CITY OF UNION POINT, GEORGIA

AUDIT REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

CITY OF UNION POINT, GEORGIA

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CLIFTON, LIPFORD, HARDISON & PARKER, LLC

J. Russell Lipford, Jr., CPA
Mark O. Hardison, CPA
Terry I. Parker, CPA
Christopher S. Edwards, CPA
Lynn S. Hudson, CPA
Kevin E. Lipford, CPA

Member of
American Institute of
Certified Public Accountants
Truman W. Clifton (1902-1989)

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council of the
City of Union Point, 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 remaining fund information of the City of Union Point, Georgia as of and for the fiscal year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Union Point, Georgia's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the remaining fund information of the City of Union Point, Georgia, as of September 30, 2011, and the respective changes in financial position, cash flows, where applicable, and the respective budgetary comparison for the General Fund thereof and for the fiscal 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 7, 2012 on our consideration of City of Union Point'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.

1503 Bass Road
P.O. Box 6315 Macon, Georgia 31208-6315
Phone 478-742-3313 ▪ Fax 478-742-0316

www.clhp.com

468 South Houston Lake Road
Warner Robins, Georgia 31088
Phone 478-953-0125 ▪ Fax 478-953-0983

The management's discussion and analysis information on pages 3 through 12 and the Retirement Plan – Schedule of Funding Progress on page 47 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Union Point, Georgia's basic financial statements. The schedule of project expenditures with special sales tax proceeds is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of project expenditures with special sales tax proceeds has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Macon, Georgia
February 7, 2012

MANAGEMENT'S DISCUSSION & ANALYSIS

As management of the City of Union Point, Georgia we present management's analysis of the City's financial condition and activities for the fiscal year ended September 30, 2011. This information should be read and considered in conjunction with the financial statements.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of fiscal year 2011 by $6,776,014 (total net assets).
- Of this amount, $2,303,503 (unrestricted net assets) was available for use to meet the City's ongoing obligations to its citizens and creditors.
- The City's total net assets increased by $188,881.
- At the close of fiscal year 2011, the City's governmental funds reported combined ending fund balances of $712,682. Of this amount, $417,505 or 58.58% is available for spending at the government's discretion (Unassigned fund balance).

Overview of the Financial Statements

Management's Discussion and Analysis (MD&A) serves as an introduction to the City of Union Point's basic financial statements. The City's basic financial statements include the government-wide financial statements, fund financial statements, and notes to the financial statements. The MD&A should be read and considered with the basic audited financial statements and supplementary information.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with an overview of the City's finances in a manner similar to commercial enterprises.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two being 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.

The statement of activities presents information showing how the City's net assets changed during the 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 the related cash flows. 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 property taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish between functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, judicial, public safety, public works, culture and recreation, and housing and development. The business-type activities of the City include water and sewer and natural gas.

The component unit, the Downtown Development Authority of the City of Union Point, Georgia, is reported in a separate column because it is legally separate from the City. The Authority's governing board is appointed by the Mayor and Council, and the City funds a significant portion of the Authority's budget.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the City's funds can be divided into governmental funds and proprietary funds.

Governmental Funds. Government funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains three individual governmental funds. Information on the major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. The major funds are the General Fund and the CDBG Water Improvements Fund and the non-major fund is the Public Safety SPLOST Fund.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement for this fund has been provided to demonstrate compliance with this budget. Project length budgets were adopted for the Capital Project Funds.

Proprietary Funds. The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer system operations and its natural gas system operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information on the Water and Sewer Fund and the Natural Gas Fund. These funds are considered to be major funds of the City.

Notes to the Financial Statements. The notes provide information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes provide information about the City's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information regarding the City's obligation in funding pension benefits to its employees.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. The assets exceeded the liabilities at the close of fiscal year 2011 by $6,776,014.

The largest component of net assets, which may be used to meet the City's ongoing obligations to its citizens and creditors, is unrestricted assets in the amount of $2,303,503 or 34.00% of total net assets. Of the unrestricted assets, $1,034,772 or 15.27 % of total net assets is in joint venture (Tri-County Natural Gas). Another component of the City's net assets is investment in capital assets (e.g. land, buildings, infrastructure, machinery and equipment); less any related debt used to acquire those assets that are still outstanding, which comprises $4,291,376 or 63.33% of total net assets. The City uses these capital assets to provide services to its citizens; consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Union Point Net Assets

	Governmental Activities		Business-Type Activities		Totals	
	2010	2011	2010	2011	2010	2011
Assets						
Current assets	$ 840,957	$ 743,523	$1,232,415	$ 769,868	$2,073,372	$1,513,391
Restricted assets	-	-	179,860	181,052	179,860	181,052
Other assets	-	-	999,620	1,034,772	999,620	1,034,772
Capital assets	1,674,819	1,581,811	3,907,424	4,249,791	5,582,243	5,831,602
Total assets	2,515,776	2,325,334	6,319,319	6,235,483	8,835,095	8,560,817
Liabilities						
Current liabilities	31,592	22,470	1,024,175	297,520	1,055,767	319,990
Long-term liabilities	4,902	11,207	1,187,293	1,453,606	1,192,195	1,464,813
Total liabilities	36,494	33,677	2,211,468	1,751,126	2,247,962	1,784,803
Net assets						
Investment in capital assets, net of related debt	1,674,819	1,581,811	2,408,555	2,709,565	4,083,374	4,291,376
Restricted for:						
Renewal and replacement	-	-	124,000	124,000	124,000	124,000
Capital outlay	77	83	-	-	77	83
Debt services	-	-	55,860	57,052	55,860	57,052
Unrestricted	804,386	709,763	1,519,436	1,593,740	2,323,822	2,303,503
Total net assets	$2,479,282	$2,291,657	$4,107,851	$4,484,357	$6,587,133	$6,776,014

An additional portion of the City's net assets, $124,000 (1.83%), $57,052 (.84%), and $83 represent resources that are subject to external restrictions on how they may be used. The $124,000 represents water and sewer reserve accounts set aside as emergency funds for one year's obligation for the City's outstanding water and sewer revenue bonds. The $57,052 represents funds set aside in the water and

sinking funds for the payment of the current debt due on the outstanding water and sewer revenue bonds. The $83 represents funds set aside for capital outlay.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as whole, as well as for its separate governmental and business-type activities.

Governmental Activities. Governmental activities decreased the City's net assets by $187,625.

City of Union Point Changes in Net Assets

	Governmental Activities		Business-Type Activities		Totals	
	2010	2011	2010	2011	2010	2011
Revenues:						
Program Revenues						
Charges for service	$ 70,461	32,843	1,051,139	1,000,890	1,121,600	1,033,733
Operating grants and contributions	53,716	47,066	20,000	40,000	73,716	87,066
Capital grants and contributions	57,387	422,580	938,715	67,019	996,102	489,599
General revenues						
Property taxes	224,483	198,553	-	-	224,483	198,553
Sales tax	424,010	397,933	-	-	424,010	397,933
Other taxes	166,892	153,968	-	-	166,892	153,968
Investment earnings	5,760	1,988	92,202	38,307	97,962	40,295
Miscellaneous	10,985	14,185	8,524	8,581	19,509	22,766
Transfers	(46,350)	(419,349)	46,350	419,349	-	-
Total revenue	967,344	849,767	2,156,930	1,574,146	3,124,274	2,423,913
Expenses:						
General government	150,118	125,477	-	-	150,118	125,477
Judicial	34,480	40,993	-	-	34,480	40,993
Public safety	554,983	550,682	-	-	554,983	550,682
Public works	150,485	211,950	-	-	150,485	211,950
Culture and recreation	54,125	55,725	-	-	54,125	55,725
Housig and development	51,735	52,565	-	-	51,735	52,565
Water and sewer	-	-	848,055	850,955	848,055	850,955
Natural gas	-	-	484,536	346,685	484,536	346,685
Total expenses	995,926	1,037,392	1,332,591	1,197,640	2,328,517	2,235,032
Changes in net assets	(28,582)	(187,625)	824,339	376,506	795,757	188,881
Net assets - beginning	2,507,864	2,479,282	3,283,512	4,107,851	5,791,376	6,587,133
Net assets - ending	$ 2,479,282	$ 2,291,657	$ 4,107,851	$ 4,484,357	$ 6,587,133	$ 6,776,014

Revenues. Property taxes of $198,553 and sales tax of $397,933 accounted for 77.81% of total general revenues before transfers.

Operating grants and contributions consisted of the following:

- Public safety received operating grants and contributions from the Greene County Board of Commissioners totaling $19,344 for the purpose of providing fire protection to a designated service area in Greene County.

- Housing and development received operating grants and contributions totaling $27,722. Under an intergovernmental agreement with the City of Greensboro and Greene County, the City received one third of the City of Greensboro's property taxes and Greene County's property taxes for the property in the Greene County Industrial Park. Greene County, the City of Greensboro, and the City of Union Point own the Greene County Industrial Park in equal shares and have an intergovernmental agreement to share equally in the tax proceeds from the Industrial Park.

