

CITY OF TALLAPOOSA, GEORGIA

**Financial Statements and Supplementary Information
For the Year Ended August 31, 2010**

and

Independent Auditor's Report

City of Tallapoosa, Georgia
Annual Financial Report
For the Year Ended August 31, 2010

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City of Tallapoosa, Georgia
List of Principal Officials
August 31, 2010

<u>Name</u>	<u>Office Held</u>
William "Pete" Bridges	Mayor
Charles Worthy	City Council Member
Bill Wilson	City Council Member
Jacqueline Roberts	City Council Member
Kendall Robinson	City Council Member
Dan Pope	City Council Member
Philip Eidson	City Manager
Polly Smith	City Clerk
Donna Cain	Finance Officer



Garrett
Stephens
Thomas &
Fazio, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Ann M. Fazio	CPA	Julie M. George	CPA
Frederick G. Thomas	CPA	Heather B. Foster	CPA
Deborah W. Cooke	CPA	Audrey L. McGhee	CPA
Johanna H. Tallent	CPA	Amber E. Ash	CPA
Brandy C. Smith	CPA		

Members of Georgia Society of Certified Public Accountants
Members of American Institute of Certified Public Accountants
Members of Private Companies Practice Section, Division for CPA Firms

Independent Auditor's Report

Honorable Mayor and City Council
City of Tallapoosa, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Tallapoosa, Georgia, as of and for the year ended August 31, 2010, 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 Tallapoosa's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Tallapoosa, Georgia, as of August 31, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2010, on our consideration of City of Tallapoosa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 important for assessing the results of our audit.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Tallapoosa, 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 City Council, management, others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Ganett, Stephen, Thomas & Jazio, P.C.

December 22, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Tallapoosa, Georgia
Management's Discussion and Analysis
August 31, 2010

Our discussion and analysis of the City of Tallapoosa's financial performance provides an overview of the City's financial activities for the fiscal year ended August 31, 2010. Please read it in conjunction with the City's financial statements, which begin on page 13.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The City also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the *Statement of Net Assets*. This is the City-wide statement of position presenting information that includes all of the City's assets and liabilities with the difference 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 as a whole is improving or deteriorating. Evaluation of the overall health of the City would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of City infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities* which reports how the City's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by taxes and user charges from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, public welfare, highways and streets and culture and recreation. Business-type activities include the water system, gas system and operation of the golf course.

The City's financial reporting includes the funds of the City (primary government) and, additionally, organizations for which the City is accountable (component units). These component units operate independently or provide services directly to the citizens, though the City remains accountable for their activities. These component units are governed by a board of directors that the City Council has appointed. These organizations are reported separately from the primary government though included in the City's overall reporting entity.

The government-wide financial statements are presented on pages 13 and 14 of this report.

City of Tallapoosa, Georgia
Management's Discussion and Analysis
August 31, 2010

Fund Financial Statements

A fund is an accountable unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the form of combining statements in a later section of this report.

The City has two kinds of funds:

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the City's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-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 assist in understanding the differences between these two perspectives.

The basic governmental fund financial statements are presented on pages 15 to 17 of this report.

Proprietary funds are reported in the fund financial statements the same way the business-type activities are reported in the Statement of Net Assets and the Statement of Activities. The basic proprietary fund financial statements are presented on pages 18 to 21 of this report.

Notes to the basic financial statements

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements are on pages 22 to 44 of this report.

Other information

Major funds and component units are reported in the basic financial statements as discussed. Combining and individual statements and schedules for non-major funds are presented in a subsequent section of this report.

City of Tallapoosa, Georgia
Management's Discussion and Analysis
August 31, 2010

Financial Analysis of the City as a Whole

The City's net assets at fiscal year-end are \$14,767,260. This is a \$382,896 decrease from last year's adjusted net assets of \$15,150,156.

The following table provides a summary of the City's net assets.

Summary of Net Assets

	Governmental Activities		Business-Type Activities		Total	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Cash	\$ 1,440,894	\$ 1,772,931	\$ 1,981,618	\$ 1,983,466	\$ 3,422,512	\$ 3,756,397
Capital assets	2,603,032	2,392,419	10,279,379	10,424,142	12,882,411	12,816,561
Other assets	<u>714,546</u>	<u>935,219</u>	<u>380,741</u>	<u>438,173</u>	<u>1,095,287</u>	<u>1,373,392</u>
Total assets	<u>\$ 4,758,472</u>	<u>\$ 5,100,569</u>	<u>\$ 12,641,738</u>	<u>\$ 12,845,781</u>	<u>\$ 17,400,210</u>	<u>\$ 17,946,350</u>
Current liabilities	\$ 135,576	\$ 66,975	\$ 390,287	\$ 448,288	\$ 525,863	\$ 515,263
Long-term liabilities	<u>00</u>	<u>00</u>	<u>2,107,087</u>	<u>2,280,931</u>	<u>2,107,087</u>	<u>2,280,931</u>
Total liabilities	<u>\$ 135,576</u>	<u>\$ 66,975</u>	<u>\$ 2,497,374</u>	<u>\$ 2,729,219</u>	<u>\$ 2,632,950</u>	<u>\$ 2,796,194</u>
Net assets:						
Invested in capital assets,						
Net of related debt	\$ 2,603,032	\$ 2,392,419	\$ 7,998,449	\$ 7,978,909	\$ 10,601,481	\$ 10,371,328
Unrestricted	<u>2,019,864</u>	<u>2,641,175</u>	<u>2,145,915</u>	<u>2,137,653</u>	<u>4,165,779</u>	<u>4,778,828</u>
Total net assets	<u>\$ 4,622,896</u>	<u>\$ 5,033,594</u>	<u>\$ 10,144,364</u>	<u>\$ 10,116,562</u>	<u>\$ 14,767,260</u>	<u>\$ 15,150,156</u>

City of Tallapoosa, Georgia
Management's Discussion and Analysis
August 31, 2010

The following table provides a summary of changes in net assets.

