 11,373,443	$ 18,227,442	$ 778,471

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

CITY OF UNION CITY, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2011

ASSETS	General	2006 General Obligation Bonds Capital Projects Fund	2006 General Obligation Bonds Debt Service Fund	Other Governmental Funds	Totals Governmental Funds
Cash and cash equivalents	$ 487,108	$ 1,884,467	$ 428,975	$ 2,101,804	$ 4,902,354
Investments	231,828	-	-	-	231,828
Taxes receivable, net	328,708	-	-	24,726	353,434
Accounts receivable, net	-	-	-	12,934	12,934
Due from component unit	1,424,454	-	-	-	1,424,454
Due from other governments	244,037	-	-	127,358	371,395
Due from others	96,135	-	-	-	96,135
Inventory	16,498	-	-	-	16,498
Due from other funds	861,262	403,461	170,123	80,172	1,515,018
Prepaid expenditures	313,777	-	-	-	313,777
Advances to other funds	1,586,237	-	-	-	1,586,237
Total assets	$ 5,590,044	$ 2,287,928	$ 599,098	$ 2,346,994	$ 10,824,064
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ 973,812	$ 620,467	$ -	$ 201,938	$ 1,796,217
Accrued liabilities	225,855	-	-	12,500	238,355
Deferred revenues	199,314	-	-	423	199,737
Due to others	-	-	-	47,430	47,430
Due to other funds	483,633	170,123	585,186	149,326	1,388,268
Total liabilities	1,882,614	790,590	585,186	411,617	3,670,007
FUND BALANCES					
Nonspendable:					
Inventory	16,498	-	-	-	16,498
Prepaid expenditures	313,777	-	-	-	313,777
Advances to other funds	1,586,237	-	-	-	1,586,237
Advances to component unit	1,424,454	-	-	-	1,424,454
Restricted for:					
Law enforcement	-	-	-	136,566	136,566
Economic development	-	-	-	265,352	265,352
Other capital projects	-	1,497,338	-	961,747	2,459,085
Debt service	-	-	13,912	332,647	346,559
Assigned to:					
Public safety - jail	-	-	-	239,065	239,065
Unassigned	366,464	-	-	-	366,464
Total fund balances	3,707,430	1,497,338	13,912	1,935,377	7,154,057
Total liabilities and fund balances	$ 5,590,044	$ 2,287,928	$ 599,098	$ 2,346,994	

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.	17,353,365
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	168,326
Net pension obligation is not due and payable in the current period and is therefore not reported in governmental funds.	(152,865)
Certain liabilities are not due and payable in the current period and are therefore not reported in the funds.	(17,668,884)
Net assets of governmental activities	$ 6,853,999

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

CITY OF UNION CITY, GEORGIA

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

	General	2006 General Obligation Bonds Capital Projects Fund	2006 General Obligation Bonds Debt Service Fund	Other Governmental Funds	Totals Governmental Funds
Revenues					
Property taxes	$ 5,657,229	$ -	-	$ 16,010	$ 5,673,239
Other taxes	3,390,576	-	-	273,579	3,664,155
Charges for services	313,753	-	-	234,442	548,195
Licenses and permits	1,377,168	-	-	-	1,377,168
Intergovernmental	-	-	-	223,481	223,481
Franchise taxes	1,110,159	-	-	-	1,110,159
Fines and forfeitures	1,484,361	-	-	-	1,484,361
Interest revenue	23,534	349	103	1,910	25,896
Rental income	13,030	-	-	-	13,030
Other revenues	3,957	-	-	470,318	474,275
Total revenues	13,373,767	349	103	1,219,740	14,593,959
Expenditures					
Current:					
General government	2,174,027	98	-	21	2,174,146
Judicial	384,047	-	-	-	384,047
Public safety	8,849,564	-	-	853,511	9,703,075
Public works	1,727,828	-	-	-	1,727,828
Parks and recreation	376,373	-	-	-	376,373
Planning and economic development	320,540	-	-	323,137	643,677
Capital outlay	-	2,823,327	-	1,260,664	4,083,991
Debt service:					
Principal	74,492	-	415,000	590,000	1,079,492
Interest	27,298	-	518,689	116,328	662,315
Total expenditures	13,934,169	2,823,425	933,689	3,143,661	20,834,944
Deficiency of revenues under expenditures	(560,402)	(2,823,076)	(933,586)	(1,923,921)	(6,240,985)
Other financing sources (uses)					
Capital lease	-	-	-	1,500,000	1,500,000
Transfers in	550,000	20,259	936,000	1,150,265	2,656,524
Transfers out	(2,086,265)	-	-	(144,259)	(2,230,524)
Total other financing sources (uses)	(1,536,265)	20,259	936,000	2,506,006	1,926,000
Net change in fund balances	(2,096,667)	(2,802,817)	2,414	582,085	(4,314,985)
Fund balances, beginning of year	5,804,097	4,300,155	11,498	1,353,292	11,469,042
Fund balances, end of year	$ 3,707,430	$ 1,497,338	$ 13,912	$ 1,935,377	$ 7,154,057

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

CITY OF UNION CITY, 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 AUGUST 31, 2011

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

Net change in fund balances - total governmental funds	$	(4,314,985)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		158,017
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(402,688)
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. This amount is the net effect of these differences in the treatment of long-term debt and related items.		(420,508)
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.		145,795
	$	(4,834,369)

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

CITY OF UNION CITY, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED AUGUST 31, 2011

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
Revenues:				
Property taxes	$ 5,543,000	$ 5,543,000	$ 5,657,229	$ 114,229
Other taxes	3,477,000	3,477,000	3,390,576	(86,424)
Charges for services	273,000	273,000	313,753	40,753
Licenses and permits	1,734,000	1,734,000	1,377,168	(356,832)
Franchise taxes	1,310,000	1,310,000	1,110,159	(199,841)
Fines and forfeitures	1,718,000	1,718,000	1,484,361	(233,639)
Interest revenue	135,000	135,000	23,534	(111,466)
Rental income	9,000	9,000	13,030	4,030
Other revenues	380,000	380,000	3,957	(376,043)
Total revenues	14,579,000	14,579,000	13,373,767	(1,205,233)
Expenditures:				
Current:				
General government:				
City Clerk	313,616	311,616	243,163	68,453
Finance	497,966	496,966	417,053	79,913
City Administrator	354,433	354,433	334,890	19,543
Mayor and council	538,904	282,904	177,796	105,108
Human resources	482,845	482,845	364,750	118,095
Information technology	891,417	891,417	636,375	255,042
Total general government	3,079,181	2,820,181	2,174,027	646,154
Judicial:				
Municipal court	391,344	391,344	384,047	7,297
Public safety:				
Police	4,590,044	4,756,044	4,873,068	(117,024)
Fire	4,065,039	4,156,039	3,976,496	179,543
Total public safety	8,655,083	8,912,083	8,849,564	62,519
Public works:				
Buildings and grounds	1,950,708	1,950,708	1,727,828	222,880
Total public works	1,950,708	1,950,708	1,727,828	222,880
Planning and economic development	597,531	597,531	320,540	276,991
Parks and recreation	733,119	458,119	376,373	81,746
Total expenditures	15,406,966	15,129,966	13,934,169	1,195,797
Deficiency of revenues over expenditures	(827,966)	(550,966)	(560,402)	(9,436)
Other financing sources (uses)				
Transfers in	124,000	449,000	550,000	101,000
Transfers out	(2,435,833)	(3,065,067)	(2,086,265)	978,802
Total other financing sources (uses)	(2,311,833)	(2,616,067)	(1,536,265)	1,079,802
Net change in fund balances	$ (3,139,799)	$ (3,167,033)	(2,096,667)	$ 1,070,366
Fund balances, beginning of year			5,804,097	
Fund balances, end of year			$ 3,707,430	

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

CITY OF UNION CITY, GEORGIA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
AUGUST 31, 2011

	Major Enterprise Funds		Nonmajor Enterprise Fund	
	Water and Sewerage Fund	Criminal Justice Management Fund	Sanitation Fund	Totals
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	$ 74,999	$ 1,935	$ 315,063	$ 391,997
Investments	293,948	-	-	293,948
Accounts receivable, net of allowances	928,439	100	110,742	1,039,281
Inventory	31,039	-	-	31,039
Due from component unit	-	403,259	-	403,259
Restricted assets				
Cash and cash equivalents	818,568	-	-	818,568
Investments	109,816	-	-	109,816
Total current assets	2,256,809	405,294	425,805	3,087,908
NONCURRENT ASSETS				
Capital assets				
Nondepreciable	693,152	-	-	693,152
Depreciable, net of accumulated depreciation	11,198,427	13,925	-	11,212,352
Total noncurrent assets	11,891,579	13,925	-	11,905,504
Total assets	14,148,388	419,219	425,805	14,993,412
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	936,918	166,328	88,355	1,191,601
Accrued liabilities	19,969	46,775	-	66,744
Compensated absences	24,521	59,412	-	83,933
Due to other funds	-	126,750	-	126,750
Payable from restricted assets				
Customer deposits payable	564,704	-	-	564,704
Total current liabilities	1,546,112	399,265	88,355	2,033,732
NONCURRENT LIABILITIES				
Advances from other funds	770,794	815,443	-	1,586,237
Total noncurrent liabilities	770,794	815,443	-	1,586,237
Total liabilities	2,316,906	1,214,708	88,355	3,619,969
NET ASSETS (DEFICIT)				
Invested in capital assets, net of related debt	11,891,579	13,925	-	11,905,504
Unrestricted	(60,097)	(809,414)	337,450	(532,061)
Total net assets (deficit)	$ 11,831,482	$ (795,489)	$ 337,450	$ 11,373,443

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

CITY OF UNION CITY, GEORGIA

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

	Major Enterprise Funds		Nonmajor Enterprise Fund	
	Water and Sewerage Fund	Criminal Justice Management Fund	Sanitation Fund	Totals
OPERATING REVENUES				
Charges for services	$ 5,217,231	$ 2,460,678	$ 678,195	$ 8,356,104
Tap fees	17,600	-	-	17,600
Other charges	326,068	-	50,963	377,031
Total operating revenues	5,560,899	2,460,678	729,158	8,750,735
OPERATING EXPENSES				
Water purchases	2,184,879	-	-	2,184,879
Purchased or contracted services	2,258,466	2,884,128	677,006	5,819,600
Depreciation expense	387,740	4,930	-	392,670
Total operating expenses	4,831,085	2,889,058	677,006	8,397,149
Operating income (loss)	729,814	(428,380)	52,152	353,586
NONOPERATING INCOME (EXPENSES)				
Interest income	21,867	-	-	21,867
Intergovernmental agreement	(1,129,932)	-	-	(1,129,932)
Total nonoperating income (expenses)	(1,108,065)	-	-	(1,108,065)
Income (loss) before transfers	(378,251)	(428,380)	52,152	(754,479)
TRANSFERS				
Transfers in (out)	(325,000)	-	(101,000)	(426,000)
Total transfers	(325,000)	-	(101,000)	(426,000)
Change in net assets	(703,251)	(428,380)	(48,848)	(1,180,479)
NET ASSETS (DEFICIT), beginning of year	12,534,733	(367,109)	386,298	12,553,922
NET ASSETS (DEFICIT), end of year	$ 11,831,482	$ (795,489)	$ 337,450	$ 11,373,443

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

CITY OF UNION CITY, GEORGIA

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

	Major Enterprise Funds		Nonmajor Enterprise Fund	
	Water and Sewerage Fund	Criminal Justice Management Fund	Sanitation Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	$ 5,651,809	$ 2,652,515	$ 755,667	$ 9,059,991
Payments to suppliers	(2,874,011)	(518,151)	(648,331)	(4,040,493)
Payments to employees	(923,131)	(2,132,429)	-	(3,055,560)
Net cash provided by operating activities	1,854,667	1,935	107,336	1,963,938
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Payments on intergovernmental agreement	(1,129,932)	-	-	(1,129,932)
Transfers	(325,000)	-	(101,000)	(426,000)
Net cash used in noncapital financing activities	(1,454,932)	-	(101,000)	(1,555,932)
CASH FLOWS FROM INVESTING ACTIVITIES				
Sale of investments	(10,700)	-	-	(10,700)
Interest and dividends received	21,867	-	-	21,867
Net cash provided by investing activities	11,167	-	-	11,167
Change in cash and cash equivalents	410,902	1,935	6,336	419,173
Cash and cash equivalents:				
Beginning of year	482,665	-	308,727	791,392
End of year	$ 893,567	$ 1,935	$ 315,063	$ 1,210,565
Classified as:				
Cash and cash equivalents	$ 74,999	$ 1,935	$ 315,063	$ 391,997
Restricted assets, cash	818,568	-	-	818,568
	$ 893,567	$ 1,935	$ 315,063	$ 1,210,565