Capital grants and contributions consisted of the following:

- Public safety capital grants received $3,225 of taxes and $6 in interest from the 2009 Public Safety Special Local Option Sales Tax Account.

- Public works received donated paving in the amount of $9,585 from the Georgia Department of Transportation and $419,349 from the Community Development Block Grant 09p-x-066-2-5132 for improvements to the water distribution system.

Expenses. The total expense for the governmental activities is $1,037,392. The largest single expenditure activity is public safety. Public safety includes the police department and the fire department. The total public safety expense is $550,682 or 53.08% of total governmental activity expense.

Expenses exceeded total program revenues and general revenues by $187,625.

Business-type Activities. Business-type activities increased the City's net assets by $376,506.

Revenues. Water and sewer revenue was $673,303 before capital contributions. Natural gas revenue was $327,587. Water and sewer revenue is derived from the sale of water and sewer services to the citizens of the City. Natural gas revenue is derived from the sale of natural gas to the citizens of the City.

During the current fiscal year the Water and Sewer System received $5,945 of the $816,220 grant from USDA Rural Development. This grant along with the $694,000 in revenue bonds was used for upgrades at the water treatment plant. The project has been completed.

Also the Water and Sewer System received a Georgia Environmental Facilities Authority Clean Water State Revolving Fund Loan and Grant to upgrade the sewer system. The loan and grant were made possible by the American Recovery and Reinvestment Act 2009. The loan is for $1,200,000 and the Georgia Environmental Facilities Authority agreed to forgive $840,000 (70%) of each principal and interest payment due on the loan. During the current fiscal the City received $30,261 in loan funds and $61,074 in grant funds. The project has been completed.

The capital contribution in the amount $419,349 is from the Community Development Block Grant 09p-x-066-2-5132 for improvements to the water distribution system. The project has been completed.

During the prior fiscal year, the Natural Gas System received a distribution from the Tri-County Natural Gas System in the amount of $20,000. During the current fiscal year, the Natural Gas System received a $40,000 distribution from Tri-County.

Expenses. Water and sewer expense was $850,955. Natural gas expense was $346,685.

Financial Analysis of the Government's Funds

The City of Union Point uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $712,682. Exactly 58.58% of this amount or $417,505 constitutes unassigned fund balance, which is available for spending at the government's discretion.

The General Fund is the chief operating fund of the City. At September 30, 2011 unassigned fund balance of the General Fund was $417,505. As a measure of the General Fund's liquidity, it may be useful to compare both the unreserved balance and total fund balances to total fund expenditures. Unassigned balance and total fund balance represents 75.48% of total fund expenditures.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water and Sewer Fund at September 30, 2011 amounted to $257,282; those of the Natural Gas Fund amounted to $1,336,458. The total change in Water and Sewer net assets was $312,635; the change in Natural Gas net assets was $63,871.

General Fund Budgetary Highlights

Differences between the original budgeted expenditures and the final amended budgeted expenditures are a decrease of approximately $344,607 or 25.96% of the original budget. The decrease in the budgeted expenditures is attributable to one capital project being delayed until fiscal year 2012 and a decrease in expenses in most of the activities. Budgeted revenue decreased from the original budget in the amount of $321,232. The decrease in budgeted revenue was due, largely; to one grant project being delayed until fiscal year 2012 (Intergovernmental Revenues) and a decrease in tax revenues and fine forfeitures. During the year, revenues were lower than budgetary estimates by $25,325 and expenditures were less than budgetary estimates by $38,844.

Capital Assets and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2011 amounts to $4,216,519 (net of related debt). This investment in capital assets includes land, construction in progress, infrastructure, buildings and improvements, equipment and vehicles.

Major capital asset events during the current fiscal year include the following:

- The City received donated street resurfacing from the Georgia Department of Transportation. The estimated cost of the paving was $9,585.
- The rental house at 605 Bryan Avenue was remodeled at a cost of $12,701.
- A new police car was purchased at a cost of $22,650.
- In June of 2007 the City applied for a Transportation Enhancement Grant from the Georgia Department of Transportation. In February 2008 the City was notified that it had been awarded a TE Grant in the amount of $238,880. The project consisted of purchasing and converting a 1960's era service station into a welcome center. During the current fiscal year the City expended $15,080 towards the project.
- A check valve was replaced at the water intake at a cost of $5,119.
- The City expended $21,187 to repair an aerator gearbox at the waste water plant.
- The City was awarded a GEFA a Clean Water State Revolving Fund loan and grant for sewer rehabilitation through the American Recovery and Reinvestment Act. $840,000 is a grant and $360,000 will be a GEFA loan with an interest rate of three percent. During the current fiscal the City expended $87,248 for the project.
- The City was awarded a Community Development Block Grant for the purpose of upgrading the water distribution system. During the current fiscal the City expended $429,769 for the project.

City of Union Point Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Totals	
	2010	2011	2010	2011	2010	2011
Land	$ 17,665	$ 17,665	$ 22,044	$ 22,044	$ 39,709	$ 39,709
Site Improvements	175,196	166,238	4,425	4,425	179,621	170,663
Construction in progress	-	15,080	1,177,156	29,841	1,177,156	44,921
Infrastructure	533,090	509,639	2,404,581	3,929,007	2,937,671	4,438,646
Buildings	654,692	643,427	24,294	22,371	678,986	665,798
Equipmment	173,566	139,431	262,875	238,031	436,441	377,462
Vehicles	120,610	90,331	12,049	4,072	132,659	94,403
Total	$ 1,674,819	$ 1,581,811	$ 3,907,424	$ 4,249,791	$ 5,582,243	$ 5,831,602

Long-term Debt. At the end of the current fiscal year, the City had total outstanding revenue bond and loan indebtedness in the amount of $1,478,158. USDA Farmers Home Administration (Rural Development) Water and Sewerage Revenue Bonds account for $1,120,311 and Georgia Environmental Facilities water and sewer loan accounts for $357,847. The water and sewerage revenue bonds represent bonds secured solely by a specified revenue source (water and sewer revenue).

City of Union Point Outstanding Debt
Revenue Bonds and GEFA Loan

	Governmental Activities		Business-Type Activities		Totals	
	2010	2011	2010	2011	2010	2011
Revenue Bonds	$ -	$ -	$ 1,164,276	$ 1,120,311	$ 1,164,276	$ 1,120,311
GEFA Loan	-	-	334,593	357,847	334,593	357,847
	$ -	$ -	$ 1,498,869	$ 1,478,158	$ 1,498,869	$ 1,478,158

During the current fiscal year, the City's total water and sewer revenue bond and loan debt decreased by $20,711.

As stated earlier the Water and Sewer System received a Georgia Environmental Facilities Authority Clean Water State Revolving Fund Loan and Grant to upgrade the sewer system. The loan and grant were made possible by the American Recovery and Reinvestment Act 2009. The loan is for $1,200,000 and the Georgia Environmental Facilities Authority agreed to forgive $840,000 (70%) of each principal and interest payment due on the loan. During the current fiscal year the City received $30,261 in loan funds.

Readers should refer to the notes to the financial statements for more detail on capital assets and long-term debt activity.

Capital Leases

During the fiscal year 2006 the City of Union Point entered into an additional lease supplement agreement with the Georgia Municipal Association. Under the lease agreement the City of Union Point's Natural Gas System is a conduit for a lease for the Tri-County Natural Gas System, a joint venture of the City of Union Point and the City of Greensboro. The Natural Gas System is obligated to pay the $324,000 lease, but the City of Union Point and City of Greensboro entered into an intergovernmental agreement that provides that the Tri-County Natural Gas System will be responsible for the repayment of the lease and will make payments in the form of a reimbursement to the City of Union Point. In the event that Tri-County proceeds are insufficient to pay amounts due under the lease, then the City of Union Point and the City of Greensboro shall evenly split any shortfall. The capital lease was paid off in August of the current fiscal year.

During the fiscal year 2008 the City of Union Point entered into a lease supplement agreement with the Georgia Municipal Association. Under the lease agreement the City of Union Point's Natural Gas System is a conduit for a lease for the Tri-County Natural Gas System, a joint venture of the City of Union Point and the City of Greensboro. The Natural Gas System is obligated to pay the $150,000 lease, but the City of Union Point and City of Greensboro entered into an intergovernmental agreement that provides that the Tri-County Natural Gas System will be responsible for the repayment of the lease and will make payments in the form of a reimbursement to the City of Union Point. In the event that Tri-County proceeds are insufficient to pay amounts due under the lease, then the City of Union Point and the City of Greensboro shall evenly split any shortfall. The amount of the capital lease due at the end of the fiscal year was $62,068.

Economic Factors

During the current fiscal year the City's tax millage rate increased to 9.318 mills.

Water and sewer revenue decreased by $18,398 or 2.64% before the capital contribution of $419,349 (intergovernmental revenue) was added. The operating revenue decreased by $15,279 and the water and sewer system received $67,019 in grant funds. The water and sewer expense increased by $2,900 or 0.34%. The increase in expense was due to an increase in operating expense.