Summary of Changes in Net Assets						
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Revenues:						
Program revenues:						
Charges for service	\$ 273,459	\$ 400,970	\$ 3,232,376	\$ 3,629,875	\$ 3,505,835	\$ 4,030,845
Operating grants and contributions	00	00	00	00	00	00
Capital grants and contributions	00	203,825	00	112,447	00	316,272
General revenues:						
Sales tax	865,364	819,283	00	00	865,364	819,293
Property taxes	793,978	797,854	00	00	793,978	797,854
Other taxes and misc.	<u>663,691</u>	<u>711,902</u>	<u>33,360</u>	<u>110,646</u>	<u>697,051</u>	<u>822,548</u>
Total revenues	<u>2,596,492</u>	<u>2,933,844</u>	<u>3,265,736</u>	<u>3,852,968</u>	<u>5,862,228</u>	<u>6,786,812</u>
Expenses:						
General government	419,605	370,065			419,605	370,065
Public safety	1,429,991	1,394,240			1,429,991	1,394,240
Highways and streets	298,565	309,316			298,565	309,316
Culture and recreation	<u>462,072</u>	<u>418,261</u>			462,072	418,261
Total	<u>2,610,233</u>	<u>2,491,882</u>				
Water and sewer			1,444,255	1,340,153	1,444,255	1,340,153
Sanitation			217,607	216,023	217,607	216,023
Gas			1,350,959	1,534,275	1,350,959	1,534,275
Golf			<u>622,070</u>	<u>654,688</u>	<u>622,070</u>	<u>654,688</u>
Total			<u>3,634,891</u>	<u>3,745,139</u>		
Total expenses					<u>6,245,124</u>	<u>6,237,021</u>
Change in net assets before transfers	(13,741)	441,962	(369,155)	107,829	(382,896)	549,791
Transfers	<u>(396,957)</u>	<u>70,120</u>	<u>396,957</u>	<u>(70,120)</u>	<u>00</u>	<u>00</u>
Change in net assets	(410,698)	512,082	27,802	37,709	(382,896)	549,791
Beginning net assets	<u>5,033,594</u>	<u>4,521,512</u>	<u>10,116,562</u>	<u>10,078,853</u>	<u>15,150,156</u>	<u>14,600,365</u>
Ending net assets	<u>\$ 4,622,896</u>	<u>\$ 5,033,594</u>	<u>\$ 10,144,364</u>	<u>\$ 10,116,562</u>	<u>\$ 14,767,260</u>	<u>\$ 15,150,156</u>

City of Tallapoosa, Georgia
Management's Discussion and Analysis
August 31, 2010

Financial Analysis of the City's Funds

Governmental funds

As discussed, governmental funds are reported in the fund statements with a short-term inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of \$1,611,428. The total ending fund balances of governmental funds show an decrease of \$638,314 over the prior year adjusted balance.

The Major Governmental Fund

The General Fund is the City's primary operating fund. The fund balance of the General Fund decreased by \$378,229 to \$699,940. Key factors contributing to this increase were revenues exceeding projections.

Proprietary funds

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status.

The Major Proprietary Funds

The water and gas systems provide services to both residential and commercial customers. The City also operates a golf course for public use.

General Fund Budgetary Highlights

The budget was approved by the Council with expenditures totaling \$2,392,900. Amendments were made to the budget during the year to total 2,389,985.

Capital Asset and Debt Administration

Capital assets

At the end of fiscal year 2010, the City had \$12,882,411 invested in a broad range of capital assets including buildings, police and fire equipment, recreation facilities, and water, sewer and gas infrastructure.

More detailed information about the City's capital assets is presented in Note 5 to the basic financial statements.

Debt

At the end of fiscal year 2010, the City had long-term debt of \$2,107,087. More detailed information about the City's debt is presented in Note 7 to the basic financial statements.

City of Tallapoosa, Georgia
Management's Discussion and Analysis
August 31, 2010

Next Year's Budget

The general fund budget for the year ending August 31, 2011 reflects expenditures of \$2,376,190. This is an approximate 4% increase over the budget for the year ended August 31, 2010.

Contacting the City's Financial Management

This financial report is designed to provide a general overview of the City's finances, comply with finance-related laws and regulations, and demonstrate the City's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the City's Finance Department at 25 E. Alabama Street, Tallapoosa, Georgia 30176.

City of Tallapoosa, Georgia
Statement of Net Assets
August 31, 2010

	Primary Government			Component
				<u>Units</u>
	Governmental	Business-Type		
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	
Assets:				
Cash	\$ 1,440,894	\$ 1,981,618	\$ 3,422,512	\$ 410,379
Receivables, net	659,433	311,104	970,537	17,805
Inventory	00	44,575	44,575	00
Other assets	55,113	25,062	80,175	00
Capital assets, non depreciable	456,132	142,816	598,948	1,886,433
Capital assets, depreciable – net	<u>2,146,900</u>	<u>10,136,563</u>	<u>12,283,463</u>	<u>1,006,492</u>
Total assets	<u>\$ 4,758,472</u>	<u>\$ 12,641,738</u>	<u>\$ 17,400,210</u>	<u>\$ 3,321,109</u>
Liabilities:				
Accounts payable	\$ 122,282	\$ 131,951	\$ 254,233	\$ 95,914
Accrued liabilities	13,294	1,223	14,517	00
Customer deposits	00	83,270	83,270	00
Long-term liabilities:				
Due within one year	00	173,843	173,843	160,000
Due in more than one year	<u>00</u>	<u>2,107,087</u>	<u>2,107,087</u>	<u>340,000</u>
Total liabilities	<u>\$ 135,576</u>	<u>\$ 2,497,374</u>	<u>\$ 2,632,950</u>	<u>\$ 595,914</u>
Net assets:				
Invested in capital assets, net of related debt	\$ 2,603,032	\$ 7,998,449	\$ 10,601,481	\$ 2,392,925
Unrestricted	<u>2,019,864</u>	<u>2,145,915</u>	<u>4,165,779</u>	<u>332,270</u>
Total net assets	<u>\$ 4,622,896</u>	<u>\$ 10,144,364</u>	<u>\$ 14,767,260</u>	<u>\$ 2,725,195</u>

See accompanying notes to financial statements.