(Continued)

CITY OF UNION CITY, GEORGIA

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

	Major Enterprise Funds		Nonmajor Enterprise Fund	
	Water and Sewerage Fund	Criminal Justice Management Fund	Sanitation Fund	Totals
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	$ 729,814	$ (428,380)	$ 52,152	$ 353,586
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	387,740	4,930	-	392,670
Changes in assets and liabilities:				
Decrease in accounts receivable	90,910	-	26,509	117,419
Decrease in due from component unit	-	101,837	-	101,837
Decrease in inventory	16,014	-	-	16,014
Decrease in prepaids	24,548	83,148	-	107,696
Increase in accounts payable	626,359	114,811	28,675	769,845
Decease in accrued liabilities	(25,978)	(64,410)	-	(90,388)
Increase in due to other funds	-	90,000	-	90,000
Increase in advances from other funds	-	99,999	-	99,999
Increase in customer deposits	5,260	-	-	5,260
Net cash provided by operating activities	$ 1,854,667	$ 1,935	$ 107,336	$ 1,963,938

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

CITY OF UNION CITY, GEORGIA

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
AUGUST 31, 2011

	Municipal Court
ASSETS	
Cash and cash equivalents	$ 98,949
Total assets	98,949
LIABILITIES	
Due to others	98,949
Total liabilities	$ 98,949

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Union City, Georgia (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. 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. The Financial Reporting Entity

The City was incorporated on August 17, 1908 and operates under an elected Mayor and Council-City Manager form of government. The City Manager is appointed by and serves at the pleasure of the City Council. As such, he is responsible for the day-to-day operations of city government. The legislative branch of the City is vested in the Mayor and four (4) Council members. The City provides the following services and operations as authorized by its charter: public safety (police and fire); planning and engineering; code enforcement; street maintenance; traffic control; solid waste collection and disposal; water and sewerage; parks and recreation; community development; and general administrative services. As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component unit, a legally-separate entity for which the City is financially accountable.

Based upon criteria set forth by Governmental Accounting Standards Board (GASB) Statement 14 and as amended by GASB Statement 39, the City was determined to have the following component unit as of August 31, 2011.

South Fulton Municipal Regional Jail Authority (the Authority). The Authority is responsible for the operations of the South Fulton Municipal Regional Justice Center, which provides services to the City as well as other municipalities and governmental agencies in the geographical area. The Board of Directors of the Authority consists of five members; three of which are appointed by the City. The City has the ability to impose its will on the Authority and the Authority is therefore reported in a separate column as a discretely presented component unit in the City's government-wide financial statements to emphasize that it is legally separate from the City. Separate financial statements are not available.

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 primary government. *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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements (Continued)

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

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

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 and the fiduciary fund financial statements, although the agency funds have no measurement focus. 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 or soon enough thereafter to pay liabilities of 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, however grant revenues are considered to be available if they are collected within 120 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.

Property taxes, sales taxes, franchise taxes, licenses, 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 ***2006 General Obligation Bonds Capital Projects fund*** accounts for the issuance of the 2006 general obligation bonds and its related acquisition and construction of capital facilities.

The ***2006 General Obligation Bonds Debt Service fund*** accounts for the accumulation of resources for the payment of debt principal and interest for the 2006 General Obligation Bond Issue.

The City reports the following major proprietary funds:

The ***Water and Sewerage fund*** accounts for the operations of the City operated water distribution system, sewerage treatment plant, sewerage pumping stations and collection systems. All activities necessary to provide such services are accounted for in this fund.

The ***Sanitation fund*** accounts for the operations of commercial and residential waste removal within the City. All activities necessary to provide such services are accounted for in this fund.

The ***Criminal Justice Management fund*** accounts for the operations related to the City's management of the jail facility for the South Fulton Municipal Regional Jail Authority. All activities necessary to provide such services are accounted for in this fund.

Additionally, the City reports the following fund types:

The ***special revenue funds*** account for revenue sources that are legally restricted to expenditure for specific purposes.

The ***capital projects funds*** account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

The ***debt service funds*** account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The ***agency fund*** is used to account for the collection and disbursement of monies by the City's Municipal Court on behalf of other governments and individuals.

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 payments-in-lieu of taxes and other charges between the City's water and sanitation functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services provided. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Budget requests are completed in April.

2. Proposed budgets are reviewed and prepared by the City Manager for submission to the Mayor and the City Council at the annual retreat.

3. Public hearings on the proposed budget are held in May and June.

4. The budget is legally adopted by the Mayor and City Council prior to August 31.

5. All budget revisions or changes must be approved as required by Georgia law and administrative policy. Transfer of budgeted amounts in excess of $250,000 between departments requires the approval of the City Council. This is consistent with the legal level of budgetary control as the budget is adopted at the department level. Revisions that alter the total expenditures of any fund must be approved by the City Council. The City Council made several immaterial supplemental budget appropriations during the year.

6. Formal budgetary integration is employed as a management control device during the year for all the governmental funds and the enterprise funds. Budgets for the enterprise funds are prepared for planning and control purposes only.

7. Budgets for the governmental funds and the enterprise funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

E. Cash and Cash Equivalents

Cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less meet this definition.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Deposits and Investments

For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

State statutes authorize the City to invest in obligations of the U.S. Government and agencies of corporations of the U.S. Government; obligations of any state; obligations of any political subdivision of any state; certificates of deposit or time deposits of any national state bank or savings and loan which have deposits insured by the FDIC or FSLIC; prime bankers' acceptances; repurchase agreements; and the Local Government Investment Pool of the State of Georgia ("Georgia Fund 1"). Georgia Fund 1 was created under OCGA 36-83-8 and 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 $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 pool is regulated by the Georgia Office of Treasury and Fiscal Services.

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

G. Prepaid Items

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 August 31.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. For the most part, the effect of interfund activity has been removed from the government-wide statement of net assets. Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide statement of net assets as “internal balances.” In the fund level balance sheets, these receivables and payables are classified as “due from other funds” and “due to other funds”. Items that are more long term in nature are reflected as advances.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

I. Grants from Other Governments

Federal and state governmental units represent an important source of supplementary funding used to finance housing, business development employment, construction programs, capital asset additions and other activities beneficial to the community. This funding, primarily in the form of grants, is recorded in both governmental and proprietary funds. Grant contributions in the proprietary funds, which are for the purpose of construction activities, or land easement or capital asset acquisitions, are recorded as capital contributions within the statement of revenues and expenses. For all funds, a grant receivable is recorded when the City has a right to receive the related grant amounts.

J. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of $5,000 and an estimated useful life in excess of one year. 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 asset or materially extend useful lives are expensed as incurred.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets (Continued)

Major outlays for capital assets and major improvements are capitalized as projects are constructed. Interest incurred during the construction period of capital assets of the business-type activities is included as part of the capitalized value of the assets constructed. The amount of interest capitalized is calculated by offsetting interest expense incurred (from the date of borrowing until the date of completion of the project) with interest earned on investment proceeds over the same period. During the fiscal year ended August 31, 2011, there was no capitalized interest.

Depreciation is provided on the straight-line method over the following estimated useful lives:

Buildings, grounds and improvements	15-40 years
Machinery and equipment	3-10 years
Infrastructure	15-50 years
Vehicles	5-10 years
Distribution system	50 years

K. Long-Term Liabilities

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 and deferred charges, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Inventories

Inventories consist of expendable supplies and items acquired for infrastructure repair and maintenance or for possible future expansion. Inventories are stated at average cost. The consumption method is used to account for inventories.

M. Compensated Absences

It is the City's policy to permit employees to accumulate earned, but unused vacation pay benefits. Vacation accrues in hours based on years of service. Maximum accrual is 120 hours on a calendar year basis. The government-wide and proprietary fund financial statements reflect an accrual for the full earned, but unused vacation pay.

N. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve the portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and Capital Projects Funds. Encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. Unencumbered appropriations lapse at the end of the year. Encumbrances are re-appropriated in the following year, except for encumbrances in the Capital Projects Funds which are continuing. Encumbrances do not represent GAAP expenditures. At August 31, 2011, there were no encumbrances outstanding.

O. Fund Equity

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Fund Equity (Continued)

- ***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.

- ***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 Comptroller to assign fund balances.

- ***Unassigned*** – Fund balances are reported as unassigned as the residual amount 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: 1) committed, 2) assigned, and 3) 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)

P. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 "certain liabilities are not due and payable in the current period and therefore are not reported in the funds." The details of this $17,668,884 difference are as follows:

Bonds payable	$ (15,205,000)
Less: Deferred charge for issuance costs (to be amortized over the life of the debt)	441,172
Plus: Premium on bond issuance (to be amortized over the life of the debt)	(153,306)
Capital leases	(2,198,821)
Claims payable	(11,662)
Compensated absences	(287,607)
Accrued interest	(253,660)
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net assets - governmental activities*	$ (17,668,884)

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 $158,017 difference are as follows:

Capital outlay	$ 1,265,871
Depreciation expense	(1,107,854)
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*	$ 158,017

Another element of that reconciliation explains that "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." The details of this $420,508 difference are as follows:

Issuance of capital lease	$ (1,500,000)
Principal retirement of long-term debt	1,079,492
Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*	$ (420,508)

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 explains 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 $145,795 difference are as follows:

Change in accrued interest	$	9,290
Change in claims payable		9,504
Change in compensated absences		139,479
Amortization of bond issuance costs		(21,195)
Amortization of bond issuance premium		8,717
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*	$	145,795

NOTE 3. DEPOSITS AND INVESTMENTS

Total deposits and investments as of August 31, 2011, are summarized as follows:

As reported in the Statement of Net Assets		
Primary government		
Cash and cash equivalents	$	5,294,351
Investments		525,776
Restricted Assets:		
Cash and cash equivalents		818,568
Investments		109,816
Agency Fund - Municipal Court		98,949
Component Unit - Cash and cash equivalents		49,034
	$	6,896,494
Cash deposited with financial institutions	$	6,439,546
Cash deposited with Georgia Fund 1		109,816
Investment in U.S. Government Securities		347,132
	$	6,896,494

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

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's investment policy limits its investments to only such investments permitted by the State of Georgia including certificates of deposit, repurchase agreements, direct and agency obligations of the United States, obligations of the State of Georgia, pooled investment programs of the State of Georgia, and no-load mutual funds of direct obligations of the United States. As of August 31, 2011, the City's investment in Georgia Fund 1 was rated AAAm by Standard & Poor's and the City's investment in corporate bonds and U.S. Government securities were rated AAA by Standard & Poor's. At August 31, 2011, the City had the following investments:

		Investment Maturities (in Years)		
Investment	**Fair Value**	**Less than 1**	**1-5**	**5-10**
Georgia Fund 1	$ 109,816	$ 109,816	$ -	$ -
Certificates of Deposit	178,644	178,644	-	-
U.S. Government Securities	347,132	347,132	-	-
Total	$ 635,592	$ 635,592	$ -	$ -

Interest rate risk. The City's investment policy limits investment maturities to a maximum of one year, except for special circumstances where an interest rate differential and certainty of ability to hold the investment to maturity would justify a longer maturity, as a means of managing its exposure to fair value losses arising from increasing interest rates. The City's Administrator is authorized to approve any such exceptions and is required to disclose the exception to City Council.

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. As of August 31, 2011, all of the City funds were insured and properly collateralized as defined by GASB pronouncements.

Custodial Credit Risk – Investments. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require all 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.