Natural gas revenue decreased by $64,773or 13.60%. Natural gas expense decreased by $137,851 or 28.45%. Cost of natural gas purchases decreased by $21,666 or 13.69% while natural gas sales volumes decreased by 2,555 MCF's or 10.51%. The decrease in revenue and expense was associated with the decrease in the volume of natural gas sold during the current fiscal year.

With the continuation of the economic slowdown that has occurred in prior fiscal years and fiscal year 2011, the City will need to monitor its revenue collections. The revenue sources that the City should be most concerned with will be the property tax collections, the Local Option Sales Tax collections, water and sewer sales and revenue, and natural gas sales and revenue.

During the current fiscal year Local Option Sales Tax collections increased by $21,187 or 5.91% over the collections for the previous fiscal year.

In June of 2007 the City applied for a Transportation Enhancement Grant from the Georgia Department of Transportation. In February 2008 the City was notified that it had been awarded a TE Grant in the amount of $238,880. The project consisted of purchasing and converting a 1960's era service station into a welcome center. Subsequent to the grant award, the City was informed that grant funds could not be used to purchase the property. The original City matching funds increased from $59,720 to approximately $136,720. Council agreed not to include the TE Grant matching funds in the fiscal year 2012 General Fund budget and at a later date agreed to return the TE Grant to the Georgia Department of Transportation.

In September of 2011, the City was awarded a Community Development Block Grant for Water Line Improvements in the amount of $500,000. The City will have to contribute approximately $152,340 in matching and leverage funds. This project is the continuation of a project to upgrade all of the water lines and water service lines in the City. The first phase was funded with a Community Development Grant awarded in September 2009.

During this fiscal year the Natural Gas System's revenue exceed its expenses by $63,871. During the previous fiscal year the expenses exceed the revenues by $8,291. During the current fiscal year some personnel costs were shifted to the General Fund and the Water and Sewer Fund. Also, the transfer from Tri-County Natural Gas was $40,000 for the current fiscal and $20,000 for the previous fiscal year. Still the Natural Gas System is very vulnerable to the down turn in the economy. During the past five years the gas system has lost all of its large and medium industrial customers and some commercial customers. Since fiscal year 2006, the natural gas system has lost 60 customers or 12.10% of its customers. Also customers have become more aware of conservation measures and are utilizing those measures. An additional factor is government regulation and the increased cost of government regulation.

The natural gas system should increase its base rates; however the system could not increase the rates enough to compensate for all of the loss. The system must find ways to reduce its costs.

The management of the City of Union Point is not aware of any other currently known facts, decisions, or conditions that are expected to have a significant effect on the financial position (net assets) of the City or results of operations (revenues, expenses, and other changes in net assets) of the City.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Clerk and Treasurer, City of Union Point, P. O. Box 233, Union Point, Georgia, 30669.

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FINANCIAL STATEMENTS

CITY OF UNION POINT, GEORGIA

STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

	Primary Government			Downtown Development Authority
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	$ 569,744	$ 444,711	$ 1,014,455	$ 27,952
Certificates of deposit	-	100,000	100,000	-
Restricted cash	-	57,052	57,052	-
Restricted investments	-	124,000	124,000	-
Accounts receivables (Net of allowances for uncollectibles):				
Taxes	12,109	-	12,109	-
Accounts	12,286	64,959	77,245	2,356
Due from other governments	132,844	149,316	282,160	-
Due from component unit	2,083	-	2,083	-
Prepaid Items	14,457	10,882	25,339	-
Investment-joint venture	-	1,034,772	1,034,772	-
Capital assets:				
Nondepreciable assets	32,745	56,310	89,055	-
Depreciable assets, net	1,549,066	4,193,481	5,742,547	166,544
Total assets	2,325,334	6,235,483	8,560,817	196,852
LIABILITIES				
Accounts payable	9,086	99,367	108,453	-
Due to primary government	-	-	-	2,083
Due to other governments	-	3,848	3,848	-
Accrued expenses	13,384	6,020	19,404	-
Accrued interest	-	23,149	23,149	-
Customer deposits	-	63,860	63,860	-
Noncurrent liabilities:				
Due within one year				
Bonds payable	-	48,285	48,285	-
Notes payable	-	11,023	11,023	-
Capital leases	-	31,799	31,799	-
Compensated absences	6,918	10,169	17,087	-
Due in more than one year				
Bonds payable	-	1,072,026	1,072,026	-
Notes payable	-	346,824	346,824	-
Capital leases	-	30,269	30,269	-
Compensated absences	4,289	4,487	8,776	-
Total liabilities	33,677	1,751,126	1,784,803	2,083
NET ASSETS				
Invested in capital assets, net of related debt	1,581,811	2,709,565	4,291,376	166,544
Restricted for:				
Renewal and replacement	-	124,000	124,000	-
Capital outlay	83	-	83	-
Debt service	-	57,052	57,052	-
Unrestricted	709,763	1,593,740	2,303,503	28,225
Total net assets	$ 2,291,657	$ 4,484,357	$ 6,776,014	$ 194,769

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

CITY OF UNION POINT, GEORGIA

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Unit: Downtown Development Authority
Primary Government								
Governmental activities								
General government	$ 125,477	$ 6,224	$ -	$ -	$ (119,253)	$ -	$ (119,253)	
Judicial	40,993	18,993	-	-	(22,000)	-	(22,000)	
Public safety	550,682	-	19,344	-	(531,338)	-	(531,338)	
Public works	211,950	7,626	-	422,580	218,256	-	218,256	
Culture and recreation	55,725	-	-	-	(55,725)	-	(55,725)	
Housing and development	52,565	-	27,722	-	(24,843)	-	(24,843)	
Total governmental activities	1,037,392	32,843	47,066	422,580	(534,903)	-	(534,903)	
Business-type activities								
Water & Sewer	850,955	673,303	-	67,019	-	(110,633)	(110,633)	
Natural Gas	346,685	327,587	40,000	-	-	20,902	20,902	
Total business-type activities	1,197,640	1,000,890	40,000	67,019	-	(89,731)	(89,731)	
Total primary government	$ 2,235,032	$ 1,033,733	$ 87,066	$ 489,599	(534,903)	(89,731)	(624,634)	
Component Unit:								
Downtown Development Authority	$ 49,986	$ -	$ 45,910	$ 5,808				$ 1,732
General Revenues:								
Property taxes					198,553	-	198,553	-
Sales taxes					397,933	-	397,933	-
Business taxes					81,632	-	81,632	-
Franchise taxes					70,904	-	70,904	-
Other taxes					1,432	-	1,432	-
Investment earnings					1,988	38,307	40,295	-
Miscellaneous					14,185	8,581	22,766	1,668
Total general revenues					766,627	46,888	813,515	1,668
Transfers					(419,349)	419,349	-	-
Change in net assets					(187,625)	376,506	188,881	3,400
Net assets - beginning of year					2,479,282	4,107,851	6,587,133	191,369
Net assets - end of year					$ 2,291,657	$ 4,484,357	$ 6,776,014	$ 194,769

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

CITY OF UNION POINT, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

ASSETS	General Fund	Water Improvements CDBG	Nonmajor SPLOST 2009	Total Governmental Funds
Cash and cash equivalents	$ 564,186	$ -	$ 5,558	$ 569,744
Accounts receivables (Net of allowances for uncollectibles):				
Taxes	12,109	-	-	12,109
Accounts	12,286	-	-	12,286
Due from other funds	5,475	-	-	5,475
Due from other governments	132,844	-	-	132,844
Due from component unit	2,083	-	-	2,083
Prepaid items	14,457	-	-	14,457
Total Assets	$ 743,440	$ -	$ 5,558	$ 748,998
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 9,086	$ -	$ -	$ 9,086
Accrued expenses	13,384	-	-	13,384
Due to other funds	-	-	5,475	5,475
Deferred revenue	8,371	-	-	8,371
Total Liabilities	30,841	-	5,475	36,316
Fund Balances:				
Nonspendable	14,457	-	-	14,457
Restricted	-	-	83	83
Assigned	280,637	-	-	280,637
Unassigned	417,505	-	-	417,505
Total fund balances	712,599	-	83	712,682
Total liabilities and fund balances	$ 743,440	$ -	$ 5,558	$ 748,998

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

CITY OF UNION POINT, GEORGIA

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

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

Fund balances reported on balance sheet of governmental funds	$	712,682
Some of the government's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the governmental funds.		8,371
Long-term Liabilities		
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities both current and long-term are reported in the Statement of Net Assets. Long-term liabilities at year-end consist of the following:		
Compensated absences		(11,207)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		1,581,811
Net assets of governmental activities	$	2,291,657