City of Tallapoosa, Georgia
Statement of Activities
For the Year Ended August 31, 2010

Function/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 419,605	\$ 79,297	\$ 00	\$ 00	\$ (340,308)	\$ 00	\$ (340,308)	
Public safety	1,429,991	122,153	00	00	(1,307,838)	00	(1,307,838)	
Highways and streets	298,565	00	00	00	(298,565)	00	(298,565)	
Recreation and culture	462,072	72,009	00	00	(390,063)	00	(390,063)	
Public welfare	00	00	00	00	00	00	00	
Total governmental activities	2,610,233	273,459	00	00	(2,336,774)	00	(2,336,774)	
Business-type activities:								
Water and sewer	1,444,255	1,157,547	00	00	00	(286,708)	(286,708)	
Gas	1,350,959	1,559,405	00	00	00	208,446	208,446	
Golf	622,070	260,611	00	00	00	(361,459)	(361,459)	
Sanitation	217,607	254,813	00	00	00	37,206	37,206	
Total business-type activities	3,634,891	3,232,376	00	00	00	(402,515)	(402,515)	
Total primary government	\$ 6,245,124	\$ 3,505,835	\$ 00	\$ 00	(2,336,774)	(402,515)	(2,739,289)	
Component Units:								
Development Authority	\$ 00	\$ 00	\$ 00	\$ 00				\$ 00
Downtown Development Authority	4,334	00	00	3,004				(1,330)
Recreation Authority	30,813	171,893	00	00				141,080
Total component units	\$ 35,147	\$ 171,893	\$ 00	\$ 3,004				139,700
General revenues:								
Taxes:								
Property taxes levied for general purposes					793,978	00	793,978	00
Franchise taxes					294,689	00	294,689	00
Sales taxes					865,364	00	865,364	00
Insurance premium taxes					165,631	00	165,631	00
Hotel/motel taxes					15,600	00	15,600	00
Malt beverage taxes					85,526	00	85,526	00
Interest and investment earnings					32,256	27,930	60,186	882
Miscellaneous					69,989	5,430	75,419	00
Total general revenues					2,323,033	33,360	2,356,393	882
Transfers					(396,957)	396,957	00	00
Total general revenues and transfers					1,926,076	430,317	2,356,393	892
Change in net assets					(410,698)	27,802	(382,896)	140,632
Net assets-beginning					5,033,594	10,116,562	15,150,156	2,584,563
Net assets-ending					\$ 4,622,896	\$ 10,144,364	\$ 14,767,260	\$ 2,725,195

See accompanying notes to financial statements.

City of Tallapoosa, Georgia
Balance Sheet
Governmental Funds
August 31, 2010

	General Fund	SPLOST Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and equivalents	\$ 668,798	\$ 00	\$ 772,096	\$ 1,440,894
Receivables, net	172,270	00	00	172,270
Due from other funds	92,805	00	00	92,805
Receivables from other governments	<u>00</u>	<u>232,197</u>	<u>00</u>	<u>232,197</u>
Total assets	<u>\$ 933,873</u>	<u>\$ 232,197</u>	<u>\$ 772,096</u>	<u>\$ 1,938,166</u>
Liabilities				
Accounts payable	\$ 104,477	\$ 00	\$ 00	\$ 104,477
Accrued liabilities	13,294	00	00	13,294
Due to other funds	00	00	92,805	92,805
Deferred revenue	98,357	00	00	98,357
Due to other governments	<u>17,805</u>	<u>00</u>	<u>00</u>	<u>17,805</u>
Total liabilities	<u>233,933</u>	<u>00</u>	<u>92,805</u>	<u>326,738</u>
Fund Balances				
Unreserved	699,940	232,197	00	932,137
Unreserved, reported in nonmajor				
Capital projects funds	00	00	5,410	5,410
Special revenue fund	<u>00</u>	<u>00</u>	<u>673,881</u>	<u>673,881</u>
Total fund balance	<u>699,940</u>	<u>232,197</u>	<u>679,291</u>	<u>1,611,428</u>
Total liabilities and fund balances	<u>\$ 933,873</u>	<u>\$ 232,197</u>	<u>\$ 772,096</u>	

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	2,603,032
Some receivables are not available to pay for current-period expenditures and therefore are deferred in the funds	254,966
Prepaid items are not reported in the funds	55,113
Earned revenue deferred due to availability criteria is taken into income on the accrual basis government wide statement	<u>98,357</u>
Net assets of governmental activities	<u>\$ 4,622,896</u>

See accompanying notes to financial statements.

City of Tallapoosa, Georgia
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended August 31, 2010

	General Fund	SPLOST Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 1,976,695	\$ 00	\$ 15,600	\$ 1,992,295
Fees and fines	112,011	00	00	112,011
Licenses and permits	48,515	00	00	48,515
Charges for services	102,791	00	00	102,791
Intergovernmental	00	336,549	00	336,459
Interest	5,600	00	11,691	17,291
Miscellaneous	<u>64,008</u>	<u>00</u>	<u>11,861</u>	<u>75,869</u>
Total revenues	<u>2,309,620</u>	<u>336,549</u>	<u>39,152</u>	<u>2,685,321</u>
Expenditures				
Current operating:				
General government	374,804	00	6,240	381,044
Public safety	1,370,747	00	8,199	1,378,946
Highways and streets	250,714	00	00	250,714
Recreation and culture	418,192	00	7,042	425,234
Capital outlay	<u>00</u>	<u>454,527</u>	<u>36,213</u>	<u>490,740</u>
Total expenditures	<u>2,414,457</u>	<u>454,527</u>	<u>57,694</u>	<u>2,926,678</u>
Excess (deficit) of revenues over expenditures	<u>(104,837)</u>	<u>(117,978)</u>	<u>(18,542)</u>	<u>(241,357)</u>
Other financing sources (uses)				
Transfers out	<u>(273,392)</u>	<u>(114,205)</u>	<u>(9,360)</u>	<u>(396,957)</u>
Total other financing sources (uses)	<u>(273,392)</u>	<u>(114,205)</u>	<u>(9,360)</u>	<u>(396,957)</u>
Net change in fund balance	(378,229)	(232,183)	(27,902)	(638,314)
Fund balances -- beginning	<u>1,078,169</u>	<u>464,380</u>	<u>707,193</u>	<u>2,249,742</u>
Fund balances -- ending	<u>\$ 699,940</u>	<u>\$ 232,197</u>	<u>\$ 679,291</u>	<u>\$ 1,611,428</u>

See accompanying notes to financial statements.