NOTE 4. RECEIVABLES

Receivables as of year end, including the applicable allowances for uncollectible accounts, are as follows:

	General	Nonmajor Governmental	Water and Sewer	Sanitation	Total
Receivables:					
Taxes	$ 695,312	$ 27,723	$ -	$ -	$ 723,035
Accounts	-	12,934	1,355,421	201,684	1,570,039
Due from other governments	244,037	127,358	-	-	371,395
Gross receivables	939,349	168,015	1,355,421	201,684	2,664,469
Less allowance	(366,604)	-	(426,982)	(90,942)	(884,528)
Net receivables	$ 572,745	$ 168,015	$ 928,439	$ 110,742	$ 1,779,941

A. Property Taxes

Property taxes were levied on September 20, 2010 based upon property values assessed as of January 1. The billings were mailed on September 20, 2010 and were payable on or before November 20, 2010 after which the applicable property is subject to lien and penalties and interest are assessed. The City bills and collects its own property taxes. Property taxes levied for 2011 are recorded as receivables, net of estimated uncollectibles. The net receivables collected during the year ended August 31, 2011 and collected by October 31, 2011 are recognized as revenues in the year ended August 31, 2011. Net receivables estimated to be collected subsequent to October 31, 2011 are deferred as of August 31, 2011 and recorded as revenue when received. Prior year levies were recorded using substantially the same principles, and remaining receivables are reevaluated annually. The tax rate levied during fiscal year 2011 for the City's operations was 9.5 mills (mill equals $1 per thousand dollars of assessed value).

NOTE 5. CAPITAL ASSETS

A. Primary Government

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

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 506,506	$ -	$ -	$ -	$ 506,506
Construction in progress	1,625,311	655,713	-	(1,565,312)	715,712
Total capital assets, not being depreciated	2,131,817	655,713	-	(1,565,312)	1,222,218
Capital assets, being depreciated:					
Buildings, grounds, and improvements	9,289,237	-	-	1,565,312	10,854,549
Machinery and equipment	706,534	223,060	(72,879)	-	856,715
Infrastructure	13,707,037	-	-	-	13,707,037
Vehicles	4,090,232	387,098	-	-	4,477,330
Total capital assets, being depreciated	27,793,040	610,158	(72,879)	1,565,312	29,895,631
Less accumulated depreciation for:					
Buildings, grounds, and improvements	(3,487,251)	(258,764)	-	-	(3,746,015)
Machinery and equipment	(491,029)	(98,376)	72,879	-	(516,526)
Infrastructure	(6,659,307)	(354,543)	-	-	(7,013,850)
Vehicles	(2,091,922)	(396,171)	-	-	(2,488,093)
Total accumulated depreciation	(12,729,509)	(1,107,854)	72,879	-	(13,764,484)
Total capital assets, being depreciated, net	15,063,531	(497,696)	-	1,565,312	16,131,147
Governmental activities capital assets, net	$ 17,195,348	$ 158,017	$ -	$ -	$ 17,353,365

NOTE 5. CAPITAL ASSETS (CONTINUED)

A. Primary Government (Continued)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities:					
Capital assets, not being depreciated:					
Land	$ 493,194	$ -	$ -	$ -	$ 493,194
Construction in progress	199,958	-	-	-	199,958
Total capital assets, not being depreciated	693,152	-	-	-	693,152
Capital assets, being depreciated:					
Distribution system	18,564,190	-	-	-	18,564,190
Machinery and equipment	154,477	-	-	-	154,477
Vehicles	333,987	-	-	-	333,987
Total capital assets, being depreciated	19,052,654	-	-	-	19,052,654
Less accumulated depreciation for:					
Distribution system	(7,022,711)	(373,704)	-	-	(7,396,415)
Machinery and equipment	(145,072)	(3,763)	-	-	(148,835)
Vehicles	(279,849)	(15,203)	-	-	(295,052)
Total accumulated depreciation	(7,447,632)	(392,670)	-	-	(7,840,302)
Total capital assets, being depreciated, net	11,605,022	(392,670)	-	-	11,212,352
Business-type activities capital assets, net	$ 12,298,174	$ (392,670)	$ -	$ -	$ 11,905,504

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

Governmental activities:	
General government	$ 19,867
Judicial	85,152
Public safety	476,025
Public works	435,787
Parks and recreation	91,023
Total depreciation expense - governmental activities	$ 1,107,854
Business-type activities:	
Water and Sewer	$ 387,740
Criminal Justice Management	4,930
Total depreciation expense - business-type activities	$ 392,670

NOTE 5. CAPITAL ASSETS (CONTINUED)

B. Discretely Presented Component Unit – South Fulton Municipal Regional Jail Authority

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	$ 286,986	$ -	$ -	$ -	$ 286,986
Total capital assets, not being depreciated	286,986	-	-	-	286,986
Capital assets, being depreciated:					
Buildings, grounds, and improvements	11,282,640	-	-	-	11,282,640
Furniture	286,079	-	-	-	286,079
Machinery and equipment	126,902	-	-	-	126,902
Infrastructure	11,733	-	-	-	11,733
Total capital assets, being depreciated	11,707,354	-	-	-	11,707,354
Less accumulated depreciation for:					
Buildings, grounds, and improvements	(2,506,859)	(232,493)	-	-	(2,739,352)
Furniture	(144,488)	(14,304)	-	-	(158,792)
Machinery and equipment	(83,894)	(6,574)	-	-	(90,468)
Infrastructure	(7,818)	(782)	-	-	(8,600)
Total accumulated depreciation	(2,743,059)	(254,153)	-	-	(2,997,212)
Total capital assets, being depreciated, net	8,964,295	(254,153)	-	-	8,710,142
Capital assets, net	$ 9,251,281	$ (254,153)	$ -	$ -	$ 8,997,128

NOTE 6. GENERAL LONG-TERM DEBT

A. General Obligation Bonds

The City issues general obligation bonds and certificates of participation to provide funds for the acquisition and construction of major capital facilities. These bonds are direct general obligations of the City and are payable from an ad valorem tax upon all property of the City. General obligation bonds have been issued for general government activities and are reported in the governmental column of the government-wide statements.

NOTE 6. GENERAL LONG-TERM DEBT (CONTINUED)

A. General Obligation Bonds (Continued)

General obligation bonds outstanding at August 31, 2011, are as follows:

	Original Amount	Interest Rates	Balance August 31, 2011
2006 General Obligation Bonds	$ 12,575,000	4.00% - 5.00%	$ 10,730,000
2010 General Obligation Bonds	1,755,000	2.00% - 3.00%	1,460,000
2010 Certificates of Participation	3,310,000	2.83% - 3.25%	3,015,000
	$ 17,640,000		$ 15,205,000

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

Fiscal Year Ending August 31,	Principal	Interest	Total
2012	$ 1,005,000	$ 607,856	$ 1,612,856
2013	1,075,000	572,088	1,647,088
2014	1,145,000	533,563	1,678,563
2015	1,225,000	491,628	1,716,628
2016	1,295,000	445,663	1,740,663
2017 - 2021	4,715,000	1,596,713	6,311,713
2022 - 2026	4,745,000	674,294	5,419,294
	$ 15,205,000	$ 4,921,805	$ 20,126,805

NOTE 6. GENERAL LONG-TERM DEBT (CONTINUED)

B. Capital Leases

During 2009, the City entered into a capital lease agreement with a local financial institution to finance the purchase of a new fire truck. Annual lease payments are due including interest at 3.53% in the amount of $101,790 through January 15, 2019. During 2011, the City entered into a capital lease agreement with a local financial institution to refinance the City's new fire station. Annual lease payments are due including interest at 1.47% through May 27, 2014. As of August 31, 2011, the City reflects total cost of leased assets of $2,267,077 and accumulated depreciation of $177,660.

The future minimum lease obligations and the net present value of these minimum lease payments as of August 31, 2011, were as follows:

Fiscal Year Ending August 31,	Governmental Activities
2012	$ 623,087
2013	623,087
2014	623,087
2015	101,790
2016	101,790
2017 - 2019	305,369
Total minimum lease payments	2,378,210
Less: amount representing interest	(179,389)
Present value of minimum lease payments	$ 2,198,821

Long-term liability activity for the year ended August 31, 2011, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	$ 16,210,000	$ -	$ (1,005,000)	$ 15,205,000	$ 1,005,000
Plus: deferred premium	162,023	-	(8,717)	153,306	-
	16,372,023	-	(1,013,717)	15,358,306	1,005,000
Capital lease	773,313	1,500,000	(74,492)	2,198,821	566,694
Claims payable	21,166	9,042	(18,546)	11,662	11,662
Compensated absences	427,086	420,961	(560,440)	287,607	287,607
Governmental activity Long-term liabilities	$ 17,593,588	$ 1,930,003	$ (1,667,195)	$ 17,856,396	$ 1,870,963
Business-type activities:					
Compensated absences	$ 124,823	$ 117,304	$ (158,194)	$ 83,933	$ 83,933
Business-type activity Long-term liabilities	$ 124,823	$ 117,304	$ (158,194)	$ 83,933	$ 83,933

NOTE 6. GENERAL LONG-TERM DEBT (CONTINUED)

For governmental activities, compensated absences and claims payable are generally liquidated by the General Fund. For both governmental activities and business-type activities, compensated absences are all reported as current due to historical trends of City employee use of leave annually.

C. Component Unit

The Authority's revenue bonds outstanding at August 31, 2011, are as follows:

	Original Amount	Interest Rate	Balance August 31, 2011
2008 South Fulton Municipal Jail Authority Revenue Bonds	$ 8,660,000	5.54%	$ 7,440,000

Annual debt service requirements to maturity for the Authority's bonds are as listed below. The following maturity schedule was based on the rate as of year end.

Fiscal Year Ending August 31,	Principal	Interest	Total
2012	$ 660,000	$ 393,894	$ 1,053,894
2013	695,000	356,361	1,051,361
2014	735,000	316,750	1,051,750
2015	775,000	274,923	1,049,923
2016	820,000	230,741	1,050,741
2017-2020	3,755,000	430,043	4,185,043
	$ 7,440,000	$ 2,002,712	$ 9,442,712

Long-term liability activity for the Authority for the year ended August 31, 2011, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds	$ 8,065,000	$ -	$ (625,000)	$ 7,440,000	$ 660,000

NOTE 7. DEFINED BENEFIT PENSION PLAN

A. Plan Description

The City of Union City Retirement Plan is a defined benefit plan that provides retirement and disability benefits and death benefits to plan members and beneficiaries. The City's Plan is a part of the Georgia Municipal Employees Benefit System (the "System"), an agent multiple-employer public employee retirement system administered by the Georgia Municipal Association. The Public Retirement Systems Standard Law (Georgia Code Section 47-20-10) assigns the City to establish and amend the plan to the City of Union City. Therefore, the benefit provisions and all other requirements are established and may be amended by City ordinance. The Georgia Municipal Employees Benefit System issues a publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to the Georgia Municipal Employees Benefit System, 201 Pryor Street, S.W., Atlanta, Georgia 30303.

The City's employee participation is noncontributory. The City is required to contribute at an actuarially determined rate; the current rate is 15.11% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by the System's Board of Trustees.

At January 1, 2011, the date of the most recent actuarial valuation, there were 276 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	29
Vested terminated employees not yet receiving benefits	48
Active employees	199
Total	276

B. Summary of Significant Accounting Policies

Basis of Accounting. The financial statements of the Plan are prepared using the accrual basis of accounting. The City's contributions are recognized as revenue in the period in which the contributions are due. Investment income is recognized by the Plan when earned.

NOTE 7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

B. Summary of Significant Accounting Policies (Continued)

Method Used to Value Investments. Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price. Mortgages are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar instruments. Investments that do not have an established market are reported at estimated fair value.

C. Funding Policy

The City is required to contribute all amounts necessary to fund the plan, using the actuarial basis specified by the City Council. The funding policy for the Plan is to contribute an amount equal to or greater than the recommended contribution described below. Administrative costs of the Plan are financed through investment income.

D. Annual Pension Cost

For the year ended August 31, 2011, the City's annual pension cost was $1,103,505 for the City of Union City Retirement Plan. The recommended contribution of $1,049,936 was determined as part of the January 1, 2010 actuarial valuation using the project unit credit actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 7.75% per year, compounded annually and net of investment expenses, (b) projected salary increases of 3% for inflation and 0.5% for merit or seniority and (c) cost of living adjustments of 3%. The remaining amortization period varies for the bases, with a net effective amortization period of 11 years. The method used for amortizing the unfunded actuarially accrued liability is on a level dollar basis (closed amortization period).

