CITY OF UNION CITY, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
AUGUST 31, 2012

Prepared by:
Union City Finance Department

CITY OF UNION CITY, GEORGIA

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

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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 25, 2013

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, 2012.

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 licensed 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, 2012, 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, 2012, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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 20,079. 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, 2012, 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.

Moody’s Ratings Services rated the City’s 2012 Water and Sewer bonds at "A2 " 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 year we saw grand openings for Duncan Donuts, 7 Star Wings, T-mobile, and First American Title Lending to name a few. 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 maintains 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's business environment is a mixture of retail, manufacturing and commercial. Currently there are nine manufacturing establishments and 18 wholesale trade outlets in addition to its historically strong retail environment. 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.

Federal and State Grants

The City is has made a significant investment in applying for federal and state awards which use Federal and State dollars to benefit its citizens. In fiscal 2012, Union City received grants used for additional police and equipment, walking trail improvements and energy efficiency upgrades on city buildings. The City has additional grants worth of $4 million which will be exercised in future years for infrastructure improvements.

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, 2011. 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, 2011

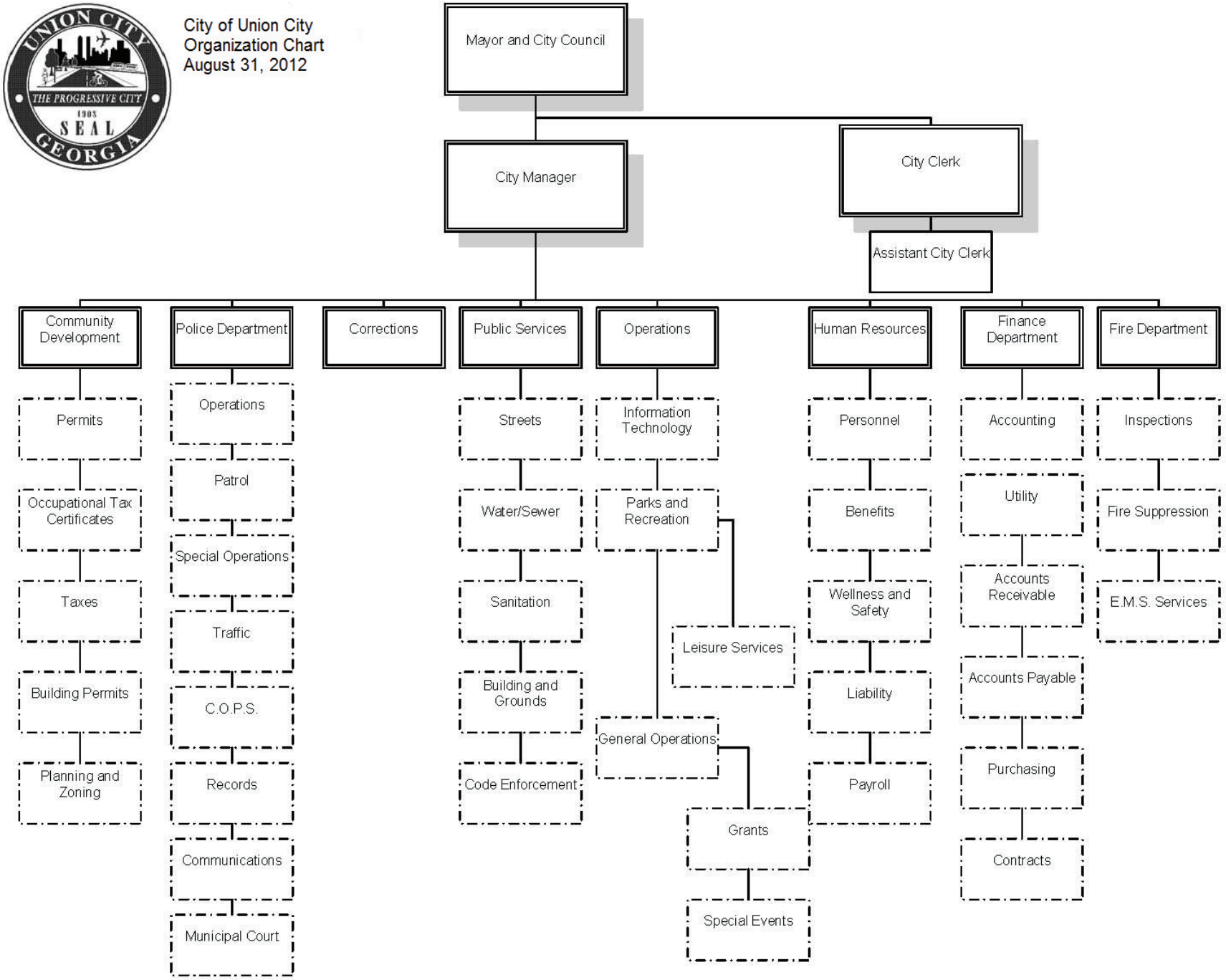
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



Christopher P Morrill
President

Jeffrey L. Esser
Executive Director

City of Union City
Organization Chart
August 31, 2012



CITY OF UNION CITY, GEORGIA

PRINCIPAL OFFICIALS
AUGUST 31, 2012

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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of 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, 2012, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2013, 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, statistical section, and Schedule of Expenditures of Federal Awards as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* 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 and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements 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 25, 2013

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, 2012. 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 2012 are as follows:

- The assets of the City of Union City exceeded its liabilities at the close of the fiscal year by $16,262,985 (net assets). Of this amount, $2,427,515 (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 ($1,964,457) or (10.78%).
- As of the close of the current fiscal year, the City of Union City's governmental funds reported combined ending fund balances of $4,729,448 a decrease of ($2,424,609) from the prior year.
- The City's General fund has loaned $2,845,821 to the South Fulton Municipal Jail Authority to meet debt obligations of the Jail Authority. This loan balance was repaid after the fiscal year end as a result of a debt refinancing by the Jail 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, 2012

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	$ 10,268,242	$ 9,876,968	$ 12,112,107	$ 1,374,921	$ 22,380,349	$ 11,251,889
Capital assets, net	17,273,535	17,353,365	11,319,847	11,905,504	28,593,382	29,258,869
Total assets	27,541,777	27,230,333	23,431,954	13,280,425	50,973,731	40,510,758
Other liabilities	5,725,354	2,519,938	1,414,577	1,823,049	7,139,931	4,342,987
Long-term liabilities outstanding	16,371,425	17,856,396	11,199,390	83,933	27,570,815	17,940,329
Total liabilities	22,096,779	20,376,334	12,613,967	1,906,982	34,710,746	22,283,316
Net assets:						
Invested in capital assets, net of related debt	2,363,313	2,298,610	9,993,975	11,905,504	12,357,288	14,204,114
Restricted	1,478,182	857,484	-	-	1,478,182	857,484
Unrestricted	1,603,503	3,697,905	824,012	(532,061)	2,427,515	3,165,844
Total net assets	$ 5,444,998	$ 6,853,999	$ 10,817,987	$ 11,373,443	$ 16,262,985	$ 18,227,442

Financial Position

The total net assets of the City decreased by ($1,964,457) (10.78%), from $18,227,442 to $16,262,985 as noted in the table above. The governmental activities net assets decreased by ($1,409,001), while the business-type activities net assets decreased by ($555,456).

City of Union City's Changes in Net Assets
August 31, 2012

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues						
Charges for services	$ 3,450,264	$ 3,525,888	$ 10,664,099	$ 8,750,735	$ 14,114,363	$ 12,276,623
Operating grants and contributions	778,084	495,636	-	-	778,084	495,636
Capital grants and contributions	461,879	98,986	-	-	461,879	98,986
General revenues:						
Property taxes	5,608,053	5,314,492	-	-	5,608,053	5,314,492
Sales taxes	3,010,345	2,753,242	-	-	3,010,345	2,753,242
Franchise taxes	1,206,596	1,110,159	-	-	1,206,596	1,110,159
Other taxes	1,241,644	866,972	-	-	1,241,644	866,972
Unrestricted investment earnings	15,999	25,896	22,330	21,867	38,329	47,763
Total revenues	15,772,864	14,191,271	10,686,429	8,772,602	26,459,293	22,963,873
Expenses:						
General government	2,211,266	2,197,152	-	-	2,211,266	2,197,152
Judicial	468,800	467,691	-	-	468,800	467,691
Public safety	10,193,857	10,127,843	-	-	10,193,857	10,127,843
Public works	2,818,491	4,906,720	-	-	2,818,491	4,906,720
Parks and recreation	447,059	443,054	-	-	447,059	443,054
Economic development	815,159	643,677	-	-	815,159	643,677
Interest on long-term debt	666,233	665,503	-	-	666,233	665,503
Water & Sewer	-	-	6,651,946	5,961,017	6,651,946	5,961,017
Sanitation	-	-	763,164	677,006	763,164	677,006
Criminal Justice Management	-	-	3,387,775	2,889,058	3,387,775	2,889,058
Total expenses	17,620,865	19,451,640	10,802,885	9,527,081	28,423,750	28,978,721
Decrease in net assets before transfers	(1,848,001)	(5,260,369)	(116,456)	(754,479)	(1,964,457)	(6,014,848)
Transfers	439,000	426,000	(439,000)	(426,000)	-	-
Change in net assets	(1,409,001)	(4,834,369)	(555,456)	(1,180,479)	(1,964,457)	(6,014,848)
Net assets, beginning of year	6,853,999	11,688,368	11,373,443	12,553,922	18,227,442	24,242,290
Net assets, end of year	$ 5,444,998	$ 6,853,999	$ 10,817,987	$ 11,373,443	$ 16,262,985	$ 18,227,442

Governmental Activities

As noted in the table on the preceding page, governmental revenues increased $1,581,593 (11.14%). The more significant increases were operating grants and contributions which increased $282,448 (56.99%) because the City received federal public safety grants. Capital grants increased $362,893 or 366.10% because the City received federal grants for recreational trail improvements and energy efficiency upgrades. Property tax revenue increased $293,561 (5.52%) as a result of an increase in the millage rate from 9.50 to 10.24. Sales tax revenue increased $257,103 (9.34%) as a result of general improvements in the state and local economy. Other taxes increased $374,672 or 43.22% primarily from a $286,000 increase in insurance premium taxes which are based on increases in population.

Expenditures for governmental activities expenses decreased ($1,830,755) or (9.41%). The largest decrease was in public works expenses which decreased ($2,088,229) or (42.56%) as the City is nearing completion of street improvement projects related to the 2006 general obligation bond issue. Economic development expenses increased $171,482 or 26.64% mostly due to expenditure of accumulated Hotel/Motel taxes.

Business-Type Activities

Net assets for business type activities decreased ($555.456). The Water and Sewer fund had a net loss of ($259,505); the Criminal Justice Management Fund had a net loss of ($214,878); and the Sanitation fund had a net loss of ($81,073).

