CITY OF UNION POINT, GEORGIA

AUDIT REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

CITY OF UNION POINT, GEORGIA

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CLHP

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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Union 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, 2012, 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 January 28, 2013 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
January 28, 2013

MANAGEMENT'S DISCUSSION & ANALYSIS

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 two individual governmental funds. Information on the major fund is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. The major fund is the General 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.

City of Union Point Net Assets

	Governmental Activities		Business-Type Activities		Totals	
	2011	2012	2011	2012	2011	2012
Assets						
Current assets	$ 743,523	$ 772,648	$ 769,868	$ 471,134	$1,513,391	$1,243,782
Restricted assets	-	-	181,052	181,307	181,052	181,307
Other assets	-	-	1,034,772	1,034,984	1,034,772	1,034,984
Capital assets	1,581,811	1,459,799	4,249,791	4,134,292	5,831,602	5,594,091
Total assets	2,325,334	2,232,447	6,235,483	5,821,717	8,560,817	8,054,164
Liabilities						
Current liabilities	22,470	71,207	297,520	168,653	319,990	239,860
Long-term liabilities	11,207	11,930	1,453,606	1,466,096	1,464,813	1,478,026
Total liabilities	33,677	83,137	1,751,126	1,634,749	1,784,803	1,717,886
Net assets						
Investment in capital assets, net of related debt	1,581,811	1,459,799	2,709,565	2,685,172	4,291,376	4,144,971
Restricted for:						
Renewal and replacement	-	-	124,000	124,000	124,000	124,000
Capital outlay	83	84	-	-	83	84
Debt services	-	-	57,052	57,307	57,052	57,307
Unrestricted	709,763	689,427	1,593,740	1,320,489	2,303,503	2,009,916
Total net assets	$2,291,657	$2,149,310	$4,484,357	$4,186,968	$6,776,014	$6,336,278

An additional portion of the City's net assets, $124,000 (1.96%), $57,307 (.90%), and $84 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 $57,307 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 $84 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 $142,347 or 32.37% of the total decrease in the net assets of the City.

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 $5,673 from the 2009 Public Safety Special Local Option Sales Tax Account.

Expenses. The total expense for the governmental activities is $1,028,814. The largest single expenditure activity is public safety. Public safety includes the police department and the fire department. The total public safety expense is $510,191 or 49.59% of total governmental activity expense.

Expenses exceeded total program revenues and general revenues before proceeds from sale of assets and transfers by $94,496.

Business-type Activities. Business-type activities decreased the City's net assets by $297,389.

Revenues. Water and sewer revenue was $694,626 before contributions and transfers. Natural gas revenue was $274,418. 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.

The $58,000 transfer from the General Fund to the Water and Sewer Fund was used to purchase carbon for the carbon filters at the water treatment plant.

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

Expenses. Water and sewer expense was $1,019,096. Natural gas expense was $305,552.

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, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

- The City expended $5,582 to repair a clarifier at the waste water treatment plant.

City of Union Point Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Totals	
	2011	2012	2011	2012	2011	2012
Land	$ 17,665	$ 17,665	$ 22,044	$ 22,044	$ 39,709	$ 39,709
Site Improvements	166,238	157,280	4,425	4,425	170,663	161,705
Construction in progress	15,080	-	29,841	119,266	44,921	119,266
Infrastructure	509,639	503,601	3,929,007	3,710,294	4,438,646	4,213,895
Buildings	643,427	618,932	22,371	20,448	665,798	639,380
Equipmment	139,431	107,982	238,031	257,815	377,462	365,797
Vehicles	90,331	54,339	4,072	-	94,403	54,339
Total	$ 1,581,811	$ 1,459,799	$ 4,249,791	$ 4,134,292	$ 5,831,602	$ 5,594,091

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 $1,418,851. USDA Farmers Home Administration (Rural Development) Water and Sewerage Revenue Bonds account for $1,072,026 and Georgia Environmental Facilities water and sewer loan accounts for $346,825. 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	
	2011	2012	2011	2012	2011	2012
Revenue Bonds	$ -	$ -	$ 1,120,311	$ 1,072,026	$ 1,120,311	$ 1,072,026
GEFA Loan	-	-	357,847	246,825	357,847	246,825
	$ -	$ -	$ 1,478,158	$ 1,318,851	$ 1,478,158	$ 1,318,851

During the current fiscal year, the City's total water and sewer revenue bond and loan debt decreased by $59,307.