The City's actuarially determined contribution, pension cost and increase in net pension obligation for the year ended August 31, 2011 is as follows:

Annual required contribution	$ 1,049,936
Adjustments to annual required contribution	53,569
Annual pension cost	1,103,505
Contributions made	1,103,505
Increase in net pension obligation	-
Net pension obligation, beginning of year	152,865
Net pension obligation, end of year	$ 152,865

NOTE 7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

D. Annual Pension Cost (Continued)

Fiscal Year Beginning	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
07/01/05	$ 428,253	100.0 %	$ -
07/01/06	424,964	100.0	-
05/01/07	739,483	100.0	-
05/01/08	933,066	100.0	-
05/01/09	1,143,956	76.3	152,865
09/01/10	1,103,505	100.0	152,865

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Actuarial Accrued Liability as a Percentage of Covered Payroll
01/01/11	$ 8,267,336	$ 13,869,348	$ 5,602,012	59.6 %	$ 8,736,816	64.1 %

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 liability. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect long-term perspective. Calculations are based on the substantive plan in effect as of January 1, 2011.

NOTE 8. DEFINED CONTRIBUTION PLAN

The City offers its employees a defined contribution plan administered by Citistreet Associates created in accordance with Internal Revenue Code Section 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional and requires the City to contribute an amount equal to 100% up to the first 2% an employee defers, 75% of the next 2%, and 50% of the next 6% deferred. Employers' contributions are fully vested after the participant completes three full years of service. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Pursuant to the Statement Number 32 of the Governmental Accounting Standards Board "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans", the City does not have a fiduciary relationship with the 457 plan. Accordingly, the balances and transactions of the City's 457 plan are not reported in the City's financial statements. Contributions are established and may be amended by the City Council. The City's contribution to the Plan approximated $280,290 and the employees' contributions approximated $404,870 for the year ended August 31, 2011.

NOTE 9. BUDGET COMPLIANCE AND DEFICIT FUND EQUITY

A. Excess of Expenditures over Appropriations

The following general fund departments and special revenue funds had actual expenditures in excess of appropriations for the year ended August 31, 2011:

General Fund - Police	$	117,024
Debt Service Fund - 2010 Certificate of Participation Fund		239
Debt Service Fund - 2006 General Obligation Bond Fund		7,689

These over expenditures were funded by greater than anticipated revenues and by available fund balance.

B. Deficit Fund Balance

The following funds had deficit fund balances/net assets at August 31, 2011:

Criminal Justice Management Fund	$	795,489

The deficit within the Criminal Justice Management Fund will be reduced through future increased charges for services and reduced operating costs.

NOTE 10. INTERFUND BALANCES AND TRANSFERS

Interfund receivable and payable balances and advances as of August 31, 2011, are as follows:

	Due From		
	General Fund	2006 GO Bonds Capital Projects Fund	2006 GO Bonds Debt Service Fund
Due To			
General Fund	$ -	$ -	$ 585,186
2006 GO Bonds Capital Projects	403,461	-	-
2006 GO Bonds Debt Service	-	170,123	-
Nonmajor Governmental	80,172	-	-
Total	$ 483,633	$ 170,123	$ 585,186

	Nonmajor Governmental	Criminal Justice Mgmt Fund	Total
General Fund	$ 149,326	$ 126,750	$ 861,262
2006 GO Bonds Capital Projects	-	-	403,461
2006 GO Bonds Debt Service	-	-	170,123
Nonmajor Governmental	-	-	80,172
Total	$ 149,326	$ 126,750	$ 1,515,018

	Advances Due From		
	Water and Sewer Fund	Criminal Justice Mgmt Fund	Total
Advances Due To			
General Fund	$ 770,794	$ 815,443	$ 1,586,237
Total	$ 770,794	$ 815,443	$ 1,586,237

Interfund receivables and payables result from timing differences related to collection of taxes in Special Revenue Funds and payroll and other year end transactions in enterprise funds, which normally clear within one to two months. Advances to/from other funds represent amounts not expected to be repaid within one year from the date of the financial statements.

NOTE 10. INTERFUND BALANCES AND TRANSFERS (CONTINUED)

Interfund transfers for the year ended August 31, 2011, consisted of the following:

	Transfer to				
Transfer from	General	2006 GO Capital Projects	2006 GO Bonds Debt Service	Nonmajor Governmental	Total
General Fund	$ -	$ -	$ 936,000	$ 1,150,265	$ 2,086,265
Nonmajor Governmental	124,000	20,259	-	-	144,259
Sanitation Fund	101,000	-	-	-	101,000
Water and Sewer Fund	325,000	-	-	-	325,000
Total	$ 550,000	$ 20,259	$ 936,000	$ 1,150,265	$ 2,656,524

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 11. HOTEL/MOTEL LODGING TAX

The City has levied a 5% lodging tax. For the fiscal year ended August 31, 2011, $155,474 of hotel/motel tax was collected. Of the total collected in the current and prior years, $323,137 was used for the promotion of tourism within the City. The remainder of the funds collected in prior years remain unspent at year end.

NOTE 12. EXCISE TAX ON RENTAL MOTOR VEHICLES

The City has imposed and collected an excise tax on rental motor vehicles under the provisions of the Official Code of Georgia Annotated (OCGA) Section 48-13-93. The code section requires the City to spend the taxes collected for the purpose of promoting tourism, conventions, trade shows, etc. and promoting the City and businesses therein. For the fiscal year ended August 31, 2011, $118,105 of excise tax was collected. $124,000 was transferred to the General Fund and was used to pay for tourism outlays within the City.

NOTE 13. JOINT VENTURE

Under Georgia law, the City, in conjunction with other cities and counties in the 10-county Metro Atlanta area, is a member of the Atlanta Regional Commission (ARC) and is required to pay dues thereto. During its year ending August 31, 2011, the City paid no annual dues to the ARC because currently all dues are paid on the City's behalf by Fulton County. Membership in an ARC is required by the OCGA, Section 50-8-34, which provides for the organizational structure of the ARC in Georgia. The ARC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RDC. Separate financial statements may be obtained from: Atlanta Regional Commission, 40 Courtland St. NE, Atlanta, Georgia 30303.

NOTE 14. JOINTLY GOVERNED ORGANIZATION

On March 13, 2001, Union City, the City of Fairburn, and the City of Palmetto created by joint resolutions pursuant to the authority of the General Assembly of the State of Georgia, the South Fulton Municipal Regional Water and Sewer Authority (the Water and Sewer Authority). The Water and Sewer Authority was created to provide alternative water and sewer resources for the Cities of Union, Fairburn and Palmetto. The Water and Sewer Authority is governed by a board of seven directors, three of whom are the chief elected official of each member city, three of whom are appointed one each by each of the member cities, and one director being appointed by members of the local delegation of the Georgia General Assembly who represent all, or any part of, a member city.

The City does not provide financial support to the Water and Sewer Authority, but has contractually obligated itself to use its full taxing powers to guarantee the repayment of approximately 55.75% of the principal and interest on the Water and Sewer Authority's Series 2007 Variable Rate Revenue Bonds. During the year ended August 31, 2011, the City agreed to pay the Water and Sewer Authority $1,129,932 for the City's proportionate share of the principal and interest on the Water and Sewer Authority's bonds from revenues of the City's Water and Sewer Fund.

NOTE 14. JOINTLY GOVERNED ORGANIZATION (CONTINUED)

As of December 31, 2010, the Water and Sewer Authority's debt service requirements on the Series 2007 Variable Rate Revenue Bonds were as follows using the synthetic interest rate of 3.835%:

Fiscal Year Ending December 31,	Total	Principal	Interest
2012	$ 2,000,578	$ 480,000	$ 1,520,578
2013	2,083,143	585,000	1,498,143
2014	2,089,558	615,000	1,474,558
2015	2,282,344	840,000	1,442,344
2016	2,298,212	890,000	1,408,212
2017 - 2021	13,184,740	6,880,000	6,304,740
2022 - 2026	14,351,678	9,705,000	4,646,678
2027 - 2031	15,687,450	13,290,000	2,397,450
2032 - 2033	6,984,786	6,845,000	139,786
	$ 60,962,489	$ 40,130,000	$ 20,832,489

Separate financial statements for the Water and Sewer Authority can be obtained at the following address: South Fulton Municipal Regional Water and Sewer Authority, P.O. Box 855, Fairburn, Georgia 30213.

NOTE 15. RELATED ORGANIZATION

The City's governing body is responsible for appointing a majority of the board members of the City of Union City Housing Authority. However, the City has no further accountability for this organization.

NOTE 16. COMMITMENTS AND CONTINGENCIES

The City is involved in various claims and matters of litigation resulting from normal operations. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City attorney, the resolution of these matters will not have a materially adverse effect on the financial condition of the City.

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

NOTE 17. RISK MANAGEMENT

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

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

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

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

NOTE 18. OTHER POSTEMPLOYMENT BENEFITS

The City does not currently have or participate in other postretirement health care, dental, or life insurance plans for City retirees.

NOTE 19. SUBSEQUENT EVENT

Subsequent to year end, the City obtained a tax anticipation note (TAN) from a local financial institution in the amount of $3,878,445 for operational needs until property tax revenues were collected in December. The TAN was paid in full including interest on December 27, 2011.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF UNION CITY, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2004	$ 3,613,804	$ 5,518,957	$ 1,905,153	65.5 %	$ 5,022,536	37.9 %
7/1/2005	4,125,013	6,166,286	2,041,273	66.9	5,293,469	38.6
7/1/2006	4,896,599	6,782,618	1,886,019	72.2	5,429,027	34.7
5/1/2007	5,593,109	7,719,700	2,126,591	72.5	6,103,166	34.8
5/1/2008	6,489,701	9,757,526	3,267,825	66.5	6,905,300	47.3
5/1/2009	5,222,920	10,188,701	4,965,781	51.3	7,051,938	70.4
1/1/2010	6,994,019	10,705,787	3,711,768	65.3	7,137,980	52.0
1/1/2011	8,267,336	13,869,348	5,602,012	59.6	8,736,816	64.1

The assumptions used in the preparation of the above schedule are disclosed in Note 7 to the financial statements.

COMBINING STATEMENTS AND SCHEDULES

CITY OF UNION CITY, GEORGIA
NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

The **Federal Seized Funds Fund** accounts for the collection and use of funds confiscated from convicted offenders.

The **Vehicle Rental Excise Tax Fund** accounts for the collection of rental car fees that are required to be remitted to the Economic Development Department.

The **Hotel/Motel Tax Fund** accounts for the Hotel/Motel tax receipts and distributions of funds used to promote tourism within the City.

The **Emergency 911 Fund** accounts for the fee collection and operations of the Emergency 911 system within the City.

The **Inmate Welfare Fund** accounts for certain funds collected at the commissary located at the City jail.

The **Tax Allocation District Fund** accounts for the increased property tax generated by new development to finance capital and other costs related to redevelopment.

The **Multiple Operating Grant Fund** accounts for federal and state grant revenues to be used for City expenditures.

CAPITAL PROJECTS FUNDS

The Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

The **Capital Grants Fund** accounts for various capital projects of the City. Funding is provided by state and federal agencies and transfers from the General Fund.

The **Various Purpose GO Bonds Fund** accounts for various capital projects of the City. Funding is provided by the issuance of various GO Bonds.

The **CDBG Fund** accounts for various community capital projects of the City. Funding is provided by state and federal agencies and transfers from the General Fund.

The **Capital Projects Fund** accounts for various capital projects of the City. Funding is provided by the issuance of capital leases and transfers from the General Fund.

CITY OF UNION CITY, GEORGIA
NONMAJOR GOVERNMENTAL FUNDS

DEBT SERVICE FUNDS

The **1993 General Obligation Bond Debt Service Fund** accounts for accumulation of resources for the payment of debt principal and interest for the 1993 General Obligation Bond Issue.

The **2010 General Obligation Bond Debt Service Fund** accounts for accumulation of resources for the payment of debt principal and interest for the 2010 General Obligation Bond Issue.

The **2010 Certificate of Participation Debt Service Fund** accounts for accumulation of resources for the payment of debt principal and interest for the 2010 Certificate of Participation Issue.