The Water and Sewer fund had net operating income (loss) of $1,793,264; $729,814 and ($466,296) for 2012; 2011 and 2010, respectively. The improvement in operating income is attributable to a 12.5% increase in rates during fiscal year 2012. The Water and Sewer fund continues to bear non-operating expenses for obligations under an intergovernmental agreement to fund the repayment of construction bonds for alternative water and sewer resources. These obligations were $1,386,372; $1,129,932 and $985,674 for 2012; 2011 and 2010, respectively. (See Note 14, page 52).

The Criminal Justice Management fund had net operating losses of ($214,878); ($428,380) and ($1,004,970) for 2012; 2011 and 2010, respectively. 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 2012, has not committed enough inmates to reach breakeven levels. As a result, the General Fund of the City was required to loan $1,421,367 and $1,424,454 in 2012 and 2011 to meet debt obligations of the Jail Authority. These loans were repaid to the General Fund in October 2012 from the proceeds of debt refinancing for 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 $19,927 and $52,152 for 2012 and 2011, 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 $4,729,448. This balance represents a decrease of ($2,424,609) or (33.89%) from last year's ending balance. The tables below reflect changes in governmental fund balances.

City of Union City's Governmental Fund Balance
August 31, 2012

	2012	2011	$ Change	% Change
General Fund	$ 1,848,391	$ 3,707,430	$ (1,859,039)	(50.14) %
Other Governmental Funds	2,881,057	3,446,627	(565,570)	(16.41)
Total Governmental Fund Balance	$ 4,729,448	$ 7,154,057	$ (2,424,609)	(33.89)

As noted in the table on the following page, excess of expenditures over revenues prior to other financing sources (uses) in the Governmental Funds was ($3,023,652) as compared to ($6,240,985) in the prior year. Other taxes increased $587,834 (16.04%) primarily from increases in local option sales taxes and insurance premium taxes as a result of improvements in the state and local economy. Intergovernmental revenue increased $649,851 (290.79%) as the City received federal grant awards for public safety and infrastructure improvements.

Governmental expenditures decreased ($2,075,121) or (9.96%). Capital outlay expenditures decreased ($2,507,426) or (61.40%) primarily from the completion of projects from the 2006 General Obligation Bond referendum. Debt service principal expenditures increased $544,170 primarily from scheduled lease repayment of a fire station under a sale and leaseback arrangement with the Georgia Municipal Association. Planning and economic development expenditures increased $153,223 as a result of required spending of Hotel Motel taxes for tourism purposes.

City of Union City's Changes in Governmental Fund Balance
August 31, 2012

	2012	2011	$ Change	% Change
Revenues				
Property taxes	$ 5,571,360	$ 5,673,239	$ (101,879)	(1.80) %
Other taxes	4,251,989	3,664,155	587,834	16.04
Charges for services	479,612	548,195	(68,583)	(12.51)
Licenses and permits	1,439,821	1,377,168	62,653	4.55
Intergovernmental	873,332	223,481	649,851	290.79
Franchise fees	1,206,596	1,110,159	96,437	8.69
Fines and forfeitures	1,404,660	1,484,361	(79,701)	(5.37)
Interest revenue	15,999	25,896	(9,897)	(38.22)
Rental income	13,785	13,030	755	5.79
Other revenue	479,017	474,275	4,742	1.00
Total revenues	15,736,171	14,593,959	1,142,212	7.83
Expenditures				
Current:				
General government	2,137,715	2,174,146	(36,431)	(1.68)
Judicial	377,543	384,047	(6,504)	(1.69)
Public safety	9,673,917	9,703,075	(29,158)	(0.30)
Public works	1,574,058	1,727,828	(153,770)	(8.90)
Parks and recreation	338,913	376,373	(37,460)	(9.95)
Planning and economic development	796,900	643,677	153,223	23.80
Capital outlay	1,576,565	4,083,991	(2,507,426)	(61.40)
Debt service				
Principal (net of refunding)	1,623,662	1,079,492	544,170	50.41
Interest	660,550	662,315	(1,765)	(0.27)
Total expenditures	18,759,823	20,834,944	(2,075,121)	(9.96)
Deficiency of revenues under expenditures	(3,023,652)	(6,240,985)	3,217,333	(51.55)
Other financing sources (uses)				
Proceeds from capital lease	160,043	1,500,000	(1,339,957)	
Net transfers	439,000	426,000	13,000	
Total other financing sources (uses)	599,043	1,926,000	(1,326,957)	
Net change in fund balance	$ (2,424,609)	$ (4,314,985)	$ 1,890,376	(43.81) %

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 ($879,884) 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 ($990,938) lower than budget. Revenues were budgeted at $14,857,000 and actual revenues were $13,866,062, a variance of ($990,938) or (6.67%) of budget. The City experienced significant shortfalls in several areas. Other taxes were $378,120 higher than budgeted primarily because of larger than expected receipt of insurance premium taxes. Property taxes were ($716,640) less than budgeted because of slower than expected collections of delinquent taxes. License and permits were ($411,179) less than budgeted because of slower than expected improvements in construction activity. Other taxes were $378,120 higher than budgeted because insurance premium taxes increase by $286,000 over the prior year as well as various other taxes increasing from the prior year.
- The actual expenditures of $13,948,585 were $271,783 less than the budgeted amount of $14,220,368 as management continues austerity measures implemented in 2011.

Capital Asset and Debt Administration

Capital Assets

The City has invested $28,593,382 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, 2012

	Governmental Activities		Business -type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	$ 666,549	$ 506,506	$ 493,194	$ 493,194	$ 1,159,743	$ 999,700
Construction in progress	470,889	715,712	-	199,958	470,889	915,670
Buildings, grounds and improvements	7,044,212	7,108,534	10,796,489	11,167,775	17,840,701	18,276,309
Machinery and equipment	328,013	340,189	1,879	5,642	329,892	345,831
Infrastructure	7,118,135	6,693,187	-	-	7,118,135	6,693,187
Vehicles	1,645,737	1,989,237	28,285	38,935	1,674,022	2,028,172
Total	$ 17,273,535	$ 17,353,365	$ 11,319,847	$ 11,905,504	$ 28,593,382	$ 29,258,869

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

Total capital asset additions for 2012 were $1,005,355 compared to $1,265,871 in 2011.

Long-term Debt

At the end of the current year, the City had long term debt related to governmental activities of $14,200,000 and $11,275,000 for business type activities. The City issued Water and Sewer revenue bonds of $11,275,000 for operations and renewal and extension activities. All debt is 100% backed by the full faith and credit of the government. Governmental debt is secured by property tax revenue sources and Water and Sewer bonds are secured by related revenues.

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. Moody's Investors Service has assigned a rating of "A2" on the 2012 Water and Sewer bonds.

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, 2012

	Governmental Activities		Business -type Activities		Total	
	2012	2011	2012	2011	2012	2011
General obligation bonds backed by property taxes	$ 14,200,000	$ 15,205,000	$ -	$ -	$ 14,200,000	$ 15,205,000
Revenue bonds	-	-	11,275,000	-	11,275,000	-
Note payable	111,897	-	-	-	111,897	-
Capital lease	1,628,305	2,198,821	-	-	1,628,305	2,198,821
	$ 15,940,202	$ 17,403,821	$ 11,275,000	$ -	$ 27,215,202	$ 17,403,821

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 10.6 mills for fiscal year 2013.

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, 2012

ASSETS	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total Primary Government	South Fulton Municipal Regional Jail Authority
Cash and cash equivalents	$ 4,594,881	$ 600,538	$ 5,195,419	$ 70,695
Investments	91,437	284,723	376,160	-
Taxes receivable	262,205	-	262,205	-
Accounts receivable, net of allowances	24,194	1,054,205	1,078,399	483,932
Internal balances	1,430,376	(1,430,376)	-	-
Due from component unit	2,845,821	451,015	3,296,836	-
Due from other governments	340,691	-	340,691	-
Due from others	104,485	-	104,485	-
Inventory	4,321	25,942	30,263	-
Prepaid expenses	170,226	-	170,226	36,219
Restricted assets:				
Cash and cash equivalents	-	10,736,519	10,736,519	-
Investments	-	109,955	109,955	-
Other noncurrent asset	399,605	279,586	679,191	525,261
Capital assets:				
Nondepreciable	1,137,438	493,194	1,630,632	286,986
Depreciable, net of accumulated depreciation	16,136,097	10,826,653	26,962,750	8,458,009
Total assets	27,541,777	23,431,954	50,973,731	9,861,102
LIABILITIES				
Accounts payable	1,274,277	692,274	1,966,551	2,258
Accrued liabilities	520,247	141,908	662,155	125,204
Unearned revenues	31,411	-	31,411	-
Tax anticipation note payable	3,306,242	-	3,306,242	-
Due to other governments	38,341	-	38,341	-
Customer deposits payable	-	580,395	580,395	-
Due to primary government	-	-	-	3,296,836
Other noncurrent liability - pension	554,836	-	554,836	-
Capital leases due within one year	579,135	-	579,135	-
Capital leases due in more than one year	1,049,170	-	1,049,170	-
Note payable due within one year	73,433	-	73,433	-
Note payable due in more than one year	38,464	-	38,464	-
Bonds payable due within one year	1,075,000	435,000	1,510,000	695,000
Bonds payable due in more than one year	13,259,734	10,680,846	23,940,580	6,085,000
Claims payable due within one year	12,225	-	12,225	-
Compensated absences due within one year	284,264	83,544	367,808	-
Total liabilities	22,096,779	12,613,967	34,710,746	10,204,298
NET ASSETS (DEFICIT)				
Invested in capital assets, net of related debt	2,363,313	9,993,975	12,357,288	1,964,995
Restricted				
Law enforcement	77,912	-	77,912	-
Economic development	139,741	-	139,741	-
Debt service	341,615	-	341,615	-
Capital outlay	918,914	-	918,914	-
Unrestricted	1,603,503	824,012	2,427,515	(2,308,191)
Total net assets (deficit)	$ 5,444,998	$ 10,817,987	$ 16,262,985	$ (343,196)