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

CITY OF UNION POINT, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

	General Fund	Water Improvements CDBG	Nonmajor SPLOST 2009	Total Governmental Funds
REVENUES:				
Taxes	$ 751,636	$ -	$ -	$ 751,636
Licenses and permits	6,224	-	-	6,224
Intergovernmental	47,066	419,349	3,225	469,640
Charges for services	7,626	-	-	7,626
Fines and forfeitures	18,993	-	-	18,993
Investment income	1,988	-	6	1,994
Miscellaneous	14,185	-	-	14,185
Total revenues	847,718	419,349	3,231	1,270,298
EXPENDITURES:				
Current:				
General government	131,055	-	-	131,055
Judicial	40,990	-	-	40,990
Public safety	501,478	-	3,225	504,703
Public works	163,212	-	-	163,212
Culture and recreation	54,784	-	-	54,784
Housing and development	52,565	-	-	52,565
Capital outlay	-	419,349	-	419,349
Total Expenditures	944,084	419,349	3,225	1,366,658
Net change in fund balances	(96,366)	-	6	(96,360)
Fund balances - beginning of year	808,965	-	77	809,042
Fund balances - end of year	$ 712,599	$ -	$ 83	$ 712,682

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

CITY OF UNION POINT, 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 SEPTEMBER 30, 2011

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

Net change in fund balances - total governmental funds	$	(96,360)
Revenues		
Because some revenues will not be collected for several months after the government's fiscal year end, they are not considered available revenues and are deferred in the governmental funds. Deferred revenues decreased by this amount during the fiscal year.		(1,182)
Compensated Absences		
Compensated absences 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.		
Compensated absences		2,924
Capital Assets		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.		
Total capital outlays		61,216
Total depreciation		(154,223)
Change in net assets of governmental activities	$	(187,625)

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

CITY OF UNION POINT, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

	Budget			Variance with Final Budget
	Original	Final	Actual	Positive/(Negative)
REVENUES:				
Taxes	$ 809,677	$ 766,543	$ 751,636	$ (14,907)
Licenses and Permits	6,200	6,224	6,224	-
Intergovernmental Revenues	296,036	44,835	47,066	2,231
Charges for Services	6,020	7,627	7,626	(1)
Fines and Forfeitures	53,273	18,993	18,993	-
Investment income	6,233	2,045	1,988	(57)
Contributions and Donations	-	12,588	-	(12,588)
Miscellaneous	16,836	14,188	14,185	(3)
Total Revenues	1,194,275	873,043	847,718	(25,325)
EXPENDITURES:				
Current				
General Government:				
Governing Body	13,682	11,892	11,629	263
Financial administration	52,056	66,380	64,400	1,980
City facilities	406,581	56,637	55,026	1,611
Judicial:				
Municipal court	36,092	42,236	40,990	1,246
Public safety:				
Police	494,179	470,877	457,077	13,800
Custody of prisoners	733	-	-	-
Fire administration	48,443	45,446	44,151	1,295
Animal control	255	255	250	5
Public works:				
Highways and streets	46,517	60,624	46,622	14,002
Solid waste and recycling	64,887	64,566	62,668	1,898
Cemetery	57,524	55,558	53,922	1,636
Culture and recreation:				
Parks and recreation	39,542	40,508	39,761	747
Library	15,023	15,023	15,023	-
Housing and development:				
Protective inspection administration	332	728	705	23
Economic development and assistance	14,606	14,555	14,516	39
Code enforcement	1,083	1,643	1,344	299

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

CITY OF UNION POINT, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011
(CONTINUED)

	Budget			Variance with Final Budget
	Original	Final	Actual	Positive/(Negative)
Payments to Other Governmental Agencies:				
Downtown Development Authority	$ 36,000	$ 36,000	$ 36,000	$ -
Total Expenditures	1,327,535	982,928	944,084	38,844
Net change in fund balance	(133,260)	(109,885)	(96,366)	13,519
Fund Balance - Beginning of Year	133,260	109,885	808,965	699,080
Fund Balance - End of Year	$ -	$ -	$ 712,599	$ 712,599

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

CITY OF UNION POINT, GEORGIA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2011

	Business-type Activities - Enterprise Funds		
	Water and Sewer Fund	Natural Gas Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 280,539	$ 164,172	$ 444,711
Restricted cash	57,052	-	57,052
Certificates of Deposit	-	100,000	100,000
Restricted investments	124,000	-	124,000
Accounts receivable (net of allowance for uncollectibles)	56,596	8,363	64,959
Due from other governments	87,248	62,068	149,316
Prepaid items	7,803	3,079	10,882
Total current assets	613,238	337,682	950,920
Long-term assets:			
Investment-joint venture	-	1,034,772	1,034,772
Capital assets:			
Nondepreciable assets	56,310	-	56,310
Depreciable assets, net	4,056,556	136,925	4,193,481
Total long-term assets	4,112,866	1,171,697	5,284,563
Total assets	$ 4,726,104	$ 1,509,379	$ 6,235,483

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

CITY OF UNION POINT, GEORGIA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2011
(CONTINUED)

	Business-type Activities - Enterprise Funds		
	Water and Sewer Fund	Natural Gas Fund	Total
LIABILITIES			
Current liabilities:			
Accounts payable	$ 97,407	$ 1,960	$ 99,367
Salaries and benefits payable	4,490	1,530	6,020
Accrued interest	23,149	-	23,149
Due to other governments	45	3,803	3,848
Customer deposits	40,898	22,962	63,860
Bonds payable	48,285	-	48,285
Notes payable	11,023	-	11,023
Capital leases	-	31,799	31,799
Compensated absences	6,038	4,131	10,169
Total current liabilities	231,335	66,185	297,520
Long-term liabilities:			
Bonds payable	1,072,026	-	1,072,026
Notes payable	346,824	-	346,824
Capital leases	-	30,269	30,269
Compensated absences	2,877	1,610	4,487
Total long-term liabilities	1,421,727	31,879	1,453,606
Total liabilities	1,653,062	98,064	1,751,126
NET ASSETS			
Invested in capital assets, net of related debt	2,634,708	74,857	2,709,565
Restricted:			
Restricted for renewal and replacement	124,000	-	124,000
Restricted for debt service	57,052	-	57,052
Unrestricted	257,282	1,336,458	1,593,740
Total net assets	$ 3,073,042	$ 1,411,315	$ 4,484,357

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

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CITY OF UNION POINT, GEORGIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

	Business-type Activities - Enterprise Funds		
	Water and Sewer Fund	Natural Gas Fund	Total
Operating Revenues:			
Charges for services	$ 673,303	$ 327,587	$ 1,000,890
Miscellaneous	1,847	6,734	8,581
Total operating revenues	675,150	334,321	1,009,471
Operating Expenses:			
Personal services	296,086	105,226	401,312
Purchased/contracted services	129,692	45,103	174,795
Supplies and materials	158,049	160,111	318,160
Depreciation	198,800	19,307	218,107
Other costs	-	16,938	16,938
Total Operating Expenses	782,627	346,685	1,129,312
Operating Income (Loss)	(107,477)	(12,364)	(119,841)
Non-Operating Revenues (Expenses):			
Investment earnings	2,072	1,083	3,155
Investment income-joint venture	-	35,152	35,152
Contribution from joint venture	-	40,000	40,000
Intergovernmental revenue	67,019	-	67,019
Interest expense	(68,328)	-	(68,328)
Total Non-Operating Revenues (Expenses)	763	76,235	76,998
Net Income (Loss) before Contributions and Transfers	(106,714)	63,871	(42,843)
Capital contributions	419,349	-	419,349
Change in net assets	312,635	63,871	376,506
Net assets - beginning of year	2,760,407	1,347,444	4,107,851
Net assets - end of year	$ 3,073,042	$ 1,411,315	$ 4,484,357

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

CITY OF UNION POINT, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

	Business-type Activities - Enterprise Funds		
Cash Flows from Operating Activities:	Water and Sewer Fund	Natural Gas Fund	Total
Cash received from customers	$ 1,024,470	$ 432,962	$ 1,457,432
Cash paid to suppliers for good and services	(626,411)	(219,965)	(846,376)
Cash paid to employees	(294,528)	(109,128)	(403,656)
Net Cash Provided by (Used for) Operating Activities	103,531	103,869	207,400
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of assets	(141,125)	-	(141,125)
Principal paid on debt	(43,965)	(97,477)	(141,442)
Proceeds from grant	67,019	-	67,019
Proceeds from note issuance	23,254	-	23,254
Interest paid on debt	(70,138)	-	(70,138)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(164,955)	(97,477)	(262,432)
Cash Flows from Investing Activities:			
Contribution from joint venture	-	40,000	40,000
Interest received	2,072	1,083	3,155
Net Cash Provided by (Used for) Investing Activities	2,072	41,083	43,155
Net Increase (Decrease) in Cash and Cash Equivalents	(59,352)	47,475	(11,877)
Cash and Cash Equivalents - Beginning of Year	396,943	116,697	513,640
Cash and Cash Equivalents - End of Year	$ 337,591	$ 164,172	$ 501,763

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

CITY OF UNION POINT, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011
(CONTINUED)