City of Tallapoosa, Georgia
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended August 31, 2010

Net change in fund balances – total government funds \$ (638,314)

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

Revenue in the statement of activities that do not provide current
financial resources are not reported as revenue in the funds. 25,376

Governmental funds report capital outlays as expenditures while
governmental activities report depreciation expense to allocate those
expenditures over the life of the assets. This is the amount by which
depreciation exceeds capital additions in the current period.

Capital additions	\$ 376,535	
Depreciation	<u>165,922</u>	210,613

Expenditures in the governmental funds that benefit periods beyond
August 31, 2010 are reported as prepaid items in the statement of net
assets. (8,373)

Change in net assets of governmental activities. \$ (410,698)

See accompanying notes to financial statements.

City of Tallapoosa, Georgia
Statement of Net Assets
Proprietary Funds
August 31, 2010

<u>Assets</u>	<u>Business-Type Activities</u>				
	<u>Water and Sewer</u>	<u>Gas</u>	<u>(Non-major) Sanitation</u>	<u>Golf</u>	<u>Totals</u>
Current assets:					
Non-restricted assets:					
Cash	\$ 1,208,839	\$ 316,559	\$ 00	\$ 200	\$ 1,525,598
Accounts receivable (net of allowance)	112,713	67,713	19,626	5,875	205,927
Interest receivable	8781	482	00	00	9,263
Inventory	5,000	39,575	00	00	44,575
Prepaid insurance	11,645	4,282	00	5,514	21,441
Due from Tallapoosa Recreation Authority	00	00	00	95,914	95,914
Total non-restricted current assets	<u>1,346,978</u>	<u>428,611</u>	<u>19,626</u>	<u>107,503</u>	<u>1,902,718</u>
Restricted assets:					
Cash	<u>456,020</u>	<u>00</u>	<u>00</u>	<u>00</u>	<u>456,020</u>
Total restricted current assets	<u>456,020</u>	<u>00</u>	<u>00</u>	<u>00</u>	<u>456,020</u>
Total current assets	<u>1,802,998</u>	<u>428,611</u>	<u>19,626</u>	<u>107,503</u>	<u>2,358,738</u>
Capital assets:					
Property, plant and equipment	11,434,647	1,634,141	21,410	1,059,625	14,149,823
Accumulated depreciation	<u>(2,470,851)</u>	<u>(563,153)</u>	<u>(21,410)</u>	<u>(815,030)</u>	<u>(3,870,444)</u>
Total capital assets	<u>8,963,796</u>	<u>1,070,988</u>	<u>00</u>	<u>244,595</u>	<u>10,279,379</u>
Other non-current assets:					
Unamortized loan costs	<u>3,621</u>	<u>00</u>	<u>00</u>	<u>00</u>	<u>3,621</u>
Total non-current assets	<u>8,967,417</u>	<u>1,070,988</u>	<u>00</u>	<u>244,595</u>	<u>10,283,000</u>
Total assets	<u>\$ 10,770,415</u>	<u>\$ 1,499,599</u>	<u>\$ 19,626</u>	<u>\$ 352,098</u>	<u>\$ 12,641,738</u>

See accompanying notes to financial statements.

City of Tallapoosa, Georgia
Statement of Net Assets
Proprietary Funds
August 31, 2010

Business-Type Activities

<u>Liabilities</u>	<u>Water and Sewer</u>	<u>Gas</u>	<u>(Non-major) Sanitation</u>	<u>Golf</u>	<u>Totals</u>
Liabilities:					
Current liabilities payable from non-restricted current assets:					
Accounts payable	\$ 69,569	\$ 14,720	\$ 17,792	\$ 29,870	\$ 131,951
Accrued expenses	00	952	00	271	1,223
Customer deposits	25,825	57,445	00	00	83,270
Current portion of capital lease payable	00	00	00	41,855	41,855
Total current liabilities payable from non-restricted current assets	<u>95,394</u>	<u>73,117</u>	<u>17,792</u>	<u>71,996</u>	<u>258,299</u>
Current liabilities payable from restricted current assets:					
Current portion of bonds payable	131,988	00	00	00	131,988
Total current liabilities payable from restricted current assets	<u>131,988</u>	<u>00</u>	<u>00</u>	<u>00</u>	<u>131,988</u>
Total current liabilities	<u>227,382</u>	<u>73,117</u>	<u>17,792</u>	<u>71,996</u>	<u>390,287</u>
Long-term liabilities:					
Capital lease payable (less current portion)	00	00	00	43,560	43,560
Notes payable (less current portion)	2,063,527	00	00	00	2,063,527
Total long-term liabilities	<u>2,063,527</u>	<u>00</u>	<u>00</u>	<u>43,560</u>	<u>2,107,087</u>
Total liabilities	<u>2,290,909</u>	<u>73,117</u>	<u>17,792</u>	<u>115,556</u>	<u>2,497,374</u>
<u>Net Assets</u>					
Invested in capital assets, net of related debt	6,768,281	1,070,988	00	159,180	7,998,449
Unrestricted	1,711,225	355,494	1,834	77,362	2,145,915
Total net assets	<u>8,479,506</u>	<u>1,426,482</u>	<u>1,834</u>	<u>236,542</u>	<u>10,144,364</u>
Total liabilities and net assets	<u>\$ 10,770,415</u>	<u>\$ 1,499,599</u>	<u>\$ 19,626</u>	<u>\$ 352,098</u>	<u>\$ 12,641,738</u>

See accompanying notes to financial statements.