CITY OF UNION CITY, GEORGIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2011

	Special Revenue Funds						
ASSETS	**Federal Seized Funds**	**Vehicle Rental Excise Tax Fund**	**Hotel / Motel Tax Fund**	**Emergency 911 Fund**	**Inmate Welfare Fund**	**Tax Allocation District Fund**	**Multiple Operating Grant Fund**
Cash and cash equivalents	$ 33,488	$ 38,435	$ 195,699	$ 103,515	$ 286,595	$ 108,607	$ 57,858
Taxes receivable	-	10,242	13,997	-	-	487	-
Accounts receivable	-	-	-	12,934	-	-	-
Due from other governments	-	-	-	-	-	-	82,372
Due from other funds	-	-	36,381	-	-	-	-
Total assets	$ 33,488	$ 48,677	$ 246,077	$ 116,449	$ 286,595	$ 109,094	$ 140,230
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable	$ -	$ -	$ 29,402	$ 10,241	$ -	$ -	$ 11,634
Accrued expenses	-	-	-	12,500	-	-	-
Deferred revenue	-	-	-	-	-	423	-
Due to others	-	-	-	-	47,430	-	-
Due to other funds	-	-	-	-	100	-	119,226
Total liabilities	-	-	29,402	22,741	47,530	423	130,860
FUND BALANCES							
Restricted for:							
Law enforcement	33,488	-	-	93,708	-	-	9,370
Economic development	-	48,677	216,675	-	-	-	-
Other capital projects	-	-	-	-	-	108,671	-
Debt service	-	-	-	-	-	-	-
Assigned to:							
Public safety - jail	-	-	-	-	239,065	-	-
Total fund balances	33,488	48,677	216,675	93,708	239,065	108,671	9,370
Total liabilities and fund balances	$ 33,488	$ 48,677	$ 246,077	$ 116,449	$ 286,595	$ 109,094	$ 140,230

Capital Projects Funds				Debt Service Funds			
Capital Grants Fund	Various Purpose General Obligation Bonds Fund	CDBG Fund	Capital Projects Fund	1993 General Obligation Bond	2010 General Obligation Bond	2010 Certificate of Participation	Totals
$ 690	$ -	$ 336	$ 913,139	$ -	$ 1,706	$ 361,736	$ 2,101,804
-	-	-	-	-	-	-	24,726
-	-	-	-	-	-	-	12,934
-	-	-	44,986	-	-	-	127,358
43,791	-	-	-	-	-	-	80,172
$ 44,481	$ -	$ 336	$ 958,125	$ -	$ 1,706	$ 361,736	$ 2,346,994
$ 44,481	$ -	$ -	$ 105,385	$ -	$ 795	$ -	$ 201,938
-	-	-	-	-	-	-	12,500
-	-	-	-	-	-	-	423
-	-	-	-	-	-	-	47,430
-	-	-	-	-	-	30,000	149,326
44,481	-	-	105,385	-	795	30,000	411,617
-	-	-	-	-	-	-	136,566
-	-	-	-	-	-	-	265,352
-	-	336	852,740	-	-	-	961,747
-	-	-	-	-	911	331,736	332,647
-	-	-	-	-	-	-	239,065
-	-	336	852,740	-	911	331,736	1,935,377
$ 44,481	$ -	$ 336	$ 958,125	$ -	$ 1,706	$ 361,736	$ 2,346,994

(Concluded)

CITY OF UNION CITY, GEORGIA

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

	Special Revenue Funds						
	Federal Seized Funds	Vehicle Rental Excise Tax Fund	Hotel Motel Tax Fund	Emergency 911 Fund	Inmate Welfare Fund	Tax Allocation District Fund	Multiple Operating Grant Fund
Revenues:							
Property taxes	$ -	$ -	$ -	$ -	$ -	$ 16,010	$ -
Other taxes	-	118,105	155,474	-	-	-	-
Charges for services	-	-	-	234,442	-	-	-
Intergovernmental revenue	-	-	-	-	-	-	124,495
Interest revenue	6	-	-	-	1,697	-	-
Other revenues	1,175	-	-	-	99,177	-	-
Total revenues	1,181	118,105	155,474	234,442	100,874	16,010	124,495
Expenditures:							
Current							
General government	-	-	-	-	-	-	-
Public safety	18,122	-	-	615,653	105,614	-	114,122
Economic development	-	-	323,137	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Debt service							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total expenditures	18,122	-	323,137	615,653	105,614	-	114,122
Excess (deficiency) of revenues over (under) expenditures	(16,941)	118,105	(167,663)	(381,211)	(4,740)	16,010	- 10,373
Other financing sources (uses)							
Premiums on bonds issued	-	-	-	-	-	-	-
Bonds issued	-	-	-	-	-	-	-
Proceeds from capital lease	-	-	-	-	-	-	-
Transfers in	-	-	-	275,000	-	-	25,708
Transfers out	-	(124,000)	-	-	-	-	-
Total other financing sources (uses)	-	(124,000)	-	275,000	-	-	25,708
Net change in fund balances	(16,941)	(5,895)	(167,663)	(106,211)	(4,740)	16,010	36,081
Fund balances (deficit), beginning of year	50,429	54,572	384,338	199,919	243,805	92,661	(26,711)
Fund balances, end of year	$ 33,488	$ 48,677	$ 216,675	$ 93,708	$ 239,065	$ 108,671	$ 9,370

Capital Projects Funds				Debt Service Funds			
Capital Grants Fund	Various Purpose General Obligation Bonds Fund	CDBG Fund	Capital Projects Fund	1993 General Obligation Bond	2010 General Obligation Bond	2010 Certificate of Participation	Totals
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 16,010
-	-	-	-	-	-	-	273,579
-	-	-	-	-	-	-	234,442
4,000	-	50,000	44,986	-	-	-	223,481
-	-	-	207	-	-	-	1,910
-	-	-	-	-	-	369,966	470,318
4,000	-	50,000	45,193	-	-	369,966	1,219,740
-	-	-	10	11	-	-	21
-	-	-	-	-	-	-	853,511
-	-	-	-	-	-	-	323,137
213,557	-	79,664	967,443	-	-	-	1,260,664
-	-	-	-	-	295,000	295,000	590,000
-	-	-	-	-	39,089	77,239	116,328
213,557	-	79,664	967,453	11	334,089	372,239	3,143,661
(209,557)	-	(29,664)	(922,260)	(11)	(334,089)	(2,273)	(1,923,921)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	1,500,000	-	-	-	1,500,000
209,557	-	30,000	275,000	-	335,000	-	1,150,265
-	(20,259)	-	-	-	-	-	(144,259)
209,557	(20,259)	30,000	1,775,000	-	335,000	-	2,506,006
-	(20,259)	336	852,740	(11)	911	(2,273)	582,085
-	20,259	-	-	11	-	334,009	1,353,292
$ -	$ -	$ 336	$ 852,740	$ -	$ 911	$ 331,736	$ 1,935,377

(Concluded)

CITY OF UNION CITY, GEORGIA
FEDERAL SEIZED FUNDS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE FISCAL YEAR ENDED AUGUST 31, 2011

	Original and Final Budget	Actual	Variance
REVENUES			
Interest	$ 50	6	(44)
Other revenues	-	1,175	1,175
Total revenues	50	1,181	1,131
EXPENDITURES			
Public safety	50,318	18,122	32,196
Total expenditures	50,318	18,122	32,196
Net change in fund balance	(50,268)	(16,941)	33,327
FUND BALANCES, beginning of year	50,429	50,429	-
FUND BALANCES, end of year	$ 161	$ 33,488	$ 33,327

CITY OF UNION CITY, GEORGIA
VEHICLE RENTAL EXCISE TAX FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE FISCAL YEAR ENDED AUGUST 31, 2011

	Original and Final Budget	Actual	Variance
REVENUES			
Other taxes	$ 89,000	$ 118,105	$ 29,105
EXPENDITURES			
Economic development	-	-	-
Total expenditures	-	-	-
Excess of revenues over expenditures	89,000	118,105	29,105
Other financing sources (uses)			
Transfers out	(124,000)	(124,000)	-
Total other financing sources (uses)	(124,000)	(124,000)	-
Net change in fund balance	(35,000)	(5,895)	29,105
FUND BALANCES, beginning of year	54,572	54,572	-
FUND BALANCES, end of year	$ 19,572	$ 48,677	$ 29,105

CITY OF UNION CITY, GEORGIA
HOTEL / MOTEL TAX FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE FISCAL YEAR ENDED AUGUST 31, 2011

	Original and Final Budget	Actual	Variance
REVENUES			
Other taxes	$ 175,000	$ 155,474	$ (19,526)
EXPENDITURES			
Economic development	351,900	323,137	28,763
Total expenditures	351,900	323,137	28,763
Net change in fund balance	(176,900)	(167,663)	9,237
FUND BALANCES, beginning of year	384,338	384,338	-
FUND BALANCES, end of year	$ 207,438	$ 216,675	$ 9,237

CITY OF UNION CITY, GEORGIA
EMERGENCY 911 FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE FISCAL YEAR ENDED AUGUST 31, 2011

	Original and Final Budget	Actual	Variance
REVENUES			
Charges for services	$ 256,000	$ 234,442	$ (21,558)
Total revenues	256,000	234,442	(21,558)
EXPENDITURES			
Public safety	711,959	615,653	96,306
Total expenditures	711,959	615,653	96,306
Deficiency of revenues under expenditures	(455,959)	(381,211)	74,748
Other financing sources			
Transfers in	275,000	275,000	-
Total other financing sources	275,000	275,000	-
Net change in fund balance	(180,959)	(106,211)	74,748
FUND BALANCES, beginning of year	199,919	199,919	-
FUND BALANCES, end of year	$ 18,960	$ 93,708	$ 74,748

CITY OF UNION CITY, GEORGIA
INMATE WELFARE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE FISCAL YEAR ENDED AUGUST 31, 2011

	Original and Final Budget	Actual	Variance
REVENUES			
Interest	$ 2,200	$ 1,697	$ (503)
Other revenues	84,775	99,177	14,402
Total revenues	86,975	100,874	13,899
EXPENDITURES			
Public safety	157,846	105,614	52,232
Total expenditures	157,846	105,614	52,232
Net change in fund balance	(70,871)	(4,740)	66,131
FUND BALANCES, beginning of year	243,805	243,805	-
FUND BALANCES, end of year	$ 172,934	$ 239,065	$ 66,131

CITY OF UNION CITY, GEORGIA
TAX ALLOCATION DISTRICT FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE FISCAL YEAR ENDED AUGUST 31, 2011

	Original and Final Budget	Actual	Variance
REVENUES			
Property taxes	$ 100,000	$ 16,010	$ (83,990)
EXPENDITURES			
Economic development	192,661	-	192,661
Total expenditures	192,661	-	192,661
Net change in fund balance	(92,661)	16,010	108,671
FUND BALANCES, beginning of year	92,661	92,661	-
FUND BALANCES, end of year	$ -	$ 108,671	$ 108,671

CITY OF UNION CITY, GEORGIA
MULTIPLE OPERATING GRANT FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE FISCAL YEAR ENDED AUGUST 31, 2011

	Original and Final Budget	Actual	Variance
REVENUES			
Intergovernmental revenue	$ 301,426	$ 124,495	$ (176,931)
Total revenues	301,426	124,495	(176,931)
EXPENDITURES			
Public safety	334,802	114,122	220,680
Total expenditures	334,802	114,122	220,680
Excess (deficiency) of revenues over expenditures	(33,376)	10,373	43,749
Other financing sources:			
Transfers in	32,833	25,708	(7,125)
Total other financing sources	32,833	25,708	(7,125)
Net change in fund balance	(543)	36,081	36,624
FUND BALANCES (Deficit), beginning of year	(26,711)	(26,711)	-
FUND BALANCES, end of year	$ (27,254)	$ 9,370	$ 36,624

CITY OF UNION CITY, GEORGIA
1993 GENERAL OBLIGATION BOND FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE FISCAL YEAR ENDED AUGUST 31, 2011

	Original and Final Budget	Actual	Variance
EXPENDITURES			
General government	$ -	$ 11	$ (11)
Total expenditures	-	11	(11)
Deficiency of revenues over expenditures	-	(11)	(11)
Net change in fund balance	-	(11)	(11)
FUND BALANCES, beginning of year	11	11	-
FUND BALANCES, end of year	$ 11	$ -	$ (11)

CITY OF UNION CITY, GEORGIA
2010 GENERAL OBLIGATION BOND FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE FISCAL YEAR ENDED AUGUST 31, 2011