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, 2012

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	$ 2,211,266	$ 1,479,642	$ 366,631	$ -	$ (364,993)	$ -	$ (364,993)	$ -
Judicial	468,800	137,908	-	-	(330,892)	-	(330,892)	-
Public safety	10,193,857	1,757,157	411,453	-	(8,025,247)	-	(8,025,247)	-
Public works	2,818,491	-	-	461,879	(2,356,612)	-	(2,356,612)	-
Parks and recreation	447,059	69,132	-	-	(377,927)	-	(377,927)	-
Planning and economic development	815,159	6,425	-	-	(808,734)	-	(808,734)	-
Interest on long-term debt	666,233	-	-	-	(666,233)	-	(666,233)	-
Total governmental activities	17,620,865	3,450,264	778,084	461,879	(12,930,638)	-	(12,930,638)	-
Business-type activities:								
Water and sewerage	6,651,946	6,708,111	-	-	-	56,165	56,165	-
Sanitation	763,164	783,091	-	-	-	19,927	19,927	-
Criminal justice management	3,387,775	3,172,897	-	-	-	(214,878)	(214,878)	-
Total business-type activities	10,802,885	10,664,099	-	-	-	(138,786)	(138,786)	-
Total primary government	$ 28,423,750	$ 14,114,363	$ 778,084	$ 461,879	(12,930,638)	(138,786)	(13,069,424)	-
Component units:								
South Fulton Municipal Regional Jail Authority	$ 4,344,691	$ 3,221,738	$ -	$ -	-	-	-	(1,122,953)
Total component units	$ 4,344,691	$ 3,221,738	$ -	$ -	-	-	-	(1,122,953)
General revenues:								
Property taxes					5,608,053	-	5,608,053	-
Sales taxes					3,010,345	-	3,010,345	-
Insurance premium tax					912,568	-	912,568	-
Alcoholic beverage taxes					17,208	-	17,208	-
Other taxes					311,868	-	311,868	-
Franchise taxes					1,206,596	-	1,206,596	-
Unrestricted investment earnings					15,999	22,330	38,329	1,286
Transfers					439,000	(439,000)	-	-
Total general revenues and transfers					11,521,637	(416,670)	11,104,967	1,286
Change in net assets					(1,409,001)	(555,456)	(1,964,457)	(1,121,667)
Net assets, beginning of year					6,853,999	11,373,443	18,227,442	778,471
Net assets, end of year					$ 5,444,998	$ 10,817,987	$ 16,262,985	$ (343,196)

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

CITY OF UNION CITY, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2012

ASSETS	General	Other Governmental Funds	Totals Governmental Funds
Cash and cash equivalents	$ 958,341	$ 3,636,540	$ 4,594,881
Investments	91,437	-	91,437
Taxes receivable, net	234,113	28,092	262,205
Accounts receivable, net	-	24,194	24,194
Due from component unit	2,845,821	-	2,845,821
Due from other governments	248,813	91,878	340,691
Due from others	104,485	-	104,485
Inventory	4,321	-	4,321
Due from other funds	1,251,261	250,296	1,501,557
Prepaid expenditures	151,372	18,854	170,226
Advances to other funds	913,626	-	913,626
Total assets	$ 6,803,590	$ 4,049,854	$ 10,853,444
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 1,061,531	$ 212,746	$ 1,274,277
Accrued liabilities	271,247	12,652	283,899
Deferred revenues	236,007	423	236,430
Tax anticipation note payable	3,306,242	-	3,306,242
Due to others	-	38,341	38,341
Due to other funds	80,172	904,635	984,807
Total liabilities	4,955,199	1,168,797	6,123,996
FUND BALANCES			
Nonspendable:			
Inventory	4,321	-	4,321
Prepaid expenditures	151,372	18,854	170,226
Advances to other funds	913,626	-	913,626
Restricted for:			
Law enforcement	-	77,912	77,912
Economic development	-	139,741	139,741
Other capital projects	-	2,083,628	2,083,628
Debt service	-	341,615	341,615
Assigned to:			
Public safety - jail	-	219,307	219,307
Unassigned	779,072	-	779,072
Total fund balances	1,848,391	2,881,057	4,729,448
Total liabilities and fund balances	$ 6,803,590	$ 4,049,854	

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.	17,273,535
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	205,019
Net pension obligation is not due and payable in the current period and is therefore not reported in governmental funds.	(554,836)
Certain liabilities are not due and payable in the current period and are therefore not reported in the funds.	(16,208,168)
Net assets of governmental activities	$ 5,444,998

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, 2012

	General	Other Governmental Funds	Totals Governmental Funds
Revenues			
Property taxes	$ 5,571,360	$ -	$ 5,571,360
Other taxes	3,940,120	311,869	4,251,989
Charges for services	260,825	218,787	479,612
Licenses and permits	1,439,821	-	1,439,821
Intergovernmental	-	873,332	873,332
Franchise taxes	1,206,596	-	1,206,596
Fines and forfeitures	1,404,660	-	1,404,660
Interest revenue	13,034	2,965	15,999
Rental income	13,785	-	13,785
Other revenues	15,861	463,156	479,017
Total revenues	13,866,062	1,870,109	15,736,171
Expenditures			
Current:			
General government	2,137,715	-	2,137,715
Judicial	377,543	-	377,543
Public safety	8,483,560	1,190,357	9,673,917
Public works	1,574,058	-	1,574,058
Parks and recreation	338,913	-	338,913
Planning and economic development	522,024	274,876	796,900
Capital outlay	-	1,576,565	1,576,565
Debt service:			
Principal	493,395	1,130,267	1,623,662
Interest	21,377	639,173	660,550
Total expenditures	13,948,585	4,811,238	18,759,823
Deficiency of revenues under expenditures	(82,523)	(2,941,129)	(3,023,652)
Other financing sources (uses)			
Proceeds from note payable	-	160,043	160,043
Transfers in	589,000	2,365,516	2,954,516
Transfers out	(2,365,516)	(150,000)	(2,515,516)
Total other financing sources (uses)	(1,776,516)	2,375,559	599,043
Net change in fund balances	(1,859,039)	(565,570)	(2,424,609)
Fund balances, beginning of year	3,707,430	3,446,627	7,154,057
Fund balances, end of year	$ 1,848,391	$ 2,881,057	$ 4,729,448

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, 2012

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds	$	(2,424,609)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		(79,830)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		36,693
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.		1,463,619
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.		(404,874)
	$	(1,409,001)

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, 2012

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
Revenues:				
Property taxes	$ 6,288,000	$ 6,288,000	$ 5,571,360	$ (716,640)
Other taxes	3,562,000	3,562,000	3,940,120	378,120
Charges for services	399,000	399,000	260,825	(138,175)
Licenses and permits	1,851,000	1,851,000	1,439,821	(411,179)
Franchise taxes	1,169,000	1,169,000	1,206,596	37,596
Fines and forfeitures	1,541,000	1,541,000	1,404,660	(136,340)
Interest revenue	34,000	34,000	13,034	(20,966)
Rental income	11,000	11,000	13,785	2,785
Other revenues	2,000	2,000	15,861	13,861
Total revenues	14,857,000	14,857,000	13,866,062	(990,938)
Expenditures:				
Current:				
General government:				
City Clerk	266,345	274,345	249,330	25,015
Finance	464,106	486,795	478,484	8,311
City Administrator	323,312	350,012	338,579	11,433
Mayor and council	164,032	154,332	152,440	1,892
Human resources	400,087	383,587	345,446	38,141
Information technology	721,491	592,652	573,436	19,216
Total general government	2,339,373	2,241,723	2,137,715	104,008
Judicial:				
Municipal court	379,174	388,174	377,543	10,631
Public safety:				
Police	4,505,896	4,667,396	4,657,121	10,275
Fire	3,872,112	3,872,112	3,826,439	45,673
Total public safety	8,378,008	8,539,508	8,483,560	55,948
Public works:				
Buildings and grounds	1,734,598	1,593,032	1,574,058	18,974
Total public works	1,734,598	1,593,032	1,574,058	18,974
Planning and economic development	556,678	562,244	522,024	40,220
Parks and recreation	379,915	379,915	338,913	41,002
Total expenditures	14,384,308	14,220,368	13,948,585	271,783
Excess (deficiency) of revenues over expenditures	472,692	636,632	(82,523)	(719,155)
Other financing sources (uses)				
Transfers in	589,000	589,000	589,000	-
Transfers out	(1,941,576)	(2,105,516)	(2,365,516)	(260,000)
Total other financing sources (uses)	(1,352,576)	(1,516,516)	(1,776,516)	(260,000)
Net change in fund balances	$ (879,884)	$ (879,884)	(1,859,039)	$ (979,155)
Fund balances, beginning of year			3,707,430	
Fund balances, end of year			$ 1,848,391	

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

CITY OF UNION CITY, GEORGIA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
AUGUST 31, 2012

	Major Enterprise Funds		Nonmajor Enterprise Fund	
	Water and Sewerage Fund	Criminal Justice Management Fund	Sanitation Fund	Totals
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	$ 374,783	$ 427	$ 225,328	$ 600,538
Investments	284,723	-	-	284,723
Accounts receivable, net of allowances	951,876	100	102,229	1,054,205
Inventory	25,942	-	-	25,942
Due from component unit	-	451,015	-	451,015
Restricted assets				
Cash and cash equivalents	10,736,519	-	-	10,736,519
Investments	109,955	-	-	109,955
Total current assets	12,483,798	451,542	327,557	13,262,897
NONCURRENT ASSETS				
Deferred charges	279,586	-	-	279,586
Capital assets				
Nondepreciable	493,194	-	-	493,194
Depreciable, net of accumulated depreciation	10,816,210	10,443	-	10,826,653
Total noncurrent assets	11,588,990	10,443	-	11,599,433
Total assets	24,072,788	461,985	327,557	24,862,330
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	588,625	32,469	71,180	692,274
Accrued liabilities	27,835	54,352	-	82,187
Compensated absences	30,206	53,338	-	83,544
Due to other funds	-	516,750	-	516,750
Payable from restricted assets				
Customer deposits payable	580,395	-	-	580,395
Revenue bonds payable - current portion	435,000	-	-	435,000
Accrued interest on bonds payable	59,721	-	-	59,721
Total current liabilities	1,721,782	656,909	71,180	2,449,871
NONCURRENT LIABILITIES				
Advances from other funds	98,183	815,443	-	913,626
Revenue bonds payable - net of unamortized discounts and current portion	10,680,846	-	-	10,680,846
Total noncurrent liabilities	10,779,029	815,443	-	11,594,472
Total liabilities	12,500,811	1,472,352	71,180	14,044,343
NET ASSETS (DEFICIT)				
Invested in capital assets, net of related debt	9,983,532	10,443	-	9,993,975
Unrestricted	1,588,445	(1,020,810)	256,377	824,012
Total net assets (deficit)	$ 11,571,977	$ (1,010,367)	$ 256,377	$ 10,817,987

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, 2012

	Major Enterprise Funds		Nonmajor Enterprise Fund	
	Water and Sewerage Fund	Criminal Justice Management Fund	Sanitation Fund	Totals
OPERATING REVENUES				
Charges for services	$ 6,403,027	$ 3,172,897	$ 722,108	$ 10,298,032
Other charges	305,084	-	60,983	366,067
Total operating revenues	6,708,111	3,172,897	783,091	10,664,099
OPERATING EXPENSES				
Water purchases	2,425,680	-	-	2,425,680
Purchased or contracted services	2,106,950	3,384,293	763,164	6,254,407
Depreciation expense	382,217	3,482	-	385,699
Total operating expenses	4,914,847	3,387,775	763,164	9,065,786
Operating income (loss)	1,793,264	(214,878)	19,927	1,598,313
NONOPERATING INCOME (EXPENSES)				
Interest income	22,330	-	-	22,330
Interest expense	(150,769)	-	-	(150,769)
Gain / (loss) on sale of capital assets	(199,958)	-	-	(199,958)
Intergovernmental agreement	(1,386,372)	-	-	(1,386,372)
Total nonoperating income (expenses)	(1,714,769)	-	-	(1,714,769)
Income (loss) before transfers	78,495	(214,878)	19,927	(116,456)
TRANSFERS				
Transfers in (out)	(338,000)	-	(101,000)	(439,000)
Total transfers	(338,000)	-	(101,000)	(439,000)
Change in net assets	(259,505)	(214,878)	(81,073)	(555,456)
NET ASSETS (DEFICIT), beginning of year	11,831,482	(795,489)	337,450	11,373,443
NET ASSETS (DEFICIT), end of year	$ 11,571,977	$ (1,010,367)	$ 256,377	$ 10,817,987