	Business-type Activities - Enterprise Funds		
	Water and Sewer Fund	Natural Gas Fund	Total
Noncash Investing, Capital and Financing Activities			
Contributions of capital assets from government	$ 419,349	$ -	$ 419,349
Reconciliation of Cash Equivalents:			
Cash	$ 280,539	$ 164,172	$ 444,711
Restricted cash	57,052	-	57,052
Total Cash and Cash Equivalents	$ 337,591	$ 164,172	$ 501,763
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Operating Income (Loss)	$ (107,477)	$ (12,364)	$ (119,841)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Depreciation and amortization	198,800	19,307	218,107
Changes in Assets and Liabilities:			
(Increase) decrease in accounts receivables	10,922	1,349	12,271
(Increase) decrease in due from other governments	338,168	97,477	435,645
(Increase) decrease in prepaids	514	1,048	1,562
Increase (decrease) in accounts payable	(339,184)	1,139	(338,045)
Increase (decrease) in customer deposits	230	(185)	45
Increase (decrease) in accrued expenses	1,558	(3,902)	(2,344)
Total adjustments	211,008	116,233	327,241
Net Cash Provided by (Used for) Operating Activities	$ 103,531	$ 103,869	$ 207,400

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

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Union Point, Georgia was incorporated under the laws of the State of Georgia in 1904 and operates under a mayor-council form of government. The Mayor and a six-member council govern the City and are elected for four-year terms. The Mayor and the Council all serve on a part-time basis. The Mayor and Council appoint a City Clerk who is responsible for the daily operations of the City.

The financial statements of the City of Union Point, Georgia (the City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

In conformity with generally accepted accounting principles, as set forth in GASB Statement No. 14, *The Financial Reporting Entity*, the financial statements of the reporting entity include those of the City of Union Point, Georgia (the primary government) and its component units. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- The organization is legally separate.
- The City holds the corporate powers of the organization.
- The City appoints a voting majority of the organization's board.
- The City is able to impose its will on the organization.
- The organization has the potential to impose a financial benefit/burden on the City.
- There is a fiscal dependency by the organization on the City.

Discretely Presented Component Units – Based on the aforementioned GASB criteria, the component units' columns in the government-wide Statement of Net Assets and Statement of Activities include the financial data of the City's component unit. This unit is reported in a separate column to emphasize that it is legally separate from the City.

Downtown Development Authority of the City of Union Point, Georgia – The Downtown Development Authority's governing board is appointed by the Mayor and Council. In addition, the City funds a significant portion of the Downtown Development Authority's budget.

The Downtown Development Authority of the City of Union Point, Georgia does not issue separate financial statements. The Downtown Development Authority has a September 30 fiscal year end.

B. Basis of Presentation, Basis of Accounting

Government-wide Statements: The statement of net assets and the statement of activities report information on all the non-fiduciary activities of the primary government (the City). These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The City first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available. The City may defer the use of restricted assets based on a review of the specific transaction.

Fund Financial Statements: The fund financial statements provide information about the City's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

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

The City reports the following major governmental funds:

General Fund – This 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.

Water Improvements CDBG Fund – The Water Improvements CDBG fund accounts for the revenues and expenses associated with the improvements as part of the Water System Rehab project.

The City reports the following major enterprise funds:

Water and Sewer Fund – This fund accounts for the operation, maintenance and development of the City's water and sewer system.

Natural Gas Fund – This fund accounts for the operation, maintenance and development of the City's natural gas system.

Measurement Focus, Basis of Accounting

Government-wide and Proprietary Fund Financial Statements – The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions are transactions in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange. Non-exchange transactions include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements – Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, sales taxes, insurance premium tax, franchise taxes, licenses and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

All governmental and business-type activities and enterprise funds of the City follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. Governments also have the option of following subsequent private-sector guidance for their business type activities and enterprise funds, unless those pronouncements conflict or contradict with GASB pronouncements. The government has elected not to follow subsequent private sector guidance.

C. Budgets and Budgetary Accounting

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

1. Prior to October 1, the Treasurer and the Council Budget Committee prepare a proposed budget for the fiscal year commencing October 1.

2. The Treasurer and Council Budget Committee submit the proposed budget to the Mayor and Council.

3. Public hearings are held to obtain taxpayer's comments.

4. The budget is legally enacted through the passage of a resolution.

5. All revisions to the budget must be submitted to the City Council for approval.

6. The budget is prepared and adopted on a basis consistent with generally accepted accounting principles. An annual budget is adopted for the General Fund, Special Revenue Funds and Debt Service Funds. The legal level of control for these budgets is the department level. A project length budget is adopted for all Capital Projects Funds. An operating budget is prepared for each Enterprise Fund for planning, control, cost allocation, and evaluation purposes. Budgetary amounts are not formally integrated into the Enterprise Fund general ledgers.

7. Budgetary appropriations lapse at the end of the fiscal year.

D. Encumbrances

The City does not use encumbrance accounting; under which purchase orders, contracts and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation.

E. Deposits and Investments

Cash consists of demand and interest-bearing deposits held in banks. All deposits with financial institutions must be collateralized in an amount equal to 110% of uninsured deposits. In lieu of a surety bond, a depository of public funds may pledge as collateral any one or more of the following securities as enumerated in OCGA 50-17-59: bonds, bills certificates of indebtedness, notes, or other direct obligations of the United States, the State of Georgia, or counties or municipalities of the State of Georgia; bonds of any public authority created by Georgia law; industrial revenue bonds or bonds of development authorities; Home Loan Mortgage Corporation and Federal National Mortgage Association.

For purposes of the statement of cash flows, cash and cash equivalents include all highly liquid investments with original maturities of three months or less.

Investments consist of certificates of deposit and are recorded at cost, which approximates market value.

F. Receivables and Payables

All trade and property tax receivables are shown net of an allowance for uncollectibles, when material.

G. Property Tax Calendar

Property taxes attach as an enforceable lien on property as of January 1. City property tax revenues are recognized when levied to the extent that they result in current receivables.

Property taxes were levied on September 15, 2010. The assessed values are an approximation of market value as determined by the Greene County Tax Commissioner. Tax bills are mailed at least 60 days prior to the due date of December 31. For the fiscal year ended September 30, 2011, the collection period was September 20, 2010 to December 20, 2010.

Property taxes are recognized when they become measurable and available. "Measurable" means that the amount of the transaction can be determined and "available" means due, or past due and receivable within the current period, and collected or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after the end of the year.

When property taxes receivable are recognized, or when property taxes are collected in advance of the year for which they are levied, they are recorded as deferred revenue and recognized as revenue in the year for which they are levied, in accordance with the "available" criterion.

Taxes receivable at September 30, 2011 amounted to $24,955, the estimate of uncollectible taxes was $12,846 and deferred property tax revenue totaled $8,371.

H. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

I. Inventories

Inventories are not maintained on the books because of the immateriality of the amounts involved; therefore, disbursements for inventory are considered expenditures at the time of purchase rather than time of use.

J. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (roads, bridges, sidewalks and similar items acquired subsequent to January 1, 2004), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Property, plant and equipment with individual costs that equal to or exceed $5,000 are recorded as capital assets. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair value at the time of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, net of related interest earned, is included as part of the capitalized value of the assets constructed.

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

Asset Class	Estimated Useful Lives
Infrastructure	15-99
Buildings and improvements	20-50
Water and sewer distribution system	20-50
Vehicles	4
Furniture and fixtures	10
Equipment	10
Computer Equipment	5
Heavy Machinery	5

K. Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary fund financial statements consists of unpaid, accumulated annual vacation. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. Governmental activities compensated absences balances are liquidated through the General Fund.

L. Restricted Assets

Certain proceeds of Enterprise Fund revenue bonds, as well as certain resources set aside for the repayment of the current portion of certain long-term obligations, are classified as restricted assets. At September 30, 2011, restricted assets in the Enterprise Funds consisted of $57,052 in bond sinking funds and $124,000 in bond reserves for renewal and replacement.

M. Fund Balance

In the financial statements, governmental funds report the following classifications of fund balance in accordance with Governmental Accounting Standards Board Statement No. 54:

- Nonspendable – amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- Restricted – amounts are restricted when constraints have been placed on the use of resources by (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed – amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council. The City Council approves committed resources through a motion and vote during the voting session of City Council meetings.
- Assigned – amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The intent is expressed by the City Council.
- Unassigned – amounts that have not been assigned to other funds, and that are not restricted, committed, or assigned to specific purposes within the General Fund.