	Original and Final Budget	Actual	Variance
EXPENDITURES			
Debt service			
Principal	$ 295,000	$ 295,000	$ -
Interest	40,000	39,089	911
Total expenditures	335,000	334,089	911
Deficiency of revenues under expenditures	(335,000)	(334,089)	911
Other financing sources			
Transfers in	335,000	335,000	-
Total other financing sources	335,000	335,000	-
Net change in fund balance	-	911	911
FUND BALANCES, beginning of year	-	-	-
FUND BALANCES, end of year	$ -	$ 911	$ 911

CITY OF UNION CITY, GEORGIA
2010 CERTIFICATE OF PARTICIPATION FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE FISCAL YEAR ENDED AUGUST 31, 2011

	Original and Final Budget	Actual	Variance
REVENUES			
Other revenues	$ 372,000	$ 369,966	$ (2,034)
Total revenues	372,000	369,966	(2,034)
EXPENDITURES			
Debt service			
Principal	295,000	295,000	-
Interest	77,000	77,239	(239)
Total expenditures	372,000	372,239	(239)
Net change in fund balance	-	(2,273)	(2,273)
FUND BALANCES, beginning of year	334,009	334,009	-
FUND BALANCES, end of year	$ 334,009	$ 331,736	$ (2,273)

CITY OF UNION CITY, GEORGIA
2006 GENERAL OBLIGATION BOND FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE FISCAL YEAR ENDED AUGUST 31, 2011

	Original and Final Budget	Actual	Variance
REVENUES			
Interest	$ -	$ 103	$ 103
Total revenues	-	103	103
EXPENDITURES			
Debt service			
Principal	415,000	415,000	-
Interest	511,000	518,689	(7,689)
Total expenditures	926,000	933,689	(7,689)
Deficiency of revenues under expenditures	(926,000)	(933,586)	(7,586)
Other financing sources			
Transfers in	916,000	936,000	20,000
Total other financing sources	916,000	936,000	20,000
Net change in fund balance	(10,000)	2,414	12,414
FUND BALANCES, beginning of year	11,498	11,498	-
FUND BALANCES, end of year	$ 1,498	$ 13,912	$ 12,414

CITY OF UNION CITY, GEORGIA

STATEMENT OF CASH FLOWS
COMPONENT UNIT
FOR THE FISCAL YEAR ENDED AUGUST 31, 2011

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	$ 2,379,888
Payments to suppliers	(1,593,472)
Net cash provided by operating activities	786,416
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on bonds	(625,000)
Interest paid	(429,488)
Net cash used in capital and related financing activities	(1,054,488)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends received	1,608
Net cash provided by investing activities	1,608
Change in cash and cash equivalents	(266,464)
Cash and cash equivalents:	
Beginning of year	315,498
End of year	$ 49,034
Classified as:	
Cash and cash equivalents	$ 49,034
	$ 49,034
Reconciliation of operating loss to net cash provided by operating activities	
Operating loss	$ (658,047)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation expense	254,153
Changes in assets and liabilities:	
Increase in accounts receivable	(134,083)
Decrease in prepaids	3,222
Decrease in accounts payable	(1,229)
Increase in due to primary government	1,322,400
Net cash provided by operating activities	$ 786,416

STATISTICAL SECTION

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

Contents **Page**

Financial Trends ..... **71 - 76**
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 ..... **77 - 80**
These schedules contain information to help the reader assess the City's most significant local revenue sources.

Debt Capacity ..... **81 - 83**
These schedules present 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 ..... **84 and 85**
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 ..... **86 - 88**
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 City's financial reports for the relevant year. The City implemented GASB 34 in 2004; schedules presenting government-wide information (unless otherwise indicated) include information beginning in that year.

CITY OF UNION CITY, GEORGIA

NET ASSETS BY ACTIVITY
LAST EIGHT FISCAL YEARS

	Fiscal Year							
	2004 [1]	2005 [1]	2006 [2]	2007	2008	2009	2010	2011
Governmental activities								
Invested in capital assets, net of related debt	$ 4,487,168	$ 5,721,972	$ 9,183,450	$ 8,494,912	$ 7,689,065	$ 5,125,892	$ 4,350,167	$ 2,298,610
Restricted	1,630,448	1,842,040	12,435,193	10,858,756	9,279,559	6,867,079	4,645,673	857,484
Unrestricted	5,679,732	5,854,008	(3,591,480)	(774,996)	792,593	2,179,160	2,692,528	3,697,905
Total governmental activities net assets	$ 11,797,348	$ 13,418,020	$ 18,027,163	$ 18,578,672	$ 17,761,217	$ 14,172,131	$ 11,688,368	$ 6,853,999
Business-type activities								
Invested in capital assets, net of related debt	$ 5,807,997	$ 5,100,696	$ 7,554,749	$ 7,532,452	$ 7,440,803	$ 7,463,759	$ 12,298,174	$ 11,905,504
Restricted	1,145,649	1,146,085	3,433,373	4,243,140	3,033,885	2,455,231	-	-
Unrestricted	2,892,122	4,799,482	7,389,390	6,251,143	5,473,100	5,180,074	255,748	(532,061)
Total business-type activities net assets	$ 9,845,768	$ 11,046,263	$ 18,377,512	$ 18,026,735	$ 15,947,788	$ 15,099,064	$ 12,553,922	$ 11,373,443
Primary government								
Invested in capital assets, net of related debt	$ 10,295,165	$ 10,822,668	$ 16,738,199	$ 16,027,364	$ 15,129,868	$ 12,589,651	$ 16,648,341	$ 14,204,114
Restricted	2,776,097	2,988,125	15,868,566	15,101,896	12,313,444	9,322,310	4,645,673	857,484
Unrestricted	8,571,854	10,653,490	3,797,910	5,476,147	6,265,693	7,359,234	2,948,276	3,165,844
Total primary government net assets	$ 21,643,116	$ 24,464,283	$ 36,404,675	$ 36,605,407	$ 33,709,005	$ 29,271,195	$ 24,242,290	$ 18,227,442

[1] As originally reported (not adjusted for the prior period adjustments made in 2006)

[2] During the 2006 fiscal year, the City fully adopted GASB 34 and capitalized all of the City's infrastructure added in prior years.

CITY OF UNION CITY, GEORGIA

CHANGES IN NET ASSETS
LAST EIGHT FISCAL YEARS

	Fiscal Year							
	2004 [1]	2005 [1]	2006	2007	2008	2009	2010	2011
Expenses:								
Primary government:								
Governmental activities:								
General government	$ 1,454,383	$ 1,486,998	$ 1,586,286	$ 1,896,652	$ 2,165,072	$ 2,009,015	$ 2,490,131	$ 2,197,152
Judicial	430,851	478,390	279,394	395,447	451,217	421,864	426,544	467,691
Public safety	5,091,520	5,325,722	6,573,796	8,113,227	9,213,893	9,373,021	9,806,401	10,127,843
Public works	1,089,360	1,228,562	2,149,122	2,631,811	3,691,120	5,679,502	3,034,056	4,906,720
Community services	74,427	47,716	299,189	353,510	282,661	107,786	-	-
Parks and recreation	-	-	-	-	164,471	207,907	330,248	443,054
Economic development	495,585	567,832	548,170	635,796	578,176	551,982	932,850	643,677
Interest on long-term debt	451,112	418,919	539,374	892,492	902,731	875,728	839,703	665,503
Total governmental activities expenses	9,087,238	9,554,139	11,975,331	14,918,935	17,449,341	19,226,805	17,859,933	19,451,640
Business-type activities:								
Water and sewerage	3,083,528	3,395,733	4,112,854	4,540,370	5,152,911	5,954,684	6,551,474	5,961,017
Sanitation	821,635	924,116	963,011	1,222,409	1,148,749	1,191,681	700,470	677,006
Criminal justice management	3,518,997	3,711,314	4,019,486	3,737,236	3,791,596	3,813,337	3,568,864	2,889,058
Total business-type activities expenses	7,424,160	8,031,163	9,095,351	9,500,015	10,093,256	10,959,702	10,820,808	9,527,081
Total primary government expenses	16,511,398	17,585,302	21,070,682	24,418,950	27,542,597	30,186,507	28,680,741	28,978,721
Program revenues:								
Primary government:								
Governmental activities:								
Charges for services								
General government	2,079,792	2,108,715	1,562,344	1,766,705	1,897,836	1,548,023	1,714,518	1,472,105
Judicial	-	-	-	115,294	87,276	155,137	158,576	128,438
Public safety	1,728,477	2,160,122	1,768,112	1,965,852	1,934,062	1,929,612	2,009,280	1,856,768
Public works	-	-	10,580	1,535	-	-	-	-
Community services	6,794	7,233	11,912	17,898	6,441	1,880	-	-
Parks and recreation	-	-	-	-	-	-	10,053	58,992
Economic development	-	-	25,101	21,090	19,980	8,924	8,917	9,585
Operating grants and contributions	568,118	381,376	489,296	677,817	658,445	1,449,588	533,300	495,636
Capital grants and contributions	167,112	282,940	-	-	-	110,000	50,000	98,986
Total governmental activities program revenues	4,550,293	4,940,386	3,867,345	4,566,191	4,604,040	5,203,164	4,484,644	4,120,510
Business-type activities:								
Charges for services	8,294,651	8,983,030	10,332,602	9,736,147	8,800,053	9,961,600	8,242,375	8,750,735
Total business-type activities program revenues	$ 8,294,651	$ 8,983,030	$ 10,332,602	$ 9,736,147	$ 8,800,053	$ 18,712,335	$ 8,242,375	$ 8,750,735

(Continued)

CITY OF UNION CITY, GEORGIA

CHANGES IN NET ASSETS
LAST EIGHT FISCAL YEARS

	Fiscal Year							
	2004 [1]	2005 [1]	2006	2007	2008	2009	2010	2011
Total primary government program revenues	$ 12,844,944	$ 13,923,416	$ 14,199,947	$ 14,302,338	$ 13,404,093	$ 23,915,499	$ 12,727,019	$ 12,871,245
Net (expense)/ revenue								
Governmental activities	(4,536,945)	(4,613,753)	(8,107,986)	(10,352,744)	(12,845,301)	(14,023,641)	(13,375,289)	(15,331,130)
Business-type activities	870,491	951,867	1,237,251	236,132	(1,293,203)	7,752,633	(2,578,433)	(776,346)
Total primary government net expense	(3,666,454)	(3,661,886)	(6,870,735)	(10,116,612)	(14,138,504)	(6,271,008)	(15,953,722)	(16,107,476)
General revenues and other changes in net assets:								
Primary government:								
Governmental activities								
Property taxes	2,088,859	2,296,501	2,774,299	3,997,330	5,464,985	5,667,102	5,891,035	5,314,492
Sales taxes	2,502,676	2,635,527	3,003,672	3,096,471	3,065,531	2,628,353	2,825,733	2,753,242
Insurance premium tax	-	-	582,020	608,939	635,191	650,407	644,340	625,579
Alcoholic beverage taxes	150,480	168,449	9,141	33,807	10,595	4,117	4,860	11,754
Other taxes	395,575	608,192	751,546	283,902	305,218	323,516	275,659	229,639
Franchise taxes	598,926	431,830	341,985	835,288	852,477	931,025	1,165,361	1,110,159
Unrestricted investment earnings	130,253	194,878	358,492	1,190,977	693,849	230,035	84,538	25,896
Transfers	(426,706)	(100,952)	545,981	857,539	1,000,000	-	-	426,000
Total governmental activities general revenues and other changes in net assets	5,440,063	6,234,425	8,367,136	10,904,253	12,027,846	10,434,555	10,891,526	10,496,761
Business-type activities								
Unrestricted investment earnings	165,037	147,676	229,661	270,630	214,256	149,378	33,291	21,867
Transfers	426,706	100,952	(545,981)	(857,539)	(1,000,000)	-	-	(426,000)
Total business-type activities general revenues and other changes in net assets	591,743	248,628	(316,320)	(586,909)	(785,744)	149,378	33,291	(404,133)
Change in Net Assets								
Governmental activities	903,118	1,620,672	259,150	551,509	(817,455)	(3,589,086)	(2,483,763)	(4,834,369)
Business-type activities	1,462,234	1,200,495	920,931	(350,777)	(2,078,947)	7,902,011	(2,545,142)	(1,180,479)
Total primary government change in net assets	$ 2,365,352	$ 2,821,167	$ 1,180,081	$ 200,732	$ (2,896,402)	$ 4,312,925	$ (5,028,905)	$ (6,014,848)