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, 2012

	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	$ 6,684,674	$ 3,515,141	$ 791,604	$ 10,991,419
Payments to suppliers	(4,598,587)	(1,272,689)	(780,339)	(6,651,615)
Payments to employees	(920,608)	(2,243,960)	-	(3,164,568)
Net cash provided by (used in) operating activities	1,165,479	(1,508)	11,265	1,175,236
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Payments on intergovernmental agreement	(1,386,372)	-	-	(1,386,372)
Transfers	(338,000)	-	(101,000)	(439,000)
Net cash used in noncapital financing activities	(1,724,372)	-	(101,000)	(1,825,372)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from issuance of bonds payable, net of discount	11,110,981	-	-	11,110,981
Bond issuance costs	(288,132)	-	-	(288,132)
Interest paid	(77,637)	-	-	(77,637)
Net provided by capital and related financing activities	10,745,212	-	-	10,745,212
CASH FLOWS FROM INVESTING ACTIVITIES				
Sale of investments	9,086	-	-	9,086
Interest and dividends received	22,330	-	-	22,330
Net cash provided by investing activities	31,416	-	-	31,416
Change in cash and cash equivalents	10,217,735	(1,508)	(89,735)	10,126,492
Cash and cash equivalents:				
Beginning of year	893,567	1,935	315,063	1,210,565
End of year	$ 11,111,302	$ 427	$ 225,328	$ 11,337,057
Classified as:				
Cash and cash equivalents	$ 374,783	$ 427	$ 225,328	$ 600,538
Restricted assets, cash	10,736,519	-	-	10,736,519
	$ 11,111,302	$ 427	$ 225,328	$ 11,337,057

(Continued)

CITY OF UNION CITY, GEORGIA

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

	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 (used in) operating activities:				
Operating income (loss)	$ 1,793,264	$ (214,878)	$ 19,927	$ 1,598,313
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	382,217	3,482	-	385,699
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(23,437)	-	8,513	(14,924)
Increase in due from component unit	-	(451,015)	-	(451,015)
Decrease in inventory	5,097	-	-	5,097
Decrease in accounts payable	(348,293)	(133,859)	(17,175)	(499,327)
Increase in accrued liabilities	13,551	1,503	-	15,054
Increase in due to other funds	-	390,000	-	390,000
Decrease in advances from other funds	(672,611)	-	-	(672,611)
Increase in due to component unit	-	403,259	-	403,259
Increase in customer deposits	15,691	-	-	15,691
Net cash provided by (used in) operating activities	$ 1,165,479	$ (1,508)	$ 11,265	$ 1,175,236

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, 2012

	Municipal Court
ASSETS	
Cash and cash equivalents	$ 79,253
Total assets	79,253
LIABILITIES	
Due to others	79,253
Total liabilities	$ 79,253

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, 2012.

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 fund:

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

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 ***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.

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 ***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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 the State Treasurer.

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, 2012, 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, 2012, there were no encumbrances outstanding.

O. Fund Equity

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

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

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 difference are as follows:

Bonds payable	$ (14,200,000)
Less: Deferred charge for issuance costs (to be amortized over the life of the debt)	399,605
Plus: Premium on bond issuance (to be amortized over the life of the debt)	(134,734)
Note payable	(111,897)
Capital leases	(1,628,305)
Claims payable	(12,225)
Compensated absences	(284,264)
Accrued interest	(236,348)
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net assets - governmental activities*	$ (16,208,168)

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 difference are as follows:

Capital outlay	$ 1,005,355
Depreciation expense	(1,085,185)
Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*	$ (79,830)

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 difference are as follows:

Issuance of note payable	$ (160,043)
Principal retirement of long-term debt	1,623,662
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*	$ 1,463,619

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 difference are as follows:

Change in accrued interest	$	17,312
Change in claims payable		(563)
Change in compensated absences		3,343
Change in net pension obligation		(401,971)
Amortization of bond issuance costs		(41,567)
Amortization of bond issuance premium		18,572
Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*	$	(404,874)

NOTE 3. DEPOSITS AND INVESTMENTS

Total deposits and investments as of August 31, 2012, are summarized as follows:

As reported in the Statement of Net Assets		
Primary government		
Cash and cash equivalents	$	5,195,419
Investments		376,160
Restricted Assets:		
Cash and cash equivalents		10,736,519
Investments		109,955
Agency Fund - Municipal Court		79,253
Component Unit - Cash and cash equivalents		70,695
	$	16,568,001
Cash deposited with financial institutions	$	16,081,886
Cash deposited with Georgia Fund 1		109,955
Investment in U.S. Government Securities		376,160
	$	16,568,001

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, 2012, 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, 2012, the City had the following investments:

		Investment Maturities (in Years)		
Investment	**Fair Value**	**Less than 1**	**1-5**	**5-10**
Georgia Fund 1	$ 109,955	$ 109,955	$ -	$ -
U.S. Government Securities	376,160	376,160	-	-
Total	$ 486,115	$ 486,115	$ -	$ -

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, 2012, 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	$ 627,813	$ 28,092	$ -	$ -	$ 655,905
Accounts	-	24,194	1,540,367	217,548	1,782,109
Due from other governments	248,813	91,878	-	-	340,691
Gross receivables	876,626	144,164	1,540,367	217,548	2,778,705
Less allowance	(393,700)	-	(588,491)	(115,319)	(1,097,510)
Net receivables	$ 482,926	$ 144,164	$ 951,876	$ 102,229	$ 1,681,195

A. Property Taxes

Property taxes were levied on September 20, 2011 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, 2011 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 2012 are recorded as receivables, net of estimated uncollectibles. The net receivables collected during the year ended August 31, 2012 and collected by October 31, 2012 are recognized as revenues in the year ended August 31, 2012. Net receivables estimated to be collected subsequent to October 31, 2012 are deferred as of August 31, 2012 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 2012 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, 2012, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 506,506	$ 160,043	$ -	$ -	$ 666,549
Construction in progress	715,712	305,834	-	(550,657)	470,889
Total capital assets, not being depreciated	1,222,218	465,877	-	(550,657)	1,137,438
Capital assets, being depreciated:					
Buildings, grounds, and improvements	10,854,549	204,675	-	-	11,059,224
Machinery and equipment	856,715	70,754	-	-	927,469
Infrastructure	13,707,037	242,086	-	550,657	14,499,780
Vehicles	4,477,330	21,963	-	-	4,499,293
Total capital assets, being depreciated	29,895,631	539,478	-	550,657	30,985,766
Less accumulated depreciation for:					
Buildings, grounds, and improvements	(3,746,015)	(268,997)	-	-	(4,015,012)
Machinery and equipment	(516,526)	(82,930)	-	-	(599,456)
Infrastructure	(7,013,850)	(367,795)	-	-	(7,381,645)
Vehicles	(2,488,093)	(365,463)	-	-	(2,853,556)
Total accumulated depreciation	(13,764,484)	(1,085,185)	-	-	(14,849,669)
Total capital assets, being depreciated, net	16,131,147	(545,707)	-	550,657	16,136,097
Governmental activities capital assets, net	$ 17,353,365	$ (79,830)	$ -	$ -	$ 17,273,535

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	-	(199,958)	-	493,194
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	(7,396,415)	(371,286)	-	-	(7,767,701)
Machinery and equipment	(148,835)	(3,763)	-	-	(152,598)
Vehicles	(295,052)	(10,650)	-	-	(305,702)
Total accumulated depreciation	(7,840,302)	(385,699)	-	-	(8,226,001)
Total capital assets, being depreciated, net	11,212,352	(385,699)	-	-	10,826,653
Business-type activities capital assets, net	$ 11,905,504	$ (385,699)	$ (199,958)	$ -	$ 11,319,847

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

Governmental activities:	
General government	$ 28,428
Judicial	85,152
Public safety	441,788
Public works	427,873
Parks and recreation	101,944
Total depreciation expense - governmental activities	$ 1,085,185
Business-type activities:	
Water and Sewer	$ 382,217
Criminal Justice Management	3,482
Total depreciation expense - business-type activities	$ 385,699

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	(2,739,352)	(232,493)	-	-	(2,971,845)
Furniture	(158,792)	(14,304)	-	-	(173,096)
Machinery and equipment	(90,468)	(4,554)	-	-	(95,022)
Infrastructure	(8,600)	(782)	-	-	(9,382)
Total accumulated depreciation	(2,997,212)	(252,133)	-	-	(3,249,345)
Total capital assets, being depreciated, net	8,710,142	(252,133)	-	-	8,458,009
Capital assets, net	$ 8,997,128	$ (252,133)	$ -	$ -	$ 8,744,995

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, 2012, are as follows:

	Original Amount	Interest Rates	Balance August 31, 2012
2006 General Obligation Bonds	$ 12,575,000	4.00% - 5.00%	$ 10,285,000
2010 General Obligation Bonds	1,755,000	2.00% - 3.00%	1,185,000
2010 Certificates of Participation	3,310,000	2.83% - 3.25%	2,730,000
	$ 17,640,000		$ 14,200,000

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

Fiscal Year Ending August 31,	Principal	Interest	Total
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	1,060,000	400,063	1,460,063
2018 - 2022	4,490,000	1,411,519	5,901,519
2023 - 2026	3,910,000	459,425	4,369,425
	$ 14,200,000	$ 4,313,949	$ 18,513,949

B. Revenue Bonds

The City also issues revenue bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds have been issued for business-like activities and are reported in the business-type column of the government-wide statements. Principal and interest are payable from enterprise fund revenue (the City's Water and Sewerage Fund).

The City's 2012 Water and Sewerage Revenue Bonds were issued in April 2012 for the purpose of a) making certain additions, extensions and improvements to the City's water system; b) funding a debt service reserve for the bonds; and c) paying the cost of issuing the bonds. The bonds are special limited obligations of the City secured by and payable solely from a first lien on and pledge of revenues derived by the City from the ownership and operation of the City's water system. These bonds are due on July 1, 2032.