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

Tri-County Natural Gas, a joint partnership between the City of Greensboro and the City of Union Point, is planning to extend its lines down Lake Oconee Parkway (Highway 44) for about six or seven miles. The cost will be a little more than $2,000,000. The project will be funded by each City issuing bonds for its one-half of the cost. The bonds will be issued through the Greene County

From tax year 2008 through tax year 2011, the net assessed value of property has decreased from $24,494,985 to $19,647,394 or $4,847,591 (19.79%) and the tax revenue based on the tax digest has decreased from $219,206 to $196,474 or $22,732 (10.37%). The tax mill rate has increased from 8.949 mills to 10 mills or 1.051 mills (11.74%). The reason for the reduction in the tax base and tax revenue is a loss of industry and the reduction in the property evaluations due to the current economic conditions. Tax year 2012 net assessed values decreased by $724,850 or 3.69%. The 2012 mill rate will remain at 10 mills and the reduction in tax revenue will be $7,249 or 3.69%. This is in contrast to tax year 2011.

During this fiscal year and the previous fiscal year, the Natural Gas System has experienced losses. Several factors have contributed to the losses. The gas system no longer has any large and medium industrial customers or commercial customers. Since fiscal year 2006, the natural gas system has lost 82 customers or 16.53% 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. Also former customers are seeking alternative means to heat their homes.

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.

FINANCIAL STATEMENTS

CITY OF UNION POINT, GEORGIA

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

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	$ 149,421	$ 5,438	$ 250	$ -	$ (143,733)	$ -	$ (143,733)	
Judicial	37,281	38,245	-	-	964	-	964	
Public safety	510,191	-	24,000	5,673	(480,518)	-	(480,518)	
Public works	210,765	12,525	-	-	(198,240)	-	(198,240)	
Culture and recreation	59,981	-	-	-	(59,981)	-	(59,981)	
Housing and development	61,175	-	30,644	-	(30,531)	-	(30,531)	
Total governmental activities	1,028,814	56,208	54,894	5,673	(912,039)	-	(912,039)	
Business-type activities								
Water & Sewer	1,019,096	687,244	-	-	-	(331,852)	(331,852)	
Natural Gas	305,552	248,905	20,000	-	-	(36,647)	(36,647)	
Total business-type activities	1,324,648	936,149	20,000	-	-	(368,499)	(368,499)	
Total primary government	$ 2,353,462	$ 992,357	$ 74,894	$ 5,673	(912,039)	(368,499)	(1,280,538)	
Component Unit:								
Downtown Development Authority	$ 54,200	$ 350	$ 38,831	$ -				$ (15,019)
General Revenues:								
Property taxes					217,592	-	217,592	-
Sales taxes					424,708	-	424,708	-
Business taxes					85,378	-	85,378	-
Franchise taxes					69,660	-	69,660	-
Other taxes					1,695	-	1,695	-
Investment earnings					1,188	1,414	2,602	-
Miscellaneous					17,322	11,696	29,018	12,244
Total general revenues					817,543	13,110	830,653	12,244
Proceeds from sale of assets					10,149	-	10,149	-
Transfers					(58,000)	58,000	-	-
Change in net assets					(142,347)	(297,389)	(439,736)	(2,775)
Net assets - beginning of year					2,291,657	4,484,357	6,776,014	194,769
Net assets - end of year					$ 2,149,310	$ 4,186,968	$ 6,336,278	$ 191,994

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, 2012

Amounts reported for governmental activities in the statement of net assets are different because:		
Fund balances reported on balance sheet of governmental funds	$	696,018
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.		5,423
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		(11,930)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		1,459,799
Net assets of governmental activities	$	2,149,310

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, 2012

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

Net change in fund balances - total governmental funds	$	(16,664)
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.		(2,948)
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		(723)
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		27,416
Total capital deletions		(16,080)
Total depreciation		(133,348)
Change in net assets of governmental activities	$	(142,347)

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, 2012
(CONTINUED)