City of Tallapoosa, Georgia
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Year Ended August 31, 2010

	Water and Sewer	Gas	(Non-major) Sanitation	Golf	Totals
Operating revenues:					
Charges for services	\$ 1,157,547	\$ 1,559,405	\$ 254,813	\$ 260,611	\$ 3,232,376
Miscellaneous	<u>1,874</u>	<u>50</u>	<u>14</u>	<u>3,490</u>	<u>5,428</u>
Total operating revenues	<u>1,159,421</u>	<u>1,559,455</u>	<u>254,827</u>	<u>264,101</u>	<u>3,237,804</u>
Operating expenses:					
Salaries	241,989	285,476	00	150,822	678,287
Payroll taxes	17,898	21,189	00	11,070	50,157
Group medical insurance	25,260	33,912	00	20,425	79,597
Municipal insurance	23,910	7,426	2,923	10,051	44,310
Employee retirement	32,245	35,268	00	19,501	87,014
Telephone	6,023	2,264	811	782	9,880
Utilities	119,657	10,940	00	30,285	160,882
Office supplies	7,626	4,716	3,605	6,625	22,572
Software and data processing	2,226	809	1,079	3,118	7,232
Water purchases	520,577	00	00	00	520,577
Natural gas purchases	00	791,578	00	00	791,578
Materials	31,668	56,683	00	00	88,351
Repairs and maintenance	58,766	7,421	00	24,774	90,961
Bad debts	34,567	5,794	2,991	3,802	47,154
Travel and training	2,044	4,538	00	135	6,717
Cathodic protection	00	13,749	00	00	13,749
Samples and testing	7,685	00	00	00	7,685
Garbage contract	00	00	203,453	00	203,453
Professional fees	5,750	23,390	1,842	1,841	32,823
Vehicle gas and oil	14,824	6,771	00	16,848	38,443
Miscellaneous	5,715	5,267	903	455	12,340
Depreciation	138,827	27,904	00	54,251	220,982
Tools and small equipment	6,021	2,130	00	1,293	9,444
Chemicals	50,900	00	00	00	50,900
Greens expense	00	00	00	32,219	32,219
Concessions	00	00	00	16,367	16,367
Rent - Recreation Authority	00	00	00	158,487	158,487
Contract labor – Department of Corrections	7,182	3,292	00	39,500	49,974
Planning & development	<u>1,953</u>	<u>441</u>	<u>00</u>	<u>122</u>	<u>2,516</u>
Total operating expenses	<u>1,363,313</u>	<u>1,350,958</u>	<u>217,607</u>	<u>602,773</u>	<u>3,534,651</u>
Operating income (loss)	<u>(203,892)</u>	<u>208,497</u>	<u>37,220</u>	<u>(338,672)</u>	<u>(296,847)</u>

See accompanying notes to financial statements.

City of Tallapoosa, Georgia
Statement of Revenues, Expenses and Changes in Net Assets - continued
Proprietary Funds
For the Year Ended August 31, 2010

	<u>Water and Sewer</u>	<u>Gas</u>	<u>(Non-major) Sanitation</u>	<u>Golf</u>	<u>Totals</u>
Non-operating revenues (expenses):					
Interest revenue	\$ 21,963	\$ 5,967	\$ 00	\$ 00	\$ 27,930
Interest expense	(80,942)	00	00	(19,296)	(100,238)
Grant income	<u>00</u>	<u>00</u>	<u>00</u>	<u>00</u>	<u>00</u>
Total non-operating revenues (expenses)	<u>(58,979)</u>	<u>5,967</u>	<u>00</u>	<u>(19,296)</u>	<u>(72,308)</u>
Income (loss) before transfers	<u>(262,871)</u>	<u>214,464</u>	<u>37,220</u>	<u>(357,968)</u>	<u>(369,155)</u>
Transfer in	190,897	41,783	00	322,011	554,691
Transfer out	<u>00</u>	<u>(115,319)</u>	<u>(42,415)</u>	<u>00</u>	<u>(157,734)</u>
Total transfers in (out)	<u>190,897</u>	<u>(73,536)</u>	<u>(42,415)</u>	<u>322,011</u>	<u>396,957</u>
Change in net assets	(71,974)	140,928	(5,195)	(35,957)	27,802
Net assets beginning of year	<u>8,551,480</u>	<u>1,285,554</u>	<u>7,029</u>	<u>272,499</u>	<u>10,116,562</u>
Net assets end of year	<u>\$ 8,479,506</u>	<u>\$ 1,426,482</u>	<u>\$ 1,834</u>	<u>\$ 236,542</u>	<u>\$ 10,144,364</u>

See accompanying notes to financial statements.

City of Tallapoosa, Georgia
Statement of Cash Flows
Proprietary Funds
For the Year Ended August 31, 2010

	<u>Water</u>	<u>Gas</u>	<u>(Non-major) Sanitation</u>	<u>Golf</u>	<u>Totals</u>
Cash flows from operating activities:					
Receipts from customers	\$ 1,185,703	\$ 1,567,985	\$ 259,860	\$ 271,329	\$ 3,284,877
Payments for suppliers	(969,288)	(1,132,752)	(217,445)	(383,008)	(2,702,493)
Payments to employees	(241,989)	(285,476)	00	(150,822)	(678,287)
Net cash provided (used) by operating activities	(25,574)	149,757	42,415	(262,501)	(95,903)
Cash flows from noncapital financing activities:					
Operating subsidies and transfers to/from other funds	190,897	(73,537)	(42,415)	322,011	396,956
Net cash provided (used) by noncapital financing activities	190,897	(73,537)	(42,415)	322,011	396,956
Cash flows from capital and related financing activities:					
Purchases of capital assets	00	(76,220)	00	00	(76,220)
Principal paid on capital debt	(124,086)	00	00	(40,214)	(164,300)
Interest paid on capital debt	(80,942)	00	00	(19,296)	(100,238)
Net cash used by capital and related financing activities	(205,028)	(76,220)	00	(59,510)	(340,758)
Cash flows from investing activities:					
Interest	30,758	7,099	00	00	37,857
Net cash provided by investing activities	30,758	7,099	00	00	37,857
Net increase in cash and cash equivalents	(8,947)	7,099	00	00	(1,848)
Balances – beginning of year	1,693,806	309,460	00	200	1,983,466
Balances – end of year	\$ 1,664,859	\$ 316,559	\$ 00	\$ 200	\$ 1,981,618
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ (203,892)	\$ 208,497	\$ 37,220	\$ (338,672)	\$ (296,847)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation expense	138,827	27,904	00	54,251	220,982
Amortization expense	1,069	00	00	00	1,069
Change in assets and liabilities:					
Receivables, net	26,282	8,529	5,033	7,227	47,071
Prepaid expense	1,425	806	00	730	2,961
Inventory	00	(3,597)	00	00	(3,597)
Customer deposits	(40)	00	00	00	(40)
Accounts and other payables	10,755	(16,253)	162	16,214	10,878
Accrued expenses	00	(76,129)	00	(2,251)	(78,380)
Net cash provided (used) by operating activities	\$ (25,574)	\$ 149,757	\$ 42,415	\$ (262,501)	\$ (95,903)

See accompanying notes to financial statements.