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

- Committed
- Assigned
- Unassigned

The City does not have a formal minimum fund balance policy. The following is a summary of the fund balance classifications as of September 30, 2011:

	General Fund	Water Improvements CDBG	Nonmajor Governmental	Total
Fund Balances				
Nonspendable:				
Prepaids	$ 14,457	$ -	$ -	$ 14,457
Restricted:				
Capital outlay	-	-	83	83
Assigned for:				
Perpetual care	17,607	-	-	17,607
Equipment	10,893			
Working capital	186,000			
Fund balance appropriation	66,137			
Unassigned	417,505	-	-	417,505
Total fund balances	$ 712,599	$ -	$ 83	$ 449,652

NOTE 2 – DEPOSITS AND INVESTMENTS

Custodial Credit Risk

The custodial credit risk of deposits is the risk that in the event of the failure of a bank, the government will not be able to recover deposits. The City's bank balances of deposits as of September 30, 2011 are entirely insured or collateralized with securities held by the City's agent in the City's name. State statutes require banks holding public funds to secure these funds by FDIC insurance, securities pledged at par value, and surety bonds at face value in combined aggregate totaling not less than 110 percent of the public funds held.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The City does not have a formal policy for managing interest rate risk.

Credit Quality Risk

Georgia law authorizes local governments to invest in the following types of obligations: obligations of the State of Georgia or any other states; obligations issues by the United States; obligations fully insured or guaranteed by the United States government or governmental agency; prime banker's acceptances; State of Georgia Local Government Investment Pool; repurchase agreements; and obligations of other political subdivisions of the State of Georgia.

The City does not have an investment policy that would further limit its investment choices.

Concentration of Credit Risk

There are no limits on the amounts the City may invest in any one issuer. GASB Statement 40 requires disclosure when the percentage is 5% or more in any one issuer. All of the City's investments were concentrated in certificates of deposit at the Farmers Bank at September 30, 2011.

NOTE 3 – RECEIVABLES

Receivables as of year end for the government's individual major funds, including applicable allowances for uncollectible accounts, are as follows:

Receivables:	General Fund	Water & Sewer Fund	Natural Gas Fund	Total
Accounts	$ 12,286	$ 94,362	$ 21,176	$ 127,824
Taxes	24,955	-	-	24,955
Intergovernmental	132,844	87,248	62,068	282,160
Gross receivables	170,085	181,610	83,244	434,939
Less: allowance for uncollectibles	(12,846)	(37,766)	(12,813)	(63,425)
Net total receivables	$ 157,239	$ 143,844	$ 70,431	$ 371,514

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2011 was as follows:

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Governmental activities:					
Capital assets not being depreciated:					
Land	$ 17,665	$ -	$ -	$ -	$ 17,665
Construction in progress	-	27,781	-	(12,701)	15,080
Total capital assets not being depreciated	17,665	27,781	-	(12,701)	32,745
Capital assets being depreciated:					
Infrastructure	649,587	9,585	-	-	659,172
Site improvements	242,418	-	-	-	242,418
Buildings	1,130,603	-	-	12,701	1,143,304
Equipment	393,161	419,349	14,700	(419,349)	378,461
Vehicles	795,916	23,850	-	-	819,766
Total capital assets being depreciated	3,211,685	452,784	14,700	(406,648)	3,243,121
Less Accumulated Depreciation for:					
Infrastructure	116,497	33,036	-	-	149,533
Site improvements	67,222	8,958	-	-	76,180
Buildings	475,911	23,966	-	-	499,877
Equipment	219,595	34,135	14,700	-	239,030
Vehicles	675,307	54,128	-	-	729,435
Total accumulated depreciation	1,554,532	154,223	14,700	-	1,694,055
Total capital assets being depreciated, net	1,657,153	298,561	-	(406,648)	1,549,066
Governmental activities capital assets, net	$ 1,674,818	$ 326,342	$ -	$ (419,349)	$ 1,581,811
Business-type Activities:					
Capital assets not being depreciated:					
Land	$ 22,044	$ -	$ -	$ -	$ 22,044
Site improvements	4,425	-	-	-	4,425
Construction in progress	1,177,156	114,820	-	(1,262,135)	29,841
Total capital assets not being depreciated	1,203,625	114,820	-	(1,262,135)	56,310
Capital assets being depreciated:					
Infrastructure	4,722,809	-	-	1,681,484	6,404,293
Buildings	49,723	-	-	-	49,723
Equipment	690,802	26,305	-	-	717,107
Vehicles	179,348	-	-	-	179,348
Total capital assets being depreciated	5,642,682	26,305	-	1,681,484	7,350,471
Less Accumulated Depreciation for:					
Infrastructure	2,318,228	157,058	-	-	2,475,286
Buildings	25,429	1,923	-	-	27,352
Equipment	427,927	51,149	-	-	479,076
Vehicles	167,299	7,977	-	-	175,276
Total accumulated depreciation	2,938,883	218,107	-	-	3,156,990
Total capital assets being depreciated, net	2,703,799	(191,802)	-	1,681,484	4,193,481
Business-type activities capital assets, net	$ 3,907,424	$ (76,982)	$ -	$ 419,349	$ 4,249,791

Depreciation expense for governmental activities was charged to functions as follows:

General government	$ 21,682
Public safety	74,675
Public works	56,925
Culture and recreation	941
Total governmental activities depreciation expense	$ 154,223

Depreciation expense for business-type activities was charged to functions as follows:

Water and sewer	$ 198,800
Natural gas	19,307
Total business-type activities depreciation expense	$ 218,107

Activity for the Downtown Development Authority for the fiscal year ended September 30, 2011, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Discretely presented component unit:				
Capital assets being depreciated:				
Buildings	$ 166,707	$ 7,314	$ -	$ 174,021
Total capital assets, being depreciated	166,707	7,314	-	174,021
Less accumulated depreciation for:				
Buildings	4,108	3,369	-	7,477
Total accumulated depreciation	4,108	3,369	-	7,477
Total capital assets being depreciated, net	162,599	3,945	-	166,544
Authority capital assets, net	$ 162,599	$ 3,945	$ -	$ 166,544

NOTE 5 – INTERFUND BALANCES AND ACTIVITY

At September 30, 2011, internal balances between funds of the City consisted of:

Receivable Fund:	Nonmajor Governmental	Total
Governmental funds:		
General Fund	$ 5,475	$ 5,475
Total	$ 5,475	$ 5,475

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

NOTE 6 – INVESTMENTS – JOINT VENTURE

The City is a member of a joint venture, Tri-County Natural Gas System, with the City of Greensboro, Georgia. The purpose of Tri-County Natural Gas is to acquire, construct, and operate a gas transmission line that passes through the City of Crawford, the City of Lexington and the City of Arnoldsville, all located in Oglethorpe County, the City of Crawfordville, located in Taliaferro County, and the City of Woodville located in Greene County. These cities are referred to as "Franchise Cities". The "Franchise Cities" obtain natural gas for their residents from the Tri-County Natural Gas System.

The City of Union Point, Georgia's investment in Tri-County Natural Gas System is as follows:

Investment, October 1	$ 999,620
Union Point's share of net income	35,152
Investment, September 30	$ 1,034,772

NOTE 7 – LONG-TERM DEBT

Categories of debt

Revenue bonds

The City of Union Point, Georgia has three series of bonds outstanding at September 30, 2011. The purpose of the bonds was to finance construction projects to expand existing wastewater treatment facilities.

1974 Series

Under the terms of the Bond Ordinance, the Series 1974 Bonds are secured by a pledge of and lien on the revenues of the water and sewer system. The City may, under certain terms and conditions as provided in the Bond Ordinance, issue additional parity bonds payable from the revenues and ranking on parity as to lien on such revenues with the lien thereon securing the Series 1974 Bonds.

The Series 1974 Bonds are limited obligations of the City and are payable, together with any additional bonds, solely from the revenues of the water and sewer system. The Series 1974 Bonds do not constitute a debt or a general obligation or a pledge of the faith and credit of the State of Georgia or any political subdivision thereof, including the City, and do not obligate such State or City to levy or to pledge any form of taxation for the payment of amounts due thereon; nor shall the Series 1974 Bonds constitute a charge, lien, or encumbrance, legal or equitable, upon any property of the City, except for the funds pledged to the payment thereof. The Series 1974 Bonds are not secured by a lien on the real or personal property constituting the System.

Series 1974-B – Bonds in the original amount of $260,000 bearing interest at 5.00%. Principal and interest are payable annually on January 1. This series is payable in annual installments ranging from $14,500 to $16,800.

1985 Series

Under the terms of the Bond Ordinance, the Series 1985 Bonds are secured by a pledge of and lien on the revenues of the water and sewer system. This lien is ranked in pari passu with the lien of the Series 1974 Bonds.

The Series 1985 Bonds are limited obligations of the City and are payable, together with any additional bonds, solely from the revenues of the water and sewer system. The Series 1985 Bonds do not constitute a debt or a general obligation or a pledge of the faith and credit of the State of Georgia or any political subdivision thereof, including the City, and do not obligate such State or City to levy or to pledge any form of taxation for the payment of amounts due thereon; nor shall the Series 1985 Bonds constitute a charge, lien, or encumbrance, legal or equitable, upon any property of the City, except for the funds pledged to the payment thereof. The Series 1985 Bonds are not secured by a lien on the real or personal property constituting the System.