	Budget			Variance with Final Budget
	Original	Final	Actual	Positive/(Negative)
Payments to Other Governmental Agencies:				
Downtown Development Authority	$ 36,000	$ 35,000	$ 35,000	$ -
Total Expenditures	954,594	933,614	900,407	33,207
Excess (deficiency) of revenues over (under) expenditures	(66,137)	(26,001)	31,186	57,187
Other Financing Sources (Uses):				
Proceeds from sale of asset	-	10,251	10,149	(102)
Transfers out	-	(58,000)	(58,000)	-
Total Other Financing Sources (Uses)	-	(47,749)	(47,851)	(102)
Net change in fund balance	(66,137)	(73,750)	(16,665)	57,085
Fund Balance - Beginning of Year	712,599	712,599	712,599	-
Fund Balance - End of Year	$ 646,462	$ 638,849	$ 695,934	$ 57,085

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

CITY OF UNION POINT, GEORGIA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2012
(CONTINUED)

	Business-type Activities - Enterprise Funds		
	Water and Sewer Fund	Natural Gas Fund	Total
LIABILITIES			
Current liabilities:			
Accounts payable	$ 73,277	$ 758	$ 74,035
Salaries and benefits payable	4,283	1,610	5,893
Accrued interest	21,156	-	21,156
Due to other funds	48,041	-	48,041
Due to other governments	-	2,198	2,198
Customer deposits	42,749	22,622	65,371
Bonds payable	51,620	-	51,620
Notes payable	13,597	-	13,597
Capital leases	-	30,269	30,269
Compensated absences	7,304	4,822	12,126
Total current liabilities	262,027	62,279	324,306
Long-term liabilities:			
Bonds payable	1,020,406	-	1,020,406
Notes payable	333,228	-	333,228
Capital leases	-	-	-
Compensated absences	3,403	1,447	4,850
Total long-term liabilities	1,357,037	1,447	1,358,484
Total liabilities	1,619,064	63,726	1,682,790
NET ASSETS			
Invested in capital assets, net of related debt	2,593,875	91,297	2,685,172
Restricted:			
Restricted for renewal and replacement	124,000	-	124,000
Restricted for debt service	57,307	-	57,307
Unrestricted	31,605	1,288,884	1,320,489
Total net assets	$ 2,806,787	$ 1,380,181	$ 4,186,968

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, 2012

	Business-type Activities - Enterprise Funds		
	Water and Sewer Fund	Natural Gas Fund	Total
Cash Flows from Operating Activities:			
Cash received from customers	$ 827,007	$ 284,836	$ 1,111,843
Cash paid to suppliers for good and services	(416,952)	(185,271)	(602,223)
Cash paid to employees	(285,079)	(107,174)	(392,253)
Net Cash Provided by (Used for) Operating Activities	124,976	(7,609)	117,367
Cash Flows from Noncapital Financing Activities:			
Transfer from General Fund	58,000	-	-
Net Cash Provided by (Used for) Noncapital Financing Activities	58,000	-	-
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of assets	(163,055)	-	(163,055)
Principal paid on debt	(59,307)	(31,799)	(91,106)
Disposal of capital asset	215	-	215
Interest paid on debt	(78,907)	-	(78,907)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(301,054)	(31,799)	(332,853)
Cash Flows from Investing Activities:			
Contribution from joint venture	-	20,000	20,000
Interest received	719	483	1,202
Net Cash Provided by (Used for) Investing Activities	719	20,483	21,202
Net Increase (Decrease) in Cash and Cash Equivalents	(117,359)	(18,925)	(194,284)
Cash and Cash Equivalents - Beginning of Year	337,591	164,172	501,763
Cash and Cash Equivalents - End of Year	$ 220,232	$ 145,247	$ 365,479

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

NOTES TO THE FINANCIAL STATEMENTS

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 fund:

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.

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.

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, 2012, restricted assets in the Enterprise Funds consisted of $57,307 in bond sinking funds and $124,000 in bond reserves for renewal and replacement.