City of Tallapoosa, Georgia
Notes to Financial Statements
August 31, 2010

Note 1. Summary of Significant Accounting Policies

The City complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the City the option of electing to apply FASB pronouncements issued after November 30, 1989. The City has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

1.A. Financial Reporting Entity

The City's financial reporting entity comprises the following:

Primary Government:	City of Tallapoosa
Discretely Presented Component Units:	Tallapoosa Development Authority Downtown Development Authority Tallapoosa Recreation Authority

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, "The Financial Reporting Entity," and includes all component units of which the City appointed a voting majority of the units' board; the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. The City Council appoints all the board members of the component units. The City's discretely presented component units do not issue separate component unit financial statements. City employees provide management and accounting assistance to all of the component units.

Both the Tallapoosa Development Authority and the Downtown Development Authority were created to promote and expand industry, welfare, and trade for the public good and welfare of the City of Tallapoosa.

The Recreation Authority was created to assist the City in providing quality recreation programs for the citizens. As discussed in Note 15 the Authority was involved in a project that expanded the public golf course of the City.

City of Tallapoosa, Georgia
Notes to Financial Statements
August 31, 2010

Note 1. Summary of Significant Accounting Policies - continued

1.A. Financial Reporting Entity – continued

Blended Component Units

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the component unit provides service entirely to the City. Currently, the City has no blended component units.

Excluded from the reporting entity: Related Organizations

Tallapoosa Housing Authority – Is considered a related organization based upon the criteria in GASB Statement No. 14. This organization has separately appointed boards and provides services to residents, generally within the geographic boundaries of the City. The City does not have the ability to exercise influences or control over their daily operations, approve budgets or provide funding and a financial benefit/burden does not exist between them. Therefore, based on the criteria above, the Tallapoosa Housing Authority is a related organization.

1.B. Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. If applicable, funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

City of Tallapoosa, Georgia
Notes to Financial Statements
August 31, 2010

Note 1. Summary of Significant Accounting Policies - continued

1.B. Basis of Presentation – continued

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

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

Capital Projects Fund

The Capital Projects Fund is used to account for resources restricted for the acquisition or construction of specific capital projects or items.

Proprietary Fund

Enterprise Fund

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

Major and Nonmajor Funds

The funds are further classified as major or nonmajor as follows:

Fund	Brief Description
Major:	
Governmental Funds:	
General	See above for description.
SPLOST Fund	Accounts for resources restricted for the acquisition or construction of specific capital projects from the Special Purpose Local Option Sales Tax.

City of Tallapoosa, Georgia
Notes to Financial Statements
August 31, 2010

Note 1. Summary of Significant Accounting Policies – continued

1.B. Basis of Presentation – continued

Proprietary Fund:

Water and Sewer Fund

Accounts for activities in providing water and sewer services to the public.

Gas Fund

Accounts for activities in providing gas utilities to the public.

Golf Fund

Accounts for the activities in operating the Municipal Golf Course.

Nonmajor:

Governmental Funds:

Special Revenue Funds:

Hotel/Motel Tax Fund

Accounts for revenues and expenditures of hotel/motel tax restricted by local ordinance for the promotion of tourism and downtown development.

Drug Forfeiture Fund

Accounts for revenues and expenditures from drug seizure activity.

Museum Fund

Accounts for specific revenue sources restricted for the museum.

Urban Development Action Grant Fund (UDAG)

Accounts for revenues and expenditures of promoting urban economic development.

Tallapoosa Community Planning Committee

Accounts for activities of the Planning Committee.

Capital Projects Funds:

CDBG

Accounts for revenues and expenditures of Community Development Block Grant Funds.

Proprietary Fund:

Sanitation Fund

Accounts for activities in providing sanitation service to the public.

City of Tallapoosa, Georgia
Notes to Financial Statements
August 31, 2010

Note 1. Summary of Significant Accounting Policies – continued

1.C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Under the modified accrual basis, the following revenue sources are considered to be susceptible to accrual: property tax, sales tax, interest and grants. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

City of Tallapoosa, Georgia
Notes to Financial Statements
August 31, 2010

Note 1. Summary of Significant Accounting Policies - continued

1.D. Assets, Liabilities, and Equity

Cash and Investments

For the purpose of the Statement of Net Assets, "cash, including time deposits" includes all demand, savings accounts, and certificates of deposits of the City. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

If any, investments are carried at fair value except for short-term U.S. Treasury obligations with a remaining maturity at the time of purchase of one year or less. Those investments are reported at amortized cost. Fair value is based on quoted market price.

Interfund Receivable and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." These amounts are eliminated in the governmental and business-type activities columns of the net assets, except for any net residual amounts due between governmental and business-type activities, which are reclassified and presented as internal balances.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include sales and use taxes, franchise taxes, grants and police fines. Business-type activities report utilities and interest earnings as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis.

Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable and interest earnings compose the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

City of Tallapoosa, Georgia
Notes to Financial Statements
August 31, 2010

Note 1. Summary of Significant Accounting Policies - continued

1.D. Assets, Liabilities, and Equity - continued

Inventories

Inventories maintained by the Water and Sewer and the Gas Funds are recorded at average cost. The cost of other consumable materials and supplies on hand are immaterial to the financial statements, and the City has therefore chosen to report these items as expenditures/expenses at the time of purchase.

Prepaid Items

On the government-wide financial statements and the fund financial statements for the proprietary funds, payments made to vendors for services that will benefit periods beyond August 31, 2009, are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expense in the year in which services are consumed. At the fund reporting level, payments for prepaid items are fully recognized as an expenditure in the year of payment.