NOTE 6. GENERAL LONG-TERM DEBT (CONTINUED)

B. Revenue Bonds (Continued)

Revenue bonds outstanding at August 31, 2012, are as follows:

	Original Amount	Interest Rate	Balance August 31, 2012
2012 Water and Sewerage Revenue Bonds	$ 11,275,000	2.0 - 4.0%	$ 11,275,000

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

Fiscal Year Ending August 31,	Principal	Interest	Total
2013	$ 435,000	$ 358,325	$ 793,325
2014	440,000	349,625	789,625
2015	450,000	340,825	790,825
2016	460,000	331,825	791,825
2017	470,000	322,625	792,625
2018-2022	2,545,000	1,415,775	3,960,775
2023-2027	2,955,000	1,002,750	3,957,750
2028-2032	3,520,000	431,775	3,951,775
	$ 11,275,000	$ 4,553,525	$ 15,828,525

C. 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 2012, 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, 2012, the City reflects total cost of leased assets of $2,267,077 and accumulated depreciation of $269,921.

NOTE 6. GENERAL LONG-TERM DEBT (CONTINUED)

C. Capital Leases (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of August 31, 2012, were as follows:

Fiscal Year Ending August 31,	Governmental Activities
2013	$ 616,561
2014	616,561
2015	101,790
2016	101,790
2017	101,790
2018 - 2019	203,579
Total minimum lease payments	1,742,071
Less: amount representing interest	(113,766)
Present value of minimum lease payments	$ 1,628,305

Long-term liability activity for the year ended August 31, 2012, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	$ 15,205,000	$ -	$ (1,005,000)	$ 14,200,000	$ 1,075,000
Plus: deferred premium	153,306	-	(18,572)	134,734	-
	15,358,306	-	(1,023,572)	14,334,734	1,075,000
Note payable	-	160,043	(48,146)	111,897	73,433
Capital lease	2,198,821	-	(570,516)	1,628,305	579,135
Claims payable	11,662	7,419	(6,856)	12,225	12,225
Compensated absences	287,607	424,520	(427,863)	284,264	284,264
Governmental activity Long-term liabilities	$ 17,856,396	$ 591,982	$ (2,076,953)	$ 16,371,425	$ 2,024,057
Business-type activities:					
Revenue bonds	$ -	$ 11,275,000	$ -	$ 11,275,000	$ 435,000
Less: original issue discount	-	(164,019)	4,865	(159,154)	-
	-	11,110,981	4,865	11,115,846	435,000
Compensated absences	83,933	124,123	(124,512)	83,544	83,544
Business-type activity Long-term liabilities	$ 83,933	$ 11,235,104	$ (119,647)	$ 11,199,390	$ 518,544

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, 2012, are as follows:

	Original Amount	Interest Rate	Balance August 31, 2012
2008 South Fulton Municipal Jail Authority Revenue Bonds	$ 8,660,000	5.54%	$ 6,780,000

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
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	865,000	184,067	1,049,067
2018-2020	2,890,000	245,976	3,135,976
	$ 6,780,000	$ 1,608,818	$ 8,388,818

Long-term liability activity for the Authority for the year ended August 31, 2012, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds	$ 7,440,000	$ -	$ (660,000)	$ 6,780,000	$ 695,000

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, 2012, the date of the most recent actuarial valuation, there were 306 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	33
Vested terminated employees not yet receiving benefits	49
Active employees	224
Total	306

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, 2012, the City's annual pension cost was $1,404,056 for the City of Union City Retirement Plan. The recommended contribution of $1,335,897 was determined as part of the January 1, 2011 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 10 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, 2012 is as follows:

Annual required contribution	$ 1,335,897
Interest on net pension obligation	3,057
Adjustments to annual required contribution	68,159
Annual pension cost	1,407,113
Contributions made	1,005,142
Increase in net pension obligation	401,971
Net pension obligation, beginning of year	152,865
Net pension obligation, end of year	$ 554,836

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
07/01/06	$ 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
09/01/11	1,407,113	71.4	554,836

As of the most recent valuation date, January 1, 2012, 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
01/01/12	$ 9,256,675	$ 14,944,788	$ 5,688,113	61.9 %	$ 9,175,799	62.0 %

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, 2012.

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 $312,880 and the employees' contributions approximated $416,560 for the year ended August 31, 2012.

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, 2012:

Hotel / Motel Tax Fund	$	20,876

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

B. Deficit Fund Balance

The following fund had a deficit net assets at August 31, 2012:

Criminal Justice Management Fund	$	1,010,367

The deficit within the Criminal Justice Management Fund is expected to 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, 2012, are as follows:

	Due From			
Due To	General Fund	Nonmajor Governmental	Criminal Justice Mgmt Fund	Total
General Fund	$ -	$ 734,511	$ 516,750	$ 1,251,261
Nonmajor Governmental	80,172	170,124	-	250,296
Total	$ 80,172	$ 904,635	$ 516,750	$ 1,501,557

	Advances Due From		
Advances Due To	Water and Sewer Fund	Criminal Justice Mgmt Fund	Total
General Fund	$ 98,183	$ 815,443	$ 913,626
Total	$ 98,183	$ 815,443	$ 913,626

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, 2012, consisted of the following:

	Transfer to		
Transfer from	General	Nonmajor Governmental	Total
General Fund	$ -	$ 2,365,516	$ 2,365,516
Nonmajor Governmental	150,000	-	150,000
Sanitation Fund	101,000	-	101,000
Water and Sewer Fund	338,000	-	338,000
Total	$ 589,000	$ 2,365,516	$ 2,954,516

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, 2012, $179,680 of hotel/motel tax was collected. Of the total collected in the current and prior years, $274,876 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, 2012, $132,189 of excise tax was collected and $150,000 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, 2012, 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, 2012, the City agreed to pay the Water and Sewer Authority $1,386,372 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
2013	$ 1,952,275	$ 585,000	$ 1,367,275
2014	1,960,750	615,000	1,345,750
2015	2,156,350	840,000	1,316,350
2016	2,175,200	890,000	1,285,200
2017	2,337,050	1,090,000	1,247,050
2018 - 2022	13,005,975	7,515,000	5,490,975
2023 - 2027	14,218,875	10,340,000	3,878,875
2028 - 2032	15,823,475	14,130,000	1,693,475
2033 - 2034	3,645,000	3,645,000	-
	$ 57,274,950	$ 39,650,000	$ 17,624,950

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. SHORT-TERM DEBT

The following is a summary of the short-term debt transactions for the City for the year ended August 31, 2012. The City's current tax anticipation note (TAN) is due and payable on December 31, 2012 and carries interest at .89%.

	Beginning Balance	Additions	Reductions	Ending Balance
Tax anticipation note - 2011	$ -	$ 3,878,445	$ (3,878,445)	$ -
Tax anticipation note - 2012	-	3,306,242	-	3,306,242
Revenue bonds	$ -	$ 7,184,687	$ (3,878,445)	$ 3,306,242

NOTE 20. SUBSEQUENT EVENT

Subsequent to year end, the South Fulton Municipal Regional Jail Authority (the Authority) issued its Taxable Refunding Revenue Bonds, Series 2012, in the aggregate principal amount of $13,350,000 for the purpose of a) refunding the Authority's previously issued Taxable Revenue Bonds, Series 2008; b) paying certain operating costs of the jail owned by the Authority; and c) paying the costs of issuing the Series 2012 bonds.

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
1/1/2012	9,256,675	14,944,788	5,688,113	61.9	9,175,799	62.0

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 **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 **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 **2006 General Obligation Bond Debt Service Fund** accounts for accumulation of resources for the payment of debt principal and interest for the 2006 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, 2012

	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	$ 33,528	$ 19,318	$ 63,558	$ 4,664	$ 257,748	$ 108,607	$ 121,049
Taxes receivable	-	11,548	16,057	-	-	487	-
Accounts receivable	-	-	-	24,194	-	-	-
Due from other governments	-	-	-	-	-	-	55,236
Due from other funds	-	-	36,381	-	-	-	-
Prepaid expenditures	-	-	12,604	-	-	-	-
Total assets	$ 33,528	$ 30,866	$ 128,600	$ 28,858	$ 257,748	$ 109,094	$ 176,285
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable	$ -	$ -	$ 7,121	$ 1,889	$ -	$ -	$ 26,992
Accrued expenses	-	-	-	12,652	-	-	-
Deferred revenue	-	-	-	-	-	423	-
Due to others	-	-	-	-	38,341	-	-
Due to other funds	-	-	-	-	100	-	119,226
Total liabilities	-	-	7,121	14,541	38,441	423	146,218
FUND BALANCES							
Nonspendable:							
Prepaid expenditures	-	-	12,604	-	-	-	-
Restricted for:							
Law enforcement	33,528	-	-	14,317	-	-	30,067
Economic development	-	30,866	108,875	-	-	-	-
Other capital projects	-	-	-	-	-	108,671	-
Debt service	-	-	-	-	-	-	-
Assigned to:							
Public safety - jail	-	-	-	-	219,307	-	-
Total fund balances	33,528	30,866	121,479	14,317	219,307	108,671	30,067
Total liabilities and fund balances	$ 33,528	$ 30,866	$ 128,600	$ 28,858	$ 257,748	$ 109,094	$ 176,285

Capital Projects Funds				Debt Service Funds			
Capital Grants Fund	2006 General Obligation Bond	CDBG Fund	Capital Projects Fund	2006 General Obligation Bond	2010 General Obligation Bond	2010 Certificate of Participation	Totals
$ 281	$ 936,153	$ 336	$ 1,304,622	$ 428,573	$ 291	$ 357,812	$ 3,636,540
-	-	-	-	-	-	-	28,092
-	-	-	-	-	-	-	24,194
-	-	-	36,642	-	-	-	91,878
43,791	-	-	-	170,124	-	-	250,296
-	-	-	6,250	-	-	-	18,854
$ 44,072	$ 936,153	$ 336	$ 1,347,514	$ 598,697	$ 291	$ 357,812	$ 4,049,854
$ 42,345	$ 59,548	$ -	$ 74,851	$ -	$ -	$ -	$ 212,746
-	-	-	-	-	-	-	12,652
-	-	-	-	-	-	-	423
-	-	-	-	-	-	-	38,341
-	170,124	-	-	585,185	-	30,000	904,635
42,345	229,672	-	74,851	585,185	-	30,000	1,168,797
-	-	-	6,250	-	-	-	18,854
-	-	-	-	-	-	-	77,912
-	-	-	-	-	-	-	139,741
1,727	706,481	336	1,266,413	-	-	-	2,083,628
-	-	-	-	13,512	291	327,812	341,615
-	-	-	-	-	-	-	219,307
1,727	706,481	336	1,272,663	13,512	291	327,812	2,881,057
$ 44,072	$ 936,153	$ 336	$ 1,347,514	$ 598,697	$ 291	$ 357,812	$ 4,049,854