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, 2012:

	General Fund	Nonmajor Governmental	Total
Fund Balances			
Nonspendable:			
Prepaids	$ 16,097	$ -	$ 16,097
Restricted:			
Capital outlay	-	84	84
Assigned for:			
Perpetual care	22,146	-	22,146
Equipment	4,118	-	4,118
Working capital	186,000	-	186,000
Fund balance appropriation	74,390	-	74,390
Unassigned	393,183	-	393,183
Total fund balances	$ 695,934	$ 84	$ 696,018

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, 2012 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.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2012 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	15,080	-	15,080	-	-
Total capital assets not being depreciated	32,745	-	15,080	-	17,665
Capital assets being depreciated:					
Infrastructure	659,172	27,416	-	-	686,588
Site improvements	242,418	-	-	-	242,418
Buildings	1,143,304	-	-	-	1,143,304
Equipment	378,461	-	-	-	378,461
Vehicles	819,766	-	33,193	-	786,573
Total capital assets being depreciated	3,243,121	27,416	33,193	-	3,237,344
Less Accumulated Depreciation for:					
Infrastructure	149,533	33,454	-	-	182,987
Site improvements	76,180	8,958	-	-	85,138
Buildings	499,877	24,495	-	-	524,372
Equipment	239,030	31,449	-	-	270,479
Vehicles	729,435	34,992	32,193	-	732,234
Total accumulated depreciation	1,694,055	133,348	32,193	-	1,795,210
Total capital assets being depreciated, net	1,549,066	(105,932)	1,000	-	1,442,134
Governmental activities capital assets, net	$ 1,581,811	$ (105,932)	$ 16,080	$ -	$ 1,459,799
Business-type Activities:					
Capital assets not being depreciated:					
Land	$ 22,044	$ -	$ -	$ -	$ 22,044
Site improvements	4,425	-	-	-	4,425
Construction in progress	29,841	128,634	-	(39,209)	119,266
Total capital assets not being depreciated	56,310	128,634	-	(39,209)	145,735
Capital assets being depreciated:					
Infrastructure	6,404,293	-	-	-	6,404,293
Buildings	49,723	-	-	-	49,723
Equipment	717,107	34,421	-	39,209	790,737
Vehicles	179,348	-	-	-	179,348
Total capital assets being depreciated	7,350,471	34,421	-	39,209	7,424,101
Less Accumulated Depreciation for:					
Infrastructure	2,475,286	218,713	-	-	2,693,999
Buildings	27,352	1,923	-	-	29,275
Equipment	479,076	53,846	-	-	532,922
Vehicles	175,276	4,072	-	-	179,348
Total accumulated depreciation	3,156,990	278,554	-	-	3,435,544
Total capital assets being depreciated, net	4,193,481	(244,133)	-	39,209	3,988,557
Business-type activities capital assets, net	$ 4,249,791	$ (115,499)	$ -	$ -	$ 4,134,292

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.

	Transfer In:	
Transfer Out:	Water & Sewer	Total
Governmental funds:		
General Fund	$ 58,000	$ 58,000
Total	$ 58,000	$ 58,000

Transfers are used to move unrestricted revenue to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

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	$ 1,034,772
Union Point's share of net income	212
Investment, September 30	$ 1,034,984

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, 2012. The purpose of the bonds was to finance construction projects to expand existing wastewater treatment facilities.

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.

Debt Service Requirements for Revenue Bonds and GEFA Note

Debt service requirements on the revenue bonds and GEFA note at September 30, 2012 are as follows:

	Business-type Activities			
	Revenue Bonds		GEFA Note	
Year Ending September 30,	Principal	Interest	Principal	Interest
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	34,121	47,982	15,328	8,940
2017-2021	215,300	202,331	83,922	35,155
2022-2026	143,571	131,852	97,485	21,591
2027-2031	81,995	107,065	93,172	6,061
2032-2036	102,667	86,393	-	-
2037-2041	128,551	60,509	-	-
2042-2046	160,961	28,099	-	-
2047-2049	39,908	1,045	-	-
Total	$ 1,072,026	$ 880,930	$ 346,825	$ 110,090

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, 2012 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

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, 2012. The actuarial assumptions and actuarial cost method are as follows:

Valuation date	January 1, 2012
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
10/1/2011	$ 36,774	100%	$ -
10/1/2010	38,624	100%	-
10/1/2009	30,445	100%	-

Funded Status and Funding Progress

The funded status of the plan as of January 1, 2012, 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)
1/1/12	$ 719,873	$ 760,602	$ 40,729	94.65%	$ 752,482	5.41%

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.

REQUIRED SUPPLEMENTARY INFORMATION

GOVERNMENTAL REPORTS

CLH&P 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 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, 2012, which collectively comprise the City of Union Point, Georgia's basic financial statements and have issued our report thereon dated January 28, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City of Union 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 opinions 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
January 28, 2013