Series 1985-A – Bonds in the original amount of $550,000 bearing interest at 7.25%. Principal and interest are payable annually on January 1. This series is payable in annual installments ranging from $41,776 to $47,661.
Series 1985-B – Bonds in the original amount of $124,000 bearing interest at 7.25%. Principal and interest are payable annually on January 1. This series is payable in annual installments ranging from $8,005 to $13,400.

2008 Series

Under the terms of the Bond Ordinance, the Series 2008 Bonds are secured by a pledge of and lien on the revenues of the water and sewer system. This lien is ranked in pari passu with the lien of the Series 1974 and 1985 Bonds.

The Series 2008 Bonds are limited obligations of the City and are payable, together with any additional bonds, solely from the revenues of the water and sewer system. The Series 2008 Bonds do not constitute a debt or a general obligation or a pledge of the faith and credit of the State of Georgia or any political subdivision thereof, including the City, and do not obligate such State or City to levy or to pledge any form of taxation for the payment of amounts due thereon; nor shall the Series 2008 Bonds constitute a charge, lien, or encumbrance, legal or equitable, upon any property of the City, except for the funds pledged to the payment thereof. The Series 2008 Bonds are not secured by a lien on the real or personal property constituting the System.

The Series 2008 Bonds were issued in the original amount of $694,000 bearing interest at 4.5%. Principal and interest are payable monthly installments of $3,151.

Notes Payable

The Water and Sewer Fund is obligated to the Georgia Environmental Facilities Authority under a note in the original amount of $378,825. The original note bore interest at 4.8% and was payable in installments of $8,893. On February 1, 2005, the note was revised to monthly payments of $2,954 and a final payment of $2,932. The note was used to finance certain water and sewer improvements.

During fiscal year 2011, the Water and Sewer Fund obtained financing from the Georgia Environmental Facilities Authority under a loan agreement in the amount of up to $1,200,000. The loan was used to finance the costs of acquiring, constructing and installing the City's sanitary sewer collection system. Upon completion of the project, GEFA will forgive 70% of each principal and interest payment due on the loan. The note bore interest at 3.0% and was payable in monthly installments. The loan was used to finance sewer system improvements.

Capital Leases

The City of Union Point, Georgia's Natural Gas Fund is a conduit for a lease for Tri-County Natural Gas System, a joint venture of the City of Union Point and the City of Greensboro. Therefore, none of the assets of the business-type activities of the City are included in assets under capital lease arrangements. The Natural Gas Fund is obligated to pay the $324,000 lease, but the City of Union Point and the City of Greensboro entered into an intergovernmental agreement that provides that Tri-County Natural Gas System will be primarily responsible for the repayment of any and all amounts accruing under the lease, and shall make payments either directly or in the form of a reimbursement to the City of Union Point. In the event that Tri-County proceeds are insufficient to pay amounts under the lease, then the City of Union Point and the City of Greensboro shall evenly split any shortfall.

During the fiscal year ended September 30, 2008, the City entered into a second capital lease as a conduit for a lease for Tri-County Natural Gas System. The Natural Gas Fund is obligated to pay the $150,000 lease, but the City of Union Point and the City of Greensboro entered into an intergovernmental agreement that provides that Tri-County Natural Gas System will be primarily responsible for the repayment of any and all amounts accruing under the lease, and shall make payments either directly or in the form of a reimbursement to the City of Union Point. In the event that Tri-County proceeds are insufficient to pay amounts under the lease, then the City of Union Point and the City of Greensboro shall evenly split any shortfall.

Future minimum lease payments at September 30, 2011 are as follows:

Fiscal year ending September 30,	Capital Lease # 2	Total
2012	$ 33,675	$ 33,675
2013	30,869	30,869
Total minimum lease payments	64,544	64,544
Less: deferred interest	(2,476)	(2,476)
Present value minimum lease payments	$ 62,068	$ 62,068

Long-term Obligation Activity

Changes in long-term obligations for the year ended September 30, 2011 are as follows:

	Beginning Balance	Increases	Decrease	Ending Balance	Due within One Year
Governmental activities:					
Compensated absences	$ 14,132	$ 12,076	$ 15,001	$ 11,207	$ 6,918
Total governmental activities	$ 14,132	$ 12,076	$ 15,001	$ 11,207	$ 6,918
Business-type activities:					
Revenue bonds					
1974-B Bonds	$ 56,000	$ -	$ 12,000	$ 44,000	$ 14,000
1985-A Bonds	382,085	-	16,000	366,085	17,000
1985-B Bonds	38,305	-	9,000	29,305	10,000
2008 Bonds	687,886	-	6,965	680,921	7,285
Notes payable	334,593	23,254	-	357,847	11,023
Capital lease obligations	159,545	-	97,477	62,068	31,799
Compensated absences	16,347	15,318	17,009	14,656	10,169
Total business-type activities	$ 1,674,761	$ 38,572	$ 158,451	$ 1,554,882	$ 101,276

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

Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2011 are as follows:

	Business-type Activities			
	Revenue Bonds		GEFA Note	
Year Ending September 30,	Principal	Interest	Principal	Interest
2012	$ 48,285	$ 61,393	$ 11,023	$ 8,823
2013	51,620	58,400	13,597	10,219
2014	51,275	55,175	14,010	9,805
2015	30,337	52,029	14,436	9,379
2016	31,720	50,050	14,875	8,940
2017-2021	200,000	215,506	81,445	37,632
2022-2026	178,691	143,148	94,608	24,469
2027-2031	78,390	110,670	109,898	9,179
2032-2036	98,153	90,907	3,955	15
2037-2041	122,899	66,161	-	-
2042-2046	153,884	35,176	-	-
2047-2049	75,057	3,706	-	-
Total	$ 1,120,311	$ 942,321	$ 357,847	$ 118,461

Capitalization of Interest

Interest costs incurred in the Water & Sewer Proprietary Fund during construction are capitalized, net of interest income from proceeds of related tax-exempt debt, as part of the cost of the related assets of the Water and Sewer Proprietary Fund. The amount capitalized for the fiscal year ended September 30, 2011 was $0.

NOTE 8 – RETIREMENT BENEFITS

Defined Benefit Pension Plan

The City established a defined benefit pension plan for full-time employees employed at least one year. The City's defined benefit pension plan, the City of Union Point Retirement Plan, provides retirement and disability benefits to plan members and beneficiaries. The plan is reported on a fiscal year ending November 1.

Plan Description

The City contributes to the City of Union Point Retirement Plan, which is a participating member in the Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer public employer plan. O.C.G.A. Section 47-5-1 et. Seq. assigns the authority to establish and amend the benefit provisions of the plans that participate in the GMEBS to the respective employer entities. For the City of Union Point Retirement Plan, that authority rests with the City of Union Point, Georgia. It is the responsibility of GMEBS to function as the investment and administrative agent for the City of Union Point, Georgia with respect to the pension plan. The GMEBS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Georgia Municipal Employee Benefits System, 201 Pryor Street, SW, Atlanta, GA 30303, or by calling (404) 688-0472. The total payroll for employees participating in the Plan as of January 1, 2011 (the most recent actuarial valuation date) was $739,893.

All employees who work twenty hours or more per week are eligible to participate after one year of service. Elected officials are not eligible to participate. The pension benefits are fully vested after 10 years in the plan. Participants become eligible to retire at age 65 with 5 years of participation in the Plan. Upon eligibility to retire, participants are entitled to an annual benefit in the amount of 1.00% to 1.75% of his/her final average earnings in excess of a breakpoint that is determined based on age. An employee may elect early retirement at age 55 provided that the employee has a minimum of 10 years total credited service. Participants who have completed 10 years of credited services are eligible to designate a beneficiary to receive death benefits.

City employees are not permitted to contribute to the Plan. The City contributes the entire cost of the Plan, using the actuarial basis described in the annual valuation report.

Plan Asset Matters and Accounting Policies

The Plan's financial statements are prepared on an accrual basis, modified to include unrealized gains or losses on marketable securities owned by the Plan and increments in cash value of death benefits.

Investments in securities are valued at current market prices. Plan assets do not include any loans, notes, bonds or other instruments or securities of the City or related parties.

Plan Membership

Retirees and beneficiaries receiving benefits	9
Terminated plan members entitled to, but not Receiving benefits	8
Active plan members	23
Total	40

Contributions

The plan is subject to the minimum funding standards of the Public Retirement System Standards Law (O.C.G.A. Section 47-20-10). The estimated minimum annual contribution under those standards is $36,774 which is 4.84% of covered payroll. The GMEBS Board of Trustees has adopted an actuarial funding policy that requires a different funding level than the estimated minimum annual contribution to minimize fluctuation in annual contribution amounts and to accumulated sufficient funds to secure benefits under the plan. The GMEBS funding policy is to contribute an amount equal to the recommended contribution each year. The recommended contribution of $36,774, which is 4.84% of covered payroll, meets the guidelines for calculating an annual required contribution as set forth is GASB 27. Administrative expenses are based on the total covered payroll of plan members and are added to the annual funding requirement.

Annual Pension Cost

The City's required and actual employer contribution was $36,774 for the plan year ended January 1, 2011. The information below was determined as part of the actuarial valuation as of January 1, 2011.