(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, 2012

	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:							
Other taxes	$ -	$ 132,189	$ 179,680	$ -	$ -	$ -	$ -
Charges for services	-	-	-	218,787	-	-	-
Intergovernmental revenue	-	-	-	-	-	-	411,453
Interest revenue	40	-	-	-	855	-	10
Other revenues	-	-	-	-	96,525	-	-
Total revenues	40	132,189	179,680	218,787	97,380	-	411,463
Expenditures:							
Current							
Public safety	-	-	-	628,178	117,138	-	445,041
Economic development	-	-	274,876	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Debt service							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total expenditures	-	-	274,876	628,178	117,138	-	445,041
Excess (deficiency) of revenues over (under) expenditures	40	132,189	(95,196)	(409,391)	(19,758)	-	- (33,578)
Other financing sources (uses)							
Proceeds from note payable	-	-	-	-	-	-	-
Transfers in	-	-	-	330,000	-	-	54,275
Transfers out	-	(150,000)	-	-	-	-	-
Total other financing sources (uses)	-	(150,000)	-	330,000	-	-	54,275
Net change in fund balances	40	(17,811)	(95,196)	(79,391)	(19,758)	-	20,697
Fund balances, beginning of year	33,488	48,677	216,675	93,708	239,065	108,671	9,370
Fund balances, end of year	$ 33,528	$ 30,866	$ 121,479	$ 14,317	$ 219,307	$ 108,671	$ 30,067

Capital Projects Funds				Debt Service Funds			
Capital Grants Fund	2006 General Obligation Bond	CDBG Fund	Capital Projects Fund	2006 General Obligation Bond	2010 General Obligation Bond	2010 Certificate of Participation	Totals
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 311,869
-	-	-	-	-	-	-	218,787
96,000	-	56,690	309,189	-	-	-	873,332
-	1,561	-	423	-	-	76	2,965
-	-	-	-	-	-	366,631	463,156
96,000	1,561	56,690	309,612	-	-	366,707	1,870,109
-	-	-	-	-	-	-	1,190,357
-	-	-	-	-	-	-	274,876
324,273	690,629	56,690	504,973	-	-	-	1,576,565
-	77,121	-	48,146	445,000	275,000	285,000	1,130,267
-	24,668	-	1,854	493,400	33,620	85,631	639,173
324,273	792,418	56,690	554,973	938,400	308,620	370,631	4,811,238
(228,273)	(790,857)	-	(245,361)	(938,400)	(308,620)	(3,924)	(2,941,129)
-	-	-	160,043	-	-	-	160,043
230,000	-	-	505,241	938,000	308,000	-	2,365,516
-	-	-	-	-	-	-	(150,000)
230,000	-	-	665,284	938,000	308,000	-	2,375,559
1,727	(790,857)	-	419,923	(400)	(620)	(3,924)	(565,570)
-	1,497,338	336	852,740	13,912	911	331,736	3,446,627
$ 1,727	$ 706,481	$ 336	$ 1,272,663	$ 13,512	$ 291	$ 327,812	$ 2,881,057

(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, 2012

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Interest	$ -	$ -	40	40
Total revenues	-	-	40	40
EXPENDITURES				
Public safety	33,482	33,482	-	33,482
Total expenditures	33,482	33,482	-	33,482
Net change in fund balance	(33,482)	(33,482)	40	33,522
FUND BALANCES, beginning of year	33,488	33,488	33,488	-
FUND BALANCES, end of year	$ 6	$ 6	$ 33,528	$ 33,522

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, 2012

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Other taxes	$ 118,000	$ 118,000	$ 132,189	$ 14,189
Excess of revenues over expenditures	118,000	118,000	132,189	14,189
Other financing sources (uses)				
Transfers out	(150,000)	(150,000)	(150,000)	-
Total other financing sources (uses)	(150,000)	(150,000)	(150,000)	-
Net change in fund balance	(32,000)	(32,000)	(17,811)	14,189
FUND BALANCES, beginning of year	48,677	48,677	48,677	-
FUND BALANCES, end of year	$ 16,677	$ 16,677	$ 30,866	$ 14,189

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, 2012

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Other taxes	$ 163,000	$ 163,000	$ 179,680	$ 16,680
EXPENDITURES				
Economic development	254,000	254,000	274,876	(20,876)
Total expenditures	254,000	254,000	274,876	(20,876)
Net change in fund balance	(91,000)	(91,000)	(95,196)	(4,196)
FUND BALANCES, beginning of year	216,675	216,675	216,675	-
FUND BALANCES, end of year	$ 125,675	$ 125,675	$ 121,479	$ (4,196)

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, 2012

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Charges for services	$ 251,000	$ 251,000	$ 218,787	$ (32,213)
Total revenues	251,000	251,000	218,787	(32,213)
EXPENDITURES				
Public safety	659,331	644,708	628,178	16,530
Total expenditures	659,331	644,708	628,178	16,530
Deficiency of revenues under expenditures	(408,331)	(393,708)	(409,391)	(15,683)
Other financing sources				
Transfers in	300,000	300,000	330,000	30,000
Total other financing sources	300,000	300,000	330,000	30,000
Net change in fund balance	(108,331)	(93,708)	(79,391)	14,317
FUND BALANCES, beginning of year	93,708	93,708	93,708	-
FUND BALANCES, end of year	$ (14,623)	$ -	$ 14,317	$ 14,317

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, 2012

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Interest	$ 1,485	$ 1,485	$ 855	$ (630)
Other revenues	98,185	98,185	96,525	(1,660)
Total revenues	99,670	99,670	97,380	(2,290)
EXPENDITURES				
Public safety	185,502	185,502	117,138	68,364
Total expenditures	185,502	185,502	117,138	68,364
Net change in fund balance	(85,832)	(85,832)	(19,758)	66,074
FUND BALANCES, beginning of year	239,065	239,065	239,065	-
FUND BALANCES, end of year	$ 153,233	$ 153,233	$ 219,307	$ 66,074

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, 2012

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Property taxes	$ -	$ -	$ -	$ -
EXPENDITURES				
Economic development	109,815	108,671	-	108,671
Total expenditures	109,815	108,671	-	108,671
Net change in fund balance	(109,815)	(108,671)	-	108,671
FUND BALANCES, beginning of year	108,671	108,671	108,671	-
FUND BALANCES, end of year	$ (1,144)	$ -	$ 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, 2012

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Intergovernmental revenue	$ 350,940	$ 579,896	$ 411,453	$ (168,443)
Interest revenue	-	-	10	10
Total revenues	350,940	579,896	411,463	(168,433)
EXPENDITURES				
Public safety	314,450	643,541	445,041	198,500
Total expenditures	314,450	643,541	445,041	198,500
Excess (deficiency) of revenues over expenditures	36,490	(63,645)	(33,578)	30,067
Other financing sources:				
Transfers in	7,125	54,275	54,275	-
Total other financing sources	7,125	54,275	54,275	-
Net change in fund balance	43,615	(9,370)	20,697	30,067
FUND BALANCES, beginning of year	9,370	9,370	9,370	-
FUND BALANCES, end of year	$ 52,985	$ -	$ 30,067	$ 30,067

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, 2012

	Original Budget	Final Budget	Actual	Variance
EXPENDITURES				
Debt service				
Principal	$ 445,000	$ 445,000	$ 445,000	$ -
Interest	494,400	494,400	493,400	1,000
Total expenditures	939,400	939,400	938,400	1,000
Deficiency of revenues under expenditures	(939,400)	(939,400)	(938,400)	1,000
Other financing sources				
Transfers in	938,000	938,000	938,000	-
Total other financing sources	938,000	938,000	938,000	-
Net change in fund balance	(1,400)	(1,400)	(400)	1,000
FUND BALANCES, beginning of year	13,912	13,912	13,912	-
FUND BALANCES, end of year	$ 12,512	$ 12,512	$ 13,512	$ 1,000

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, 2012

	Original Budget	Final Budget	Actual	Variance
EXPENDITURES				
Debt service				
Principal	$ 275,000	$ 275,000	$ 275,000	$ -
Interest	36,575	33,911	33,620	291
Total expenditures	311,575	308,911	308,620	291
Deficiency of revenues under expenditures	(311,575)	(308,911)	(308,620)	291
Other financing sources				
Transfers in	293,000	308,000	308,000	-
Total other financing sources	293,000	308,000	308,000	-
Net change in fund balance	(18,575)	(911)	(620)	291
FUND BALANCES, beginning of year	911	911	911	-
FUND BALANCES, end of year	$ (17,664)	$ -	$ 291	$ 291

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, 2012

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Interest revenues	$ -	$ -	$ 76	$ 76
Other revenues	372,000	372,000	366,631	(5,369)
Total revenues	372,000	372,000	366,707	(5,293)
EXPENDITURES				
Debt service				
Principal	295,000	288,000	285,000	3,000
Interest	77,000	84,000	85,631	(1,631)
Total expenditures	372,000	372,000	370,631	1,369
Net change in fund balance	-	-	(3,924)	(3,924)
FUND BALANCES, beginning of year	331,736	331,736	331,736	-
FUND BALANCES, end of year	$ 331,736	$ 331,736	$ 327,812	$ (3,924)

CITY OF UNION CITY, GEORGIA

STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
AUGUST 31, 2012

	Balance September 1, 2011	Additions	Deletions	Balance August 31, 2012
MUNICIPAL COURT FUND				
ASSETS:				
Cash and cash equivalents	$ 98,949	$ 2,910,984	$ 2,930,680	$ 79,253
Total assets	98,949	2,910,984	2,930,680	79,253
LIABILITIES:				
Due to others	98,949	2,910,984	2,930,680	79,253
Total liabilities	$ 98,949	$ 2,910,984	$ 2,930,680	$ 79,253

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

CITY OF UNION CITY, GEORGIA

STATEMENT OF CASH FLOWS
COMPONENT UNIT
FOR THE FISCAL YEAR ENDED AUGUST 31, 2012

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	$ 3,251,060
Payments to suppliers	(2,176,791)
Net cash provided by operating activities	1,074,269
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on bonds	(660,000)
Interest paid	(393,894)
Net cash used in capital and related financing activities	(1,053,894)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends received	1,286
Net cash provided by investing activities	1,286
Change in cash and cash equivalents	21,661
Cash and cash equivalents:	
Beginning of year	49,034
End of year	$ 70,695
Classified as:	
Cash and cash equivalents	$ 70,695
	$ 70,695
Reconciliation of operating loss to net cash provided by operating activities	
Operating loss	$ (672,913)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation expense	252,133
Changes in assets and liabilities:	
Decrease in accounts receivable	29,321
Increase in prepaids	(2,565)
Decrease in accounts payable	(830)
Increase in due to primary government	1,469,123
Net cash provided by operating activities	$ 1,074,269

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 ..... **73 - 78**
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 ..... **79 - 82**
These schedules contain information to help the reader assess the City's most significant local revenue sources.