[1] As originally reported (not adjusted for the prior period adjustments made in 2006)

CITY OF UNION CITY, GEORGIA

FUND BALANCES, GOVERNMENTAL FUNDS
LAST EIGHT FISCAL YEARS

	Fiscal Year							
	2004	2005	2006[1]	2007	2008	2009	2010	2011
General Fund								
Reserved	$ -	$ -	$ 208,443	$ 536,391	$ 400,724	$ 284,974	$ 1,753,827	$ -
Unreserved	6,097,037	6,623,261	6,895,673	7,389,748	8,151,735	7,146,163	4,050,270	-
Nonspendable	-	-	-	-	-	-	-	3,340,966
Restricted	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	366,464
Total general fund	$ 6,097,037	$ 6,623,261	$ 7,104,116	$ 7,926,139	$ 8,552,459	$ 7,431,137	$ 5,804,097	$ 3,707,430
All Other Governmental Funds								
Reserved	$ 1,630,448	$ 1,842,040	$ 12,435,193	$ 10,858,756	$ 9,279,559	$ 6,867,079	$ 4,302,707	$ -
Unreserved, reported in:								
Special revenue funds	252,803	380,022	431,292	699,296	1,026,311	1,304,291	996,461	-
Capital projects funds	234,181	253,263	250,133	167,464	(7,697)	(7,344)	20,259	-
Debt service funds	-	-	1,556,705	1,604,255	860,914	859,846	345,518	-
Restricted, reported in:								
Special revenue funds	-	-	-	-	-	-	-	510,589
Capital projects funds	-	-	-	-	-	-	-	2,350,414
Debt service funds	-	-	-	-	-	-	-	346,559
Assigned, reported in:								
Special revenue funds	-	-	-	-	-	-	-	239,065
Total all other governmental funds	$ 2,117,432	$ 2,475,325	$ 14,673,323	$ 13,329,771	$ 11,159,087	$ 9,023,872	$ 5,664,945	$ 3,446,627

[1] During 2006, the City issued the 2006 General Obligation Bonds in the approximate amount of $12.6 million.
Information prior to 2004 was not readily available.

Note: GASB 54 was implemented during fiscal year 2011.

CITY OF UNION CITY, GEORGIA

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST EIGHT FISCAL YEARS

	Fiscal Year							
	2004	2005	2006	2007	2008	2009	2010	2011
Revenues								
Property taxes	$ 2,088,859	$ 2,296,501	$ 2,679,343	$ 4,028,313	$ 5,409,449	$ 5,604,176	$ 5,543,663	$ 5,673,239
Other taxes	2,993,514	3,137,231	3,936,818	4,023,119	4,016,535	3,565,186	3,750,593	3,664,155
Charges for services	358,117	282,780	358,042	529,957	441,496	475,609	509,548	548,195
Licenses and permits	1,957,162	2,058,269	1,443,840	1,416,196	1,734,041	1,476,682	1,647,128	1,377,168
Intergovernmental	735,230	664,316	155,765	259,736	209,286	216,189	168,100	223,481
Franchise taxes	598,926	608,192	751,546	835,288	852,477	931,025	1,165,361	1,110,159
Fines and forfeitures	1,499,784	1,935,021	1,219,982	1,404,991	1,414,294	1,497,840	1,589,500	1,484,361
Interest revenue	130,253	194,878	358,492	1,190,977	693,849	230,035	84,538	25,896
Rental income	-	-	26,760	20,145	18,623	13,500	12,609	13,030
Other revenues	55,217	79,709	662,956	935,166	786,300	1,523,344	557,758	474,275
Total revenues	$ 10,417,062	$ 11,256,897	$ 11,593,544	$ 14,643,888	$ 15,576,350	$ 15,533,586	$ 15,028,798	$ 14,593,959
Expenditures								
Current:								
General government	$ 1,324,726	$ 1,403,847	$ 1,485,504	$ 1,870,450	$ 2,144,343	$ 1,973,574	$ 2,573,528	$ 2,174,146
Judicial	351,221	418,229	192,793	311,021	365,858	330,968	342,954	384,047
Public safety	4,618,028	4,988,871	6,461,748	8,077,135	9,090,607	8,791,779	9,625,312	9,703,075
Public works	963,576	931,934	1,396,753	1,732,434	2,202,933	1,723,615	1,713,341	1,727,828
Community services	46,761	30,011	203,505	268,184	282,233	107,712	-	-
Parks and recreation	-	-	-	-	93,949	118,604	245,778	376,373
Economic development	472,052	560,355	548,170	633,975	574,168	547,596	932,850	643,677
Capital outlay	2,191,464	1,154,661	403,192	1,646,088	1,711,421	4,365,198	2,533,517	4,083,991
Debt service:								
Principal	530,000	365,000	800,000	685,000	750,000	815,000	6,180,687	1,079,492
Interest	445,092	418,920	721,897	798,669	905,202	870,077	856,817	662,315
Bond issuance costs	-	-	-	-	-	-	176,033	-
Total expenditures	10,942,920	10,271,828	12,213,562	16,022,956	18,120,714	19,644,123	25,180,817	20,834,944
Excess (deficiency) of revenues over (under) expenditures	(525,858)	985,069	(620,018)	(1,379,068)	(2,544,364)	(4,110,537)	(10,152,019)	(6,240,985)

(Continued)

CITY OF UNION CITY, GEORGIA

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST EIGHT FISCAL YEARS

	Fiscal Year							
	2004	2005	2006	2007	2008	2009	2010	2011
Other Financing Sources (Uses)								
Bond issuance	$ -	$ -	$ 12,575,000	$ -	$ -	$ -	$ 5,065,000	$ -
Premium on bonds	-	-	68,794	-	-	-	101,052	-
Capital lease	-	-	-	-	-	854,000	-	1,500,000
Transfers in	1,332,301	1,358,336	1,422,251	3,423,097	3,799,426	1,842,574	6,406,225	2,656,524
Transfers out	(1,759,007)	(1,459,288)	(876,270)	(2,565,558)	(2,799,426)	(1,842,574)	(6,406,225)	(2,230,524)
Total other financing sources (uses)	(426,706)	(100,952)	13,189,775	857,539	1,000,000	854,000	5,166,052	1,926,000
Net change in fund balances	$ (952,564)	$ 884,117	$ 12,569,757	$ (521,529)	$ (1,544,364)	$ (3,256,537)	$ (4,985,967)	$ (4,314,985)
Debt service as a percentage of noncapital expenditures	11.0%	8.5%	12.6%	10.2%	9.7%	9.0%	30.1%	8.9%

Information prior to 2004 was not readily available.

CITY OF UNION CITY, GEORGIA

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

Tax Year	Real Property		Personal Property		Privately Owned Public Utilities	Total Property		Total Direct Tax Rate	Assessed Value as a % of Actual Value
	Residential Property	Commercial Property (1)	Property (2)	Motor Vehicles (3)	Assessed Value	Total Taxable Assessed Value	Estimated Actual Taxable Value		
2002	$ 176,139,334	$ N/A	$ 28,466,715	$ -	$ 3,119,903	$ 207,725,952	$ 519,314,881	7.50	40%
2003	194,386,146	N/A	28,621,190	-	3,115,481	226,122,817	565,307,043	7.50	40%
2004	229,874,380	N/A	29,289,050	-	3,448,044	262,611,474	656,528,685	7.50	40%
2005	270,471,183	N/A	49,282,592	-	3,729,731	323,483,506	808,708,766	7.50	40%
2006	193,849,900	185,308,550	26,629,374	19,879,560	4,082,787	429,750,171	1,074,375,428	7.50	40%
2007	249,023,200	272,065,280	30,956,210	23,311,420	4,923,367	580,279,477	1,450,698,693	9.50	40%
2008	265,518,110	271,062,580	35,067,121	26,254,620	5,107,421	603,009,852	1,507,524,630	9.50	40%
2009	253,414,770	282,392,890	30,541,970	27,390,550	5,570,295	599,310,475	1,498,276,188	9.50	40%
2010	219,058,430	260,266,010	24,496,587	27,643,090	5,516,443	536,980,560	1,342,451,400	9.50	40%
2011	173,847,240	261,796,790	55,138,458	25,604,340	5,532,947	521,919,775	1,304,799,438	10.238	40%

Source: Fulton County Tax Assessor

(1) The assessed values for commercial property for fiscal years 2002 to 2005 are included with the residential proper

(2) Fiscal years 2002-2005 include the motor vehicle personal property assessed values.

(3) Information not available for fiscal years 2002 to 2005; these values are included in the Personal Property figures.

CITY OF UNION CITY, GEORGIA

DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN TAX DIGEST YEARS
(Rate per $1,000 of assessed value)

Tax Digest Year	Direct Rates			Overlapping Rates			Total Direct and Overlapping Millage Rates
	City of Union City						
	Operating Millage	Debt Service	Total	State of Georgia	Fulton County	County School System	
2002	4.500	3.000	7.500	0.25	17.28	18.77	43.80
2003	4.500	3.000	7.500	0.25	16.63	18.06	42.44
2004	4.500	3.000	7.500	0.25	16.38	17.61	41.74
2005	4.500	3.000	7.500	0.25	16.38	18.11	42.24
2006	4.500	5.000	9.500	0.25	21.81	18.11	49.67
2007	4.500	5.000	9.500	0.25	20.55	18.09	48.39
2008	4.500	5.000	9.500	0.25	10.28	17.50	37.53
2009	7.508	1.992	9.500	0.25	10.28	17.50	37.53
2010	7.650	1.850	9.500	0.25	10.28	18.50	38.53
2011	8.165	2.073	10.238	0.25	10.55	18.50	39.54

CITY OF UNION CITY, GEORGIA

PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year Ended August 31,	Total Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collected in Subsequent Years	Total Collections to Date		Total Taxes Outstanding
		Amount	Percentage of Levy		Amount	Percentage of Levy	
2002	$ 1,616,131	$ 1,287,907	79.69%	$ 324,050	$ 1,611,957	99.74%	$ 4,174
2003	1,922,670	1,708,306	88.85%	202,887	1,911,193	99.40%	11,477
2004	2,106,648	1,657,141	78.66%	435,905	2,093,046	99.35%	13,602
2005	2,393,844	1,968,188	82.22%	404,852	2,373,040	99.13%	20,804
2006	3,475,621	2,783,294	80.08%	671,160	3,454,454	99.39%	21,167
2007	5,081,813	4,065,772	80.01%	988,728	5,054,500	99.46%	27,313
2008	5,059,894	4,877,918	96.40%	150,832	5,028,750	99.38%	31,144
2009	5,369,912	5,048,824	94.02%	255,705	5,304,529	98.78%	65,383
2010	5,316,893	4,803,669	90.35%	357,238	5,160,907	97.07%	155,986
2011	4,759,160	4,533,053	95.25%	-	4,533,053	95.25%	326,107

CITY OF UNION CITY, GEORGIA

PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO

	2011			2002		
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Airport Center III at Oakley	$ 21,902,660	1	4.20%			
Development Authority of Fulton County	18,029,460	2	3.45%			
AEW LT Huner Road LLC	8,355,060	3	1.60%			
Northwestern Mutual Life Insurance	7,821,430	4	1.50%			
Pancal Goodson 5 LLC	7,800,000	5	1.49%			
Royal Eighty Five LLC	7,141,780	6	1.37%			
Wal Mart Stores Inc	6,723,160	7	1.29%			
Wyndsor Forest Apartments, LLC	6,562,040	8	1.26%			
Woodside Vista LLC	6,455,310	9	1.24%			
South Fulton Parkway LLC	6,043,270	10	1.16%			
C. F. Shannon Associates				$ 7,621,560	1	4.28%
Shree Shaki Development, Inc.				4,642,360	2	2.61%
BRA Ltd. (Shannon Lake Apartments)				3,546,440	3	1.99%
Germania Property Investors				3,223,360	4	1.81%
Shannon Create Apartments				2,715,640	5	1.52%
Summner Glen Associates				2,617,320	6	1.47%
Glenborough Fund 1, Ltd.				2,603,800	7	1.46%
Hidden Lake Ltd.				2,478,360	8	1.39%
Mid America Capital Partners				2,417,320	9	1.36%
Apartment Opportunity Fund				2,027,400	10	1.14%
	$ 96,834,170		18.55%	$ 33,893,560		19.03%