Valuation date	January 1, 2011
Actuarial cost method	Projected Unit Credit
Amortization method	Level Dollar (Closed)
Remaining amortization period	10 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.75%
Projected salary increases:	
Inflation at	3.5% per year
Merit or seniority	0.5% per year
Cost of living adjustments	0.0% per year

Net Pension Obligation

During the 1997 Plan Year, the City implemented the new GASB Statements 25 and 27. The pension liability was determined at the time of transition to these new standards in accordance with Statement No. 27. Historically, the City has always made the actuarially determined employer contribution, so that the City had no pension liability or asset at the point of transition to the new standards.

Fiscal Year Beginning	Pension Cost (APC)	Percent of APC Contributed	Pension Obligation
10/1/2010	$ 38,624	100%	$ -
10/1/2009	30,445	100%	-
10/1/2008	27,188	100%	-

Funded Status and Funding Progress

The funded status of the plan as of January 1, 2011, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/11	$ 675,708	$ 707,845	$ 32,137	95.46%	$ 739,893	4.34%

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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 a long-term perspective. Calculations are based on the substantive plan in effect as of January 1, 2011.

Defined Contribution Plan

The employees of the City may also participate in the City of Union Point Money Purchase Plan, a defined contribution pension plan established under Section 401A of the Internal Revenue Code. The plan administrator, the City of Union Point, has appointed Nationwide Retirement Solutions to provide record keeping and administrative services related to the plan. The Plan was established to provide supplemental benefits at retirement to the City's employees. All employees with 5 years of service are eligible to participate in the plan. Eligible employees are

fully vested upon admission to the plan. At December 31, 2011, there were 10 active participants and 3 terminated participants. Under the terms of the plan, the City will make a contribution to eligible participants equal to 50% of the employee's contribution to the Section 457 Deferred Compensation Plan, up to a maximum of 4% of salary. Total contributions by Union Point for 2011 were $2,152. The City's total payroll for the year ended December 31, 2011 was $664,700. Plan provisions and contribution requirements are established and may be amended by the Mayor and Council of the City of Union Point, Georgia.

NOTE 9 – RISK MANAGEMENT

The City is exposed to various risks of losses related to torts, thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for these various risks with a deductible as follows: contractor's equipment protection - $500, public official liabilities - $5,000, police professional liability - $5,000, all other risks have a deductible of $1,000.

The City participates in the Georgia Municipal Association Worker's Compensation Self Insurance Fund. The City has joined together with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency (GIRMA) for Workers' Compensation Self Insurance Fund (WCSIF), a public entity risk pool currently operating as a common risk management and insurance program for member local governments. The Georgia Municipal Association operates the risk pool.

As a part of this risk pool, the City is obligated to pay all contributions and assessments as prescribed by the pool, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the fund, and to report as promptly as possible, and in accordance with any coverage descriptions issues, 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 any investigation, settlement discussions, and all levels of litigation arising out of any claim made against the city within the scope of protection furnished by the fund.

The fund is to defend and protect the members of the funds against liability or loss as prescribed in the member governments' contracts and in accordance with the workers' compensation laws of Georgia. The fund is 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 coverage.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

During the course of normal operations of the City, various claims and lawsuits arise. The City attorney has advised that there are no potential liabilities that will impair the City's financial position as of the date of this audit report.

NOTE 11 – JOINT VENTURES

A joint venture has the following characteristics:

1. It is a legal entity that results from a contractual arrangement.
2. It is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control.
3. Participants retain an ongoing financial interest or an ongoing financial responsibility.

Northeast Georgia Regional Commission

Under Georgia law, the City, in conjunction with other cities and counties in the 12 county Northeast Georgia area is a member of the Northeast Georgia Regional Commission (the "RC") and is required to pay annual dues thereto. Membership in an RC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the RC in Georgia. The RC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RC. Separate financial statements may be obtained from the RC's administrative office at 305 Research Drive, Athens, Georgia 30610.

Greene County Development Authority

The Greene County Development Authority (the Authority) was established to develop, promote and expand for the public good and the general welfare, industry, agriculture, commerce, natural resources and vocational training and to make long range plans for the coordination of such development, promotion and expansion, within the territorial limits of Greene County, Georgia.

On April 6, 2004, the Authority and the City of Union Point, Georgia entered into an intergovernmental agreement with Greene County, Georgia, the City of Greensboro, Georgia, the City of White Plains, Georgia, the City of Siloam, Georgia, and the City of Woodville, Georgia. The agreement provides funding for the position of "Director of Economic Development" (Director). The Director will be employed by the Authority. Greene County shall provide administrative services related to payroll and employee benefits. Each joint venture member shall contribute a share of the director's expenses. The position shall have a budget which must be approved by all venture members and cannot exceed $100,000 per year. Member contributions shall be based on their relative participation in Greene County LOST funding. The agreement is for one year and renews automatically from year to year. Members can terminate their obligations on the anniversary date upon written notice at least ninety (90) days prior to the effective date. The City's share of the Director's expense was $11,600.

Complete financial statements of the Greene County Development Authority can be obtained by contacting the Authority at P.O. Box 741, Greensboro, GA 30642.

NOTE 12 – RELATED ENTITY

On September 10, 1957, the City of Union Point, Georgia entered into a cooperative agreement with the Housing Authority of the City of Union Point, Georgia (the "Housing Authority"). Under the terms of this agreement, the Housing Authority agrees to endeavor to secure a contract with the Public Housing Authority (the "PHA") for loans and annual contributions and agrees to endeavor to develop and administer one or more projects. The obligations of the parties apply only to projects aggregating not more than 200 units of low-rent housing located within the corporate limits of the City of Union Point. Under the constitution and statutes of the State of Georgia, all projects are exempt from all real and personal property taxes levied or imposed by any taxing body.

The City agrees that it will not levy or impose real or personal taxes or special assessments upon such projects or upon the Housing Authority with respect thereto as long as:

- The projects are owned by a public body or government agency,
- A contract exists between the Housing Authority and the PHA,
- Bonds issued in connection with such project are outstanding.

During such period, the Housing Authority shall make "Payments in Lieu of Taxes" in lieu of such taxes and special assessments and in payment for the public services and facilities from time to time without other cost or charge or with respect to such project. The payment in lieu of taxes shall be lower of either ten percent (10%) of the aggregate Shelter Rent actually collected but in no event to exceed the Shelter Rent charged by the Local Authority in respect to such project during the fiscal year or the amount permitted to be paid by applicable state law.

For the fiscal year ended September 30, 2011, the Authority made payments of $482 "in lieu of taxes".

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF UNION POINT, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

SCHEDULE OF FUNDING PROGRESS

Measurement 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
1/1/2011	$ 675,708	$ 707,845	$ 32,137	95.5%	$ 739,893	4.34%
1/1/2010	629,304	669,714	40,410	94.0%	794,656	5.09%
10/1/2009	583,282	656,188	72,906	88.9%	794,656	9.17%
11/1/2008	595,011	598,616	3,605	99.4%	748,900	0.48%
11/1/2007	551,443	540,452	(10,991)	102.0%	725,528	0.00%
11/1/2006	505,865	482,641	(23,224)	104.8%	654,222	0.00%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended 9/30	Annual Required Contribution	Percentage Contributed
2011	$ 38,624	100.00%
2010	30,445	100.00%
2009	27,188	109.85%

GOVERNMENTAL REPORTS

CITY OF UNION POINT, GEORGIA

SCHEDULE OF PROJECT EXPENDITURES WITH SPECIAL SALES TAX PROCEEDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

Project	Original Estimated Budget	Expenditures Prior Years	Expenditures Current Year	Total	Estimated Percentage of Completion
2009 Referendum					
Fire Protection Facilities and Equipment	$ 300,000	$ 239,279	$ 3,225	$ 242,504	81%
Total	$ 300,000	$ 239,279	$ 3,225	$ 242,504	81%

CLIFTON, LIPFORD, HARDISON & PARKER, LLC

J. Russell Lipford, Jr., CPA
Mark O. Hardison, CPA
Terry I. Parker, CPA
Christopher S. Edwards, CPA
Lynn S. Hudson, CPA
Kevin E. Lipford, CPA

Member of
American Institute of
Certified Public Accountants
Truman W. Clifton (1902-1989)

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 Mayor and Council of the
City of Union Point, 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 Point, Georgia as of and for the fiscal year ended September 30, 2011, which collectively comprise the City of Union Point, Georgia's basic financial statements and have issued our report thereon dated February 7, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City of Union Point, 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 Point, 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 City of Union Point, Georgia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Union Point, 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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

1503 Bass Road
P.O. Box 6315 Macon, Georgia 31208-6315
Phone 478-742-3313 ■ Fax 478-742-0316

www.clhp.com

468 South Houston Lake Road
Warner Robins, Georgia 31088
Phone 478-953-0125 ■ Fax 478-953-0983

Compliance and Other Matters

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

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

Macon, Georgia
February 7, 2012