Debt Capacity ..... **83 - 86**
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 ..... **87 and 88**
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 ..... **89 - 91**
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 NINE FISCAL YEARS

	Fiscal Year								
	2004 [1]	2005 [1]	2006 [2]	2007	2008	2009	2010	2011	2012
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	$ 2,363,313
Restricted	1,630,448	1,842,040	12,435,193	10,858,756	9,279,559	6,867,079	4,645,673	857,484	1,478,182
Unrestricted	5,679,732	5,854,008	(3,591,480)	(774,996)	792,593	2,179,160	2,692,528	3,697,905	1,603,503
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	$ 5,444,998
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	$ 9,993,975
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)	824,012
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	$ 10,817,987
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	$ 12,357,288
Restricted	2,776,097	2,988,125	15,868,566	15,101,896	12,313,444	9,322,310	4,645,673	857,484	1,478,182
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	2,427,515
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	$ 16,262,985

[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 NINE FISCAL YEARS

	Fiscal Year								
	2004 [1]	2005 [1]	2006	2007	2008	2009	2010	2011	2012
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	$ 2,211,266
Judicial	430,851	478,390	279,394	395,447	451,217	421,864	426,544	467,691	468,800
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	10,193,857
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	2,818,491
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	447,059
Economic development	495,585	567,832	548,170	635,796	578,176	551,982	932,850	643,677	815,159
Interest on long-term debt	451,112	418,919	539,374	892,492	902,731	875,728	839,703	665,503	666,233
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	17,620,865
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	6,651,946
Sanitation	821,635	924,116	963,011	1,222,409	1,148,749	1,191,681	700,470	677,006	763,164
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	3,387,775
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	10,802,885
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	28,423,750
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	1,479,642
Judicial	-	-	-	115,294	87,276	155,137	158,576	128,438	137,908
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	1,757,157
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	69,132
Economic development	-	-	25,101	21,090	19,980	8,924	8,917	9,585	6,425
Operating grants and contributions	568,118	381,376	489,296	677,817	658,445	1,449,588	533,300	495,636	778,084
Capital grants and contributions	167,112	282,940	-	-	-	110,000	50,000	98,986	461,879
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	4,690,227
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	10,664,099
Operating grants and contributions	-	-	-	-	-	10,664,099	-	-	-
Total business-type activities program revenues	$ 8,294,651	$ 8,983,030	$ 10,332,602	$ 9,736,147	$ 8,800,053	$ 20,625,699	$ 8,242,375	$ 8,750,735	$ 10,664,099

(Continued)

CITY OF UNION CITY, GEORGIA

CHANGES IN NET ASSETS
LAST NINE FISCAL YEARS

	Fiscal Year								
	2004 [1]	2005 [1]	2006	2007	2008	2009	2010	2011	2012
Total primary government program revenues	$ 12,844,944	$ 13,923,416	$ 14,199,947	$ 14,302,338	$ 13,404,093	$ 25,828,863	$ 12,727,019	$ 12,871,245	$ 15,354,326
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)	(12,930,638)
Business-type activities	870,491	951,867	1,237,251	236,132	(1,293,203)	9,665,997	(2,578,433)	(776,346)	(138,786)
Total primary government net expense	(3,666,454)	(3,661,886)	(6,870,735)	(10,116,612)	(14,138,504)	(4,357,644)	(15,953,722)	(16,107,476)	(13,069,424)
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	5,608,053
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	3,010,345
Insurance premium tax	-	-	582,020	608,939	635,191	650,407	644,340	625,579	912,568
Alcoholic beverage taxes	150,480	168,449	9,141	33,807	10,595	4,117	4,860	11,754	17,208
Other taxes	395,575	608,192	751,546	283,902	305,218	323,516	275,659	229,639	311,868
Franchise taxes	598,926	431,830	341,985	835,288	852,477	931,025	1,165,361	1,110,159	1,206,596
Unrestricted investment earnings	130,253	194,878	358,492	1,190,977	693,849	230,035	84,538	25,896	15,999
Transfers	(426,706)	(100,952)	545,981	857,539	1,000,000	-	-	426,000	439,000
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	11,521,637
Business-type activities									
Unrestricted investment earnings	165,037	147,676	229,661	270,630	214,256	149,378	33,291	21,867	22,330
Transfers	426,706	100,952	(545,981)	(857,539)	(1,000,000)	-	-	(426,000)	(439,000)
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)	(416,670)
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)	(1,409,001)
Business-type activities	1,462,234	1,200,495	920,931	(350,777)	(2,078,947)	9,815,375	(2,545,142)	(1,180,479)	(555,456)
Total primary government change in net assets	$ 2,365,352	$ 2,821,167	$ 1,180,081	$ 200,732	$ (2,896,402)	$ 6,226,289	$ (5,028,905)	$ (6,014,848)	$ (1,964,457)

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

CITY OF UNION CITY, GEORGIA

FUND BALANCES, GOVERNMENTAL FUNDS
LAST NINE FISCAL YEARS

	Fiscal Year								
	2004	2005	2006[1]	2007	2008	2009	2010	2011	2012
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	1,069,319
Restricted	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	366,464	779,072
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	$ 1,848,391
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	-	-
Nonspendable, reported in:									
Special revenue funds	-	-	-	-	-	-	-	-	12,604
Capital projects funds	-	-	-	-	-	-	-	-	6,250
Restricted, reported in:									
Special revenue funds	-	-	-	-	-	-	-	510,589	326,324
Capital projects funds	-	-	-	-	-	-	-	2,350,414	1,974,957
Debt service funds	-	-	-	-	-	-	-	346,559	341,615
Assigned, reported in:									
Special revenue funds	-	-	-	-	-	-	-	239,065	219,307
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	$ 2,881,057

[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 NINE FISCAL YEARS

	Fiscal Year								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	$ 5,571,360
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	4,251,989
Charges for services	358,117	282,780	358,042	529,957	441,496	475,609	509,548	548,195	479,612
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	1,439,821
Intergovernmental	735,230	664,316	155,765	259,736	209,286	216,189	168,100	223,481	873,332
Franchise taxes	598,926	608,192	751,546	835,288	852,477	931,025	1,165,361	1,110,159	1,206,596
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	1,404,660
Interest revenue	130,253	194,878	358,492	1,190,977	693,849	230,035	84,538	25,896	15,999
Rental income	-	-	26,760	20,145	18,623	13,500	12,609	13,030	13,785
Other revenues	55,217	79,709	662,956	935,166	786,300	1,523,344	557,758	474,275	479,017
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	$ 15,736,171
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	$ 2,137,715
Judicial	351,221	418,229	192,793	311,021	365,858	330,968	342,954	384,047	377,543
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	9,673,917
Public works	963,576	931,934	1,396,753	1,732,434	2,202,933	1,723,615	1,713,341	1,727,828	1,574,058
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	338,913
Economic development	472,052	560,355	548,170	633,975	574,168	547,596	932,850	643,677	796,900
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	1,576,565
Debt service:									
Principal	530,000	365,000	800,000	685,000	750,000	815,000	6,180,687	1,079,492	1,623,662
Interest	445,092	418,920	721,897	798,669	905,202	870,077	856,817	662,315	660,550
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	18,759,823
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)	(3,023,652)

(Continued)

CITY OF UNION CITY, GEORGIA

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST NINE FISCAL YEARS

	Fiscal Year								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	160,043
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	2,954,516
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)	(2,515,516)
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	599,043
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)	$ (2,424,609)
Debt service as a percentage of noncapital expenditures	11.0%	8.5%	12.6%	10.2%	9.7%	9.0%	30.1%	8.9%	12.9%

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		
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	9.50	40%
2012	148,382,050	315,239,660	71,518,053	26,687,160	6,754,886	568,581,809	1,421,454,523	10.599	40%

Source: Fulton County Tax Assessor
(1) The assessed values for commercial property for fiscal years 2003 to 2005 are included with the residential property.
(2) Fiscal years 2003-2005 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	
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
2012	8.331	2.268	10.599	0.20	10.55	18.50	39.85

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	
2003	$ 1,922,670	$ 1,708,306	88.85%	$ 203,993	$ 1,912,299	99.46%	$ 10,371
2004	2,106,648	1,657,141	78.66%	436,857	2,093,998	99.40%	12,650
2005	2,393,844	1,968,188	82.22%	405,301	2,373,489	99.15%	20,355
2006	3,475,621	2,783,294	80.08%	671,636	3,454,930	99.40%	20,691
2007	5,081,813	4,065,772	80.01%	990,742	5,056,514	99.50%	25,299
2008	5,059,894	4,877,918	96.40%	165,134	5,043,052	99.67%	16,842
2009	5,369,912	5,048,824	94.02%	287,969	5,336,793	99.38%	33,119
2010	5,316,893	4,803,669	90.35%	427,181	5,230,850	98.38%	86,043
2011	4,759,160	4,533,053	95.25%	150,856	4,683,909	98.42%	75,251
2012	5,102,178	4,797,313	94.02%	-	4,797,313	94.02%	304,866

CITY OF UNION CITY, GEORGIA

PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND TEN YEARS AGO

	2012			2002		
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Development Authority of Fulton County	$ 44,655,882	1	7.85%			
Wal Mart Stores	9,441,418	2	1.66%			
Northwestern Mutual Life Insurance	9,209,500	3	1.62%			
Costco Wholesale Corporation	7,801,045	4	1.37%			
AEW LT Hunter Road LLC	7,544,277	5	1.33%			
South Fulton Parkway LLC	7,009,393	6	1.23%			
Pancal Goodson 5 LLC	6,635,635	7	1.17%			
Wyndsor Forest Apartments LLC	6,575,594	8	1.16%			
General Electric Credit Equities	6,441,771	9	1.13%			
Kraft Foods Global, Inc.	6,228,769	10	1.10%			
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%
	$ 111,543,284		19.62%	$ 33,893,560		19.03%

Note: Information for 2003 not readily available.

CITY OF UNION CITY, GEORGIA

RATIO OF OUTSTANDING DEBT BY TYPE
LAST NINE 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	Notes Payable			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
2012	11,470,000	2,730,000	1,628,305	111,897	1.12%	793.87	11,275,000	27,215,202	1.91%	7.35%	1,355.41

Information prior to 2004 was not readily available.