CITY OF UNION CITY, GEORGIA

RATIO OF OUTSTANDING DEBT BY TYPE
LAST EIGHT FISCAL YEARS

Fiscal Year	Governmental Activities			Percentage of Estimated Actual Value of Taxable Property	Per Capita	Business-Type Activities	Total Primary Government	Percentage of Estimated Actual Value of Taxable Property	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Certificates of Participation	Capital Lease			Water Revenue Bonds				
2004	$ 3,200,000	$ 4,885,000	$ -	1.23%	$ 480.56	$ 7,000,000	$ 15,085,000	2.30%	5.21%	$ 896.64
2005	3,015,000	4,705,000	-	0.95%	468.56	6,645,000	14,365,000	1.78%	4.52%	871.87
2006	15,385,000	4,110,000	-	1.81%	1,083.12	6,270,000	25,765,000	2.40%	7.41%	1,431.47
2007	14,845,000	3,965,000	-	1.30%	1,009.34	5,880,000	24,690,000	1.70%	6.86%	1,324.86
2008	14,275,000	3,785,000	-	1.20%	1,076.86	5,470,000	23,530,000	1.56%	7.27%	1,403.02
2009	13,665,000	3,580,000	854,000	1.21%	1,067.10	5,040,000	23,139,000	1.54%	7.07%	1,364.25
2010	12,900,000	3,310,000	773,313	1.27%	1,001.32	-	16,983,313	1.27%	5.30%	1,001.32
2011	12,190,000	3,015,000	2,198,821	1.33%	894.52	-	17,403,821	1.33%	4.74%	894.52

Information prior to 2004 was not readily available.

CITY OF UNION CITY, GEORGIA

LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt Limit	$ 20,772,595	$ 22,612,282	$ 26,261,147	$ 32,348,351	$ 32,383,825	$ 57,582,113	$ 60,300,985	$ 59,931,048	$ 53,698,056	$ 52,191,978
Total net debt applicable to limit	8,290,000	8,615,000	8,085,000	7,720,000	19,495,000	17,196,729	17,199,086	16,383,154	15,048,433	14,412,583
Legal Debt Margin	$ 12,482,595	$ 13,997,282	$ 18,176,147	$ 24,628,351	$ 12,888,825	$ 40,385,384	$ 43,101,899	$ 43,547,894	$ 38,649,623	$ 37,779,395
Total net debt applicable to the limit as a percentage of debt limit	39.91%	38.10%	30.79%	23.87%	60.20%	29.86%	28.52%	27.34%	28.02%	27.61%

Legal Debt Margin Calculation for Fiscal Year 2010

Assessed Value	$ 521,919,775
Debt limit (10% of assessed value)	52,191,978
Debt applicable to limit:	
General obligation bonds and certificates of participation	15,205,000
Less: Amount set aside for repayment of general obligation debt	(792,417)
Total net debt applicable to limit	14,412,583
Legal debt margin	$ 37,779,395

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

CITY OF UNION CITY, GEORGIA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF AUGUST 31, 2011

Jurisdiction	Debt Outstanding	Percentage Applicable to the City of Union City [(a)]	Amount Applicable to the City of Union City
Fulton County, Georgia- Overlapping Debt			
Certificates of Participation	$ 110,885,000	0.92%	$ 1,018,657
Building Authority Revenue Bonds	27,610,000	0.92%	253,642
Economic Recovery Zone Bonds	26,441,000	0.92%	242,903
Subtotal Overlapping Debt			3,049,366
City of Union City, Georgia - Direct Debt			15,205,000
Total Direct and Overlapping Debt			$ 18,254,366

Sources: Assessed value data used to estimate applicable percentages provided by the County. Debt outstanding provided by the County (as of December 31, 2010) and City Finance Departments.

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 could place burden on the residents and businesses of the City of Union City. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account.

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

CITY OF UNION CITY, GEORGIA

DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

Fiscal Year	Population [1]	Personal Income [1]	Per Capita Personal Income [1]	Median Age [1]	Unemployment Rate [2]	School Enrollment [3]
2002	15,000	258,120,000	17,208	32.2	5.40%	1,118
2003	15,500	266,724,000	17,208	32.2	4.70%	1,170
2004	16,824	289,507,392	17,208	32.2	4.80%	1,252
2005	16,476	318,102,132	19,307	32.2	5.40%	1,566
2006	17,999	347,506,693	19,307	32.2	4.70%	1,320
2007	18,636	359,805,252	19,307	32.2	5.10%	1,294
2008	16,771	323,797,697	19,307	32.2	7.60%	1,269
2009	16,961	327,466,027	19,307	32.2	10.30%	1,252
2010	16,961	320,155,836	18,876	32.2	10.30%	1,252
2011	19,456	367,251,456	18,876	30.5	8.10%	1,252

Sources:
(1) U.S. Census Bureau
(2) Georgia Department of Labor
(3) Clayton County Board of Education

CITY OF UNION CITY, GEORGIA

PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

	2011			2002		
Business	**Employees**	**Rank**	**Percentage of Total City Employment**	**Employees**	**Rank**	**Percentage of Total City Employment**
Christian City	471	1	8.56%			
Dendreon	450	2	8.18%			
Exel (Kraft)	432	3	7.85%			
Wal-Mart Stores East LP	387	4	7.04%	165	5	3.59%
Costco	202	5	3.67%			
Toyota of Union City	185	6	3.36%			
Nissan of Union City	174	7	3.16%			
DSC Logistics	164	8	2.98%			
Kroger	130	9	2.36%	115	7	2.50%
UFP Eastern Division Inc	123	10	2.24%	170	4	3.70%
Bill Heard Chevrolet				247	1	5.37%
Sears				200	2	4.35%
Gene Evans Ford				190	3	4.13%
Mortensen Woodworking				165	6	3.59%
Cracker Barrel				94	8	2.04%
Steve Rayman Pontiac				94	9	2.04%
Federated Department Stores (Rich's)				89	10	1.93%
Nalley Honda				89	10	1.93%

Source: Union City Business Permit Renewals

CITY OF UNION CITY, GEORGIA

FULL-TIME EQUIVALENT CITY OF UNION CITY EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Government										
Administration	13	3	3	3	3	3	3	3	2	1
City Clerk	6	6	6	6	6	6	7	7	2	2
Finance	-	2	3	3	6	9	8	10	4	4
Finance- water and sewer									5	5
Human Resources	-	2	2	2	2	2	2	2	2	2
Information Technology	-	1	1	1	1	-	-	-	-	1
Judicial										
Municipal Court	3	3	3	3	3	3	4	4	4	4
Health & Welfare										
Leisure Services	1	1	1	1	1	1	1	1	-	-
Housing & Development										
Planning Department	4	4	4	4	4	4	4	3	3	3
Public Safety										
Police	41	41	41	40	48	48	67	61	62	61
Fire	30	30	30	30	33	33	47	48	52	49
Jail	54	48	52	52	52	53	50	48	44	50
E-911 Communications	10	10	10	10	10	10	11	12	10	10
Public Works										
Building & Grounds	2	2	2	2	2	2	2	3	3	3
Code Enforcement	1	1	1	2	2	2	4	4	4	4
Roads & Bridges	7	7	11	11	11	11	17	17	20	17
Water & Sewer	7	10	13	13	14	14	12	12	12	10
Parks and Recreation	6	-	-	-	-	-	3	3	3	3
Operations	-	-	-	-	-	-	-	-	1	2
Total	185	171	183	183	198	201	242	238	233	231

Source: Human Resources

Notes: All full-time employees, except fire employees, are scheduled to work 2,080 hours per year (including vacation and sick). Fire Department employees are scheduled to work 2,750 hours per year (including sick and vacation).

CITY OF UNION CITY, GEORGIA

OPERATING INDICATORS BY FUNCTION
LAST TEN CALENDAR YEARS

Function	Calendar Year 2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Culture and Recreation										
Community Center Admissions	n/a	n/a	n/a	n/a	8,154	7,355	7,811	6,895	6,860	25,000
Fire										
Calls Answered	1,339	1,339	1,360	1,985	2,435	2,556	2,724	3,074	3,331	3,548
Inspections Conducted	877	877	787	6,591	541	547	770	817	720	948
Police										
Number of Law Violations										
Physical Arrests	1,549	1,549	1,320	1,985	843	940	1,801	2,742	2,256	2,437
Traffic and Parking Violations	8,954	8,954	9,870	6,591	10,572	12,802	16,089	16,550	12,597	15,006
Public Service - Sewerage System										
Daily Average Treatment in Gallons	n/a	n/a	n/a	n/a	1,741,405	1,731,000	1,740,000	1,500,000	1,663,372	1,553,414
Max. Daily Capacity of Plant in Gallons	n/a	n/a	n/a	n/a	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000
Service Connections	n/a	n/a	n/a	n/a	3,893	4,415	4,074	4,500	4,500	4,206
Public Service - Streets										
Highway and Streets Resurfacing	n/a	n/a	n/a	n/a	1	17	18	21	15	17
Public Service - Water System										
Daily Average Consumption in Gallons	1,255,466	1,255,466	1.30	1.30	1,414,557	1,699,104	1,170,000	1,180,000	1,180,000	1,200,000
Max. Daily Capacity of Plant in Gallons	Purchased	Purchased	Purchased	Purchased	Purchased	Purchased	Purchased	Purchased	Purchased	Purchased
Service Connections	3,161	3,161	3,161	3,900	4,209	4,427	4,460	4,500	4,500	4,523

NOTE: Indicators are not available for the general government function.
NOTE: Departments maintain statistical information on a calendar-year basis.

SOURCE: Various City Departments

CITY OF UNION CITY, GEORGIA

CAPITAL ASSETS STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

	Fiscal Year									
Function/Program	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Culture and Recreation										
Park Acreage	22	22	22	22	22	22	22	22	22	22
Parks	2	2	2	2	2	2	2	2	2	2
Tennis Courts	0	0	0	0	0	0	0	0	0	0
Baseball Fields	1	1	1	1	1	2	2	2	2	2
Community Centers & Depot	2	2	2	2	2	2	2	2	2	2
Fire										
Fire Stations	2	2	2	2	2	2	2	2	3	3
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	29	29	26	26	31	30	30	48	48	48
Patrol Zones	4	4	4	5	5	5	5	4	5	5
Public Service - Sewerage System										
Sanitary Sewer (Miles)	62.1	62.1	62.1	62.1	76.0	76.0	76.0	76.0	79.9	79.9
Treatment Plants	0	0	0	0	0	0	0	0	0	0
Public Service - Streets										
Streets (Miles)	68.3	68.3	68.3	68.3	90.0	90.0	90.0	90.0	115.1	115.1
Streets (Lights)	691	691	691	691	901	912	912	912	912	912
Public Service - Water System										
Water Mains (Miles)	61	61	61	61	68	68	68	68	69	69
Number of Fire Hydrants	889	889	648	658	565	565	565	796	538	540

SOURCE: Various City Departments

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*

To the Honorable Mayor and Members
of the City Council
Union City, Georgia

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Union City, Georgia, as of and for the year ended August 31, 2011, and have issued our report thereon dated February 24, 2012. As discussed in Note 1, the City of Union City, Georgia implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of September 1, 2010. 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 Union City, Georgia is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Union City, Georgia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Union City, Georgia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Union City, Georgia's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Union City, 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*.

We noted certain matters that we reported to management of the City of Union City in a separate letter dated February 24, 2012.

This report is intended solely for the information and use of management, the City Council, others within the City, federal awarding agencies, and the Georgia Department of Audits and Accounts, and is not intended to be and should not be used by anyone other than these specified parties.

Mauldin & Jenkins, LLC

Macon, Georgia
February 24, 2012

CITY OF UNION CITY, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED AUGUST 31, 2011

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__ none reported
Noncompliance material to financial statements noted?	___yes __X__ no

Federal Awards

There was not an audit of major federal award programs as of August 31, 2011, 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

CITY OF UNION CITY, GEORGIA

SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2011

STATUS OF PRIOR YEAR AUDIT FINDINGS

None reported.