Capital Assets

The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements all capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. The City maintains a capitalization threshold of \$5,000.

GASBS No. 34 requires the City to report and depreciate new infrastructure assets constructed after September 1, 2003. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the City. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The City is a Phase 3 entity and is not required to record infrastructure from years prior to implementation to the reporting model.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

- Buildings & improvements	25-40 years
- Vehicles, Machinery and Equipment	3-10 years
- Infrastructure	15-50 years
- Water and sewer distribution system	50-75 years
- Gas distribution system	50-75 years

City of Tallapoosa, Georgia
Notes to Financial Statements
August 31, 2010

Note 1. Summary of Significant Accounting Policies - continued

1.D. Assets, Liabilities, and Equity - continued

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Restricted Assets

Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use. The primary restricted assets are related to bond trustee accounts and utility meter deposits. When both restricted and unrestricted resources are available, City management determines when to use restricted resources first, then unrestricted resources as needed.

Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes and bonds payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

Compensated Absences

The City's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as accrued expenses in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

City of Tallapoosa, Georgia
Notes to Financial Statements
August 31, 2010

Note 1. Summary of Significant Accounting Policies - continued

1.D. Assets, Liabilities, and Equity - continued

Equity Classifications

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

1.E. Revenues, Expenditures, and Expenses

Program Revenues

Program revenues include charges paid by the recipients of the goods or services offered by the programs, grants and contributions that are restricted to meeting the operational capital requirements of a particular program.

Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. Other revenues and expenses are classified as nonoperating in the financial statements.

City of Tallapoosa, Georgia
Notes to Financial Statements
August 31, 2010

Note 1. Summary of Significant Accounting Policies - continued

1.E. Revenues, Expenditures, and Expenses - continued

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds – By Character:	Current (future classified by function)
	Debt Service
	Capital Outlay
Proprietary Fund – By Operating and Nonoperating	

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

1.F. Estimates

The preparation of the financial statements in conformity with accounting principals generally accepted in the United States, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 2. Custodial Credit Risk Related to Deposits

At August 31, 2010, the carrying amount of the City's deposits was \$3,832,893 and the bank balances were \$3,904,460. Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits might not be recovered. The state requires that all deposits with financial institutions be collateralized in an account equal to 110% of uninsured deposits. The City's deposits are fully insured or collateralized by securities held in the governments' name.

Note 3. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes were levied on October 22, 2009, and payable on December 31, 2009. The assessed value at January 1, 2009, upon which the 2009 levy was based, was \$99,522,785 (40% of the estimated market value of \$157,056,235). The rate was 7.268 mills.

City of Tallapoosa, Georgia
Notes to Financial Statements
August 31, 2010

Note 4. Interfund Transfers and Balances

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

	<u>Transfer To</u>					<u>Total</u>
	<u>General Fund</u>	<u>Water Fund</u>	<u>Gas Fund</u>	<u>Golf Fund</u>	<u>Sanitation Fund</u>	
Transfers from:						
Hotel-Motel Tax Fund	\$ 9,360	\$ 00	\$ 00	\$ 00	\$ 00	\$ 9,360
Sanitation Fund	42,415	00	00	00	00	42,415
Gas Fund	115,319	00	00	00	00	115,319
SPLOST Fund	00	72,422	41,783	00	00	114,205
General Fund	00	118,475	00	322,011	00	440,486
Totals	<u>\$ 167,094</u>	<u>\$ 190,897</u>	<u>\$ 41,783</u>	<u>\$ 322,011</u>	<u>\$ 00</u>	<u>\$ 721,785</u>

Interfund balances at August 31, 2009, consisted of the following amounts and represent charges for services or reimbursable expenses. These remaining balances resulted from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting period, and (3) payments between funds are made. The City expects to repay all interfund balances within one year.

Payable From:

UDAG
Fund

Payable to:

General Fund

\$ 92,805

City of Tallapoosa, Georgia
Notes to Financial Statements
August 31, 2010

Note 5. Capital Assets

Capital assets activity for the year ended August 31, 2010 was as follows:

	Balance at September 1, 2009	Additions	Disposals	Balance at August 31, 2010
Governmental activities:				
Non-depreciable:				
Land	\$ 456,132	\$ 00	\$ 00	\$ 456,132
Depreciable:				
Buildings and improvements	\$ 1,807,293	\$ 340,322	\$ 00	\$ 2,147,615
Machinery and equipment	709,482	36,213	00	745,695
Vehicles	478,076	00	00	478,076
Infrastructure	990,134	00	00	990,134
Totals at historical cost	<u>3,984,985</u>	<u>376,535</u>	<u>00</u>	<u>4,361,520</u>
Less accumulated depreciation:				
Buildings and improvements	884,723	58,121	00	942,844
Machinery and equipment	618,391	32,993	00	651,384
Vehicles	401,647	31,423	00	433,070
Infrastructure	143,937	43,385	00	187,322
Total accumulated depreciation	<u>2,048,698</u>	<u>165,922</u>	<u>00</u>	<u>2,214,620</u>
Governmental activities capital assets (depreciable), net	<u>\$ 1,936,287</u>	<u>\$ 210,613</u>	<u>\$ 00</u>	<u>\$ 2,146,900</u>
Business-type activities:				
Non-depreciable:				
Land	\$ 142,816	\$ 00	\$ 00	\$ 142,816
Depreciable:				
Land improvements	\$ 15,656	\$ 00	\$ 00	\$ 15,656
Water and sewer distribution system	11,324,194	00	00	11,324,194
Gas distribution system	1,322,119	76,221	00	1,398,340
Buildings	205,008	00	00	205,008
Vehicles, machinery & equipment	1,063,809	00	00	1,063,809
Totals at historical costs	<u>13,930,786</u>	<u>76,221</u>	<u>00</u>	<u>14,007,007</u>
Less accumulated depreciation:				
Land improvements	13,623	1,474	00	15,097
Water and sewer distribution system	2,228,053	134,061	00	2,362,114
Gas distribution system	328,258	19,306	00	347,564
Buildings	194,726	2,181	00	196,907
Vehicles, machinery & equipment	884,800	63,962	00	948,762
	<u>3,649,460</u>	<u>220,984</u>	<u>00</u>	<u>3,870,444</u>
Business-type capital assets (depreciable), net	<u>\$ 10,281,326</u>	<u>\$ (144,763)</u>	<u>\$ 00</u>	<u>\$ 10,136,563</u>

City of Tallapoosa, Georgia
Notes to Financial Statements
August 31, 2010

Note 5. Capital Assets - continued

Depreciation was charged to governmental activities as follows:

General government	\$ 35,115
Public safety	50,213
Highways and streets	47,157
Recreation and culture	<u>33,437</u>
 Total	 <u>\$ 165,922</u>

Note 6. Restricted Assets

The use of the proceeds from the Special Purpose Local Option Sales Tax is restricted as to use.