CITY OF UNION CITY, GEORGIA

LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt Limit	$ 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	$ 56,858,181
Total net debt applicable to limit	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	13,413,324
Legal Debt Margin	$ 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	$ 43,444,857
Total net debt applicable to the limit as a percentage of debt limit	38.10%	30.79%	23.87%	60.20%	29.86%	28.52%	27.34%	28.02%	27.61%	23.59%

Legal Debt Margin Calculation for Fiscal Year 2012

Assessed Value	$ 568,581,809
Debt limit (10% of assessed value)	56,858,181
Debt applicable to limit:	
General obligation bonds and certificates of participation	14,200,000
Less: Amount set aside for repayment of general obligation debt	(786,676)
Total net debt applicable to limit	13,413,324
Legal debt margin	$ 43,444,857

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, 2012

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	1.00%	$ 1,109,730
Building Authority Revenue Bonds	27,610,000	1.00%	276,319
Economic Recovery Zone Bonds	26,441,000	1.00%	264,620
Subtotal Overlapping Debt			3,321,994
City of Union City, Georgia - Direct Debt			14,200,000
Total Direct and Overlapping Debt			$ 17,521,994

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

PLEDGED-REVENUE COVERAGE
LAST SEVEN FISCAL YEARS

Fiscal Year	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Principal	Interest	Coverage
2006	$ 4,880,211	$ 3,348,502	$ 1,531,709	$ 500,000	$ 465,955	1.59
2007	4,478,241	3,595,272	882,969	390,000	319,810	1.24
2008	4,219,013	3,411,018	807,995	410,000	300,832	1.14
2009	4,889,828	4,264,770	625,058	-	345,163	1.81
2010	4,952,379	5,026,404	(74,025)	5,040,000 (1)	168,114	(0.01)
2011	5,560,899	4,443,345	1,117,554	-	-	-
2012	6,708,111	4,532,630	2,175,481	-	77,637 (2)	28.02

(1) Bonds were paid off in 2010
(2) 2012 Series Bond issued during FY 2012

NOTES:
Details regarding the City's outstanding debt can be found in the notes to the financial statements.
Utility service charges include tap fees, but exclude interest.
Operating expenses do not include interest, depreciation, or amortization expense.
Information prior to 2006 was not readily available.

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]
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
2012	20,079	370,457,550	18,450	30.5	8.40%	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 TEN YEARS AGO

	2012			2002		
Business	**Employees**	**Rank**	**Percentage of Total City Employment**	**Employees**	**Rank**	**Percentage of Total City Employment**
Kraft Foods/Excel Logistics	412	1	5.80%			
Christian City/UHS Pruitt	380	2	5.35%			
Walmart	348	3	4.90%			
Dendreon	214	4	3.01%	165	5	3.59%
Toyota of Union City	207	5	2.92%			
Nissan of Union City	192	6	2.70%			
Kroger	182	7	2.56%	115	7	2.50%
DSC Logistics	159	8	2.24%			
Gene Evans Ford	132	9	1.86%			
UFP EASTERN DIVISION INC	125	10	1.76%	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	5	3.59%
Cracker Barrell				94	8	2.04%
Steve Rayman Pontiac				94	9	2.04%
Federated Department Stores				89	10	1.93%
Nalley Honda				89	10	1.93%

Note: Information for 2003 not readily available.
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	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government										
Administration	3	3	3	3	3	3	3	2	1	3
City Clerk	6	6	6	6	6	7	7	2	2	2
Finance	2	3	3	6	9	8	10	4	4	4
Finance- water and sewer								5	5	6
Human Resources	2	2	2	2	2	2	2	2	2	1
Information Technology	1	1	1	1	-	-	-	-	1	2
Judicial										
Municipal Court	3	3	3	3	3	4	4	4	4	4
Health & Welfare										
Leisure Services	1	1	1	1	1	1	1	-	-	-
Housing & Development										
Planning Department	4	4	4	4	4	4	3	3	3	2
Public Safety										
Police	41	41	40	48	48	67	61	62	61	61
Fire	30	30	30	33	33	47	48	52	49	51
Jail	48	52	52	52	53	50	48	44	50	42
E-911 Communications	10	10	10	10	10	11	12	10	10	9
Public Works										
Building & Grounds	2	2	2	2	2	2	3	3	3	4
Code Enforcement	1	1	2	2	2	4	4	4	4	4
Roads & Bridges	7	11	11	11	11	17	17	20	17	16
Water & Sewer	10	13	13	14	14	12	12	12	10	9
Parks and Recreation	-	-	-	-	-	3	3	3	3	6
Operations	-	-	-	-	-	-	-	1	2	-
Total	171	183	183	198	201	242	238	233	231	226

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 2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Fire										
Inspections Conducted	877	787	6,591	541	547	770	817	720	948	948
Police										
Number of Law Violations										
Physical Arrests	1,549	1,320	1,985	843	940	1,801	2,742	2,256	2,437	2,437
Traffic and Parking Violations	8,954	9,870	6,591	10,572	12,802	16,089	16,550	12,597	15,006	15,006
Public Service - Sewerage System										
Daily Average Treatment in Gallons	n/a	n/a	n/a	1,741,405	1,731,000	1,740,000	1,500,000	1,663,372	1,553,414	1,553,414
Max. Daily Capacity of Plant in Gallons	n/a	n/a	n/a	2,400,000	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	3,893	4,415	4,074	4,500	4,500	4,206	4,206
Public Service - Streets										
Highway and Streets Resurfacing	n/a	n/a	n/a	1	17	18	21	15	17	17
Public Service - Water System										
Daily Average Consumption in Gallons	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	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	3,900	4,209	4,427	4,460	4,500	4,500	4,523	4,523

NOTE: Indicators are not available for the general government or culture and recreation functions.
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	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Culture and Recreation										
Park Acreage	22	22	22	22	22	22	22	22	22	34
Parks	2	2	2	2	2	2	2	2	2	2
Tennis Courts	0	0	0	0	0	0	0	0	0	0
Community Centers & Depot	2	2	2	2	2	2	2	2	2	2
Fire										
Fire Stations	2	2	2	2	2	2	2	3	3	3
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	29	26	26	31	30	30	48	48	48	48
Patrol Zones	4	4	5	5	5	5	4	5	5	5
Public Service - Sewerage System										
Sanitary Sewer (Miles)	62.1	62.1	62.1	76.0	76.0	76.0	76.0	79.9	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	90.0	90.0	90.0	90.0	115.1	115.1	115.1
Streets (Lights)	691	691	691	901	912	912	912	912	912	1,068
Public Service - Water System										
Water Mains (Miles)	61	61	61	68	68	68	68	69	69	69
Number of Fire Hydrants	889	648	658	565	565	565	796	538	540	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, 2012, and have issued our report thereon dated February 25, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City of 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 25, 2013.

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 25, 2013

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the City of Union City, Georgia, Georgia's (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended August 31, 2012. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2012-1.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. However, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs, as item 2012-1. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the management of the City, the City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mauldin & Jenkins, LLC

Macon, Georgia
February 25, 2013

CITY OF UNION CITY, GEORGIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED AUGUST 31, 2012

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Grant Identification Number	Expenditures
U.S. Department of Housing and Urban Development			
(Passed through Fulton County, Georgia)			
State Administered CDBG Cluster			
Community Development Block Grant	14.228	N/A	$ 56,690
Total U.S. Department of Housing and Urban Development			56,690
U.S Department of Homeland Security			
Assistance to Firefighters Grant Program	97.044	EMW-2011-FO-0096	77,468
(Passed through Georgia Emergency Management Agency)			
GEMA Biometric Fingerprint System	97.044	2010-SS-TO-0034	21,351
Total U.S. Department of Homeland Security			98,819
U.S Department of Transportation			
(Passed through Georgia Department of Transportation)			
Highway Planning & Construction Cluster			
Recreational Trails Program	20.219	NRT-06(13)	96,000
Total U.S. Department of Homeland Security			96,000
U.S Department of Energy			
(Passed through City of College Park, Georgia)			
Energy Efficiency and Conservation Block Grant Program - ARRA	81.128	DE-EE0000806	113,880
Total U.S. Department of Homeland Security			113,880
U.S Department of Justice			
COPS Hiring Recovery Program	16.710	2011-UM-WX-0047	124,060
Justice Assistance Grant Cluster			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2011-DJ-BX-0016	26,724
Total U.S. Department of Homeland Security			150,784
Total Expenditures of Federal Awards			$ 516,173

CITY OF UNION CITY, GEORGIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Schedule of Expenditures of Federal Awards is prepared using the modified accrual basis of accounting.

Measurement Focus

The determination of when an award is expended is based on when the activity related to the award occurred.

Program Type Determination

Type A programs are defined as federal programs with federal expenditures exceeding the larger of $300,000 or three percent of total federal expenditures. The threshold of $300,000 was used in distinguishing between Type A and Type B programs.

Method of Major Program Selection

The risk based approach was used in the selection of federal programs to be tested as major programs. The City did not qualify as a low-risk auditee for the fiscal year ended August 31, 2012.

Amount Provided to Subrecipients

During 2012, the City made no disbursements to subrecipients from federal awards.

CITY OF UNION CITY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2012

SECTION I
SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	___yes __X__ no
Significant deficiencies identified not considered to be material weaknesses?	___yes __X__ none reported
Noncompliance material to financial statements noted?	___yes __X__ no

Federal Awards

Internal Control over major programs:	
Material weaknesses identified?	___yes __X__ no
Significant deficiencies identified not considered to be material weaknesses?	__X__ yes ____ none reported
Type of auditor's report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)?	__X__ yes ____ no

Identification of major program:

CFDA Number	Name of Federal Program or Cluster
81.128	Energy Efficiency and Conservation Block Grant
16.710	COPs Hiring Recovery Program
20.219	Recreational Trails Program

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000
Auditee qualified as low-risk auditee?	____ yes __X__ no

CITY OF UNION CITY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2012

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

None reported

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

2012 – 1 **Procurement and Suspension and Debarment**
U.S. Department of Transportation, Recreational Trails Program, CFDA 20.219 **and**

Procurement and Suspension and Debarment
U.S. Department of Energy, ARRA Energy Efficiency and Conservation Block Grant, CFDA 81.128

Criteria: Grant requirements state non-Federal entities are prohibited from contracting with or making sub-awards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. "Covered transactions" include those procurement contracts for goods and services awarded under a nonprocurement transaction that are expected to equal or exceed $25,000 or meet certain other specified criteria. 2 CFR section 180.220 of the government-wide nonprocurement debarment and suspension guidance contains those additional limited circumstances.

Condition: Vendors are required to specifically confirm their exclusion from the database for contracts funded by federal programs. Additionally, the City may elect to check the *Excluded Parties List System (EPLS)*.

Context: The City did not have adequate controls in place to ensure that the contracts were not being awarded to a suspended or debarred party. We tested the procured contracts under the grant program for the year ended August 31, 2012.

Effect: A contract could have been awarded to an ineligible party; however, during our testing we noted that the vendors selected by the City were not included on the *EPLS*.

Questioned Costs: None noted.

Recommendation: We recommend the City include specific language relative to the suspension and debarment requirements within the contract and perform a search for the vendor on the *EPLS* (and maintain documentation of the search), for all federally funded contracts to ensure that contracts are not awarded to suspended or debarred parties.

SECTION III (Continued)
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

2012 – 1
(Continued)

Procurement and Suspension and Debarment
U.S. Department of Transportation, Recreational Trails Program, CFDA 20.219 **and**

Procurement and Suspension and Debarment
U.S. Department of Energy, ARRA Energy Efficiency and Conservation Block Grant, CFDA 81.128

Auditee's Response: We concur with the recommendation to maintain procurement suspension and debarment on all contracts over $25,000. Corrective action has already been taken to ensure there is supervision, compliance and maintenance with the requirement.

CITY OF UNION CITY, GEORGIA

SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2012

STATUS OF PRIOR YEAR AUDIT FINDINGS

None reported.