Note 7. Long-Term Debt - Proprietary Activities

The following is a summary of the changes in long-term debt of the proprietary funds of the City for the year ended August 31, 2010:

	Balance Sept. 1, 2009	Additions	Payments	Balance Aug. 31, 2010	Amount Due Within One Year
GEFA Loan #90-024-WQ	\$ 48,660	\$ 00	\$ 27,110	\$ 21,549	\$ 21,549
GEFA Loan #92-025	142,138	00	22,443	119,695	23,354
GEFA Loan #2000-L58-WJ	388,170	00	27,359	360,812	28,302
GEFA Loan #2005-L30-WJ	1,740,632	00	47,171	1,693,461	58,783
Capital lease – golf carts	<u>125,631</u>	<u>00</u>	<u>40,216</u>	<u>85,415</u>	<u>41,855</u>
	<u>\$ 2,445,231</u>	<u>\$ 00</u>	<u>\$ 164,299</u>	<u>\$ 2,280,932</u>	<u>\$ 173,843</u>

The following is a schedule of principal and interest requirements:

	Principal	Interest	Total
2011	\$ 173,842	\$ 112,211	\$ 286,053
2012	158,358	105,420	263,778
2013	119,572	77,220	196,792
2014	124,304	72,488	196,792
2015	122,356	67,489	189,845
2016 to 2020	574,363	270,625	844,988
2021 to 2025	516,637	157,457	674,094
2026 to 2030	<u>491,500</u>	<u>45,112</u>	<u>536,612</u>
	<u>\$ 2,280,932</u>	<u>\$ 908,022</u>	<u>\$ 3,188,954</u>

City of Tallapoosa, Georgia
Notes to Financial Statements
August 31, 2010

Note 7. Long-Term Debt - Proprietary Activities - continued

Interest expensed in the current year was \$100,238.

The various bond indentures and loan agreements contain significant limitations and restrictions on annual debt service requirement maintenance of and flow of moneys through various restricted accounts, minimum amounts to be maintained in various sinking funds, and other covenants. The debt covenant requires that net income and transfers be at least 110% of debt service requirements annually. However, the City has chosen to fund debt service accounts to compensate for the years in which the requirements are not met.

Georgia Environmental Facilities Authority (GEFA)

The City has obtained GEFA loans for various water projects.

GEFA Loan #90-024

The original amount of the loan was \$306,990. The following is a schedule of debt service requirements to maturity:

Year Ending <u>August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ <u>21,549</u>	\$ <u>729</u>	\$ <u>22,275</u>

GEFA Loan #92-025

The original amount of the loan was \$381,393. The following is a schedule of debt service requirements for the next five years and to maturity:

Year Ending <u>August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 23,354	\$ 4,440	\$ 27,794
2012	24,302	3,492	27,794
2013	25,289	2,505	27,794
2014	26,315	1,479	27,794
2015	<u>20,435</u>	<u>412</u>	<u>20,847</u>
	<u>\$ 119,695</u>	<u>\$ 12,328</u>	<u>\$ 132,023</u>

City of Tallapoosa, Georgia
Notes to Financial Statements
August 31, 2010

Note 7. Long-Term Debt - Proprietary Activities - continued

GEFA Loan # 2000-L58-WJ

The original amount of the loan was \$581,790. The following is a schedule of debt service requirements for the next five years and to maturity:

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 28,302	\$ 11,909	\$ 40,211
2012	29,276	10,935	40,211
2013	30,284	9,927	40,211
2014	31,327	8,884	40,211
2015	32,406	7,805	40,211
2016 to 2020	179,564	21,491	201,055
2021	<u>29,653</u>	<u>508</u>	<u>30,161</u>
	<u>\$ 360,812</u>	<u>\$ 71,459</u>	<u>\$ 432,271</u>

GEFA Loan # 2005-L30-WJ

The City has entered into a loan agreement with GEFA to finance construction of water lines and to build a storage tank. The loan allows the City to borrow up to \$2,207,000. The loan may be disbursed in one or more advances. The principal balance of the note shall bear interest at 4% until the amortization commencement date and 4.2% thereafter. After the amortization commencement date the loan shall be payable in 240 monthly installments. As of August 31, 2010 the City had borrowed \$1,740,632 under the loan agreement.

Based on the amount drawn to August 31, 2010, the following is a schedule of debt service requirements for the next five years and to maturity.

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 58,783	\$ 70,004	\$ 128,787
2012	61,219	67,568	128,787
2013	63,998	64,789	128,787
2014	66,661	62,126	128,787
2015	69,515	59,272	128,787
2016 to 2020	394,799	249,134	643,933
2021 to 2025	486,985	156,948	643,933
2026 to 2030	<u>491,501</u>	<u>45,111</u>	<u>536,612</u>
	<u>\$ 1,693,461</u>	<u>\$ 774,952</u>	<u>\$ 2,468,413</u>

City of Tallapoosa, Georgia
Notes to Financial Statements
August 31, 2010

Note 7. Long-Term Debt - Proprietary Activities - continued

Capital Lease Obligations

The City has entered into capital lease agreements for the acquisition of various equipment. Future minimum lease payments are as follows:

Year Ending August 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 41,855	\$ 25,132	\$ 66,987
2012	<u>43,560</u>	<u>23,427</u>	<u>66,987</u>
	<u>\$ 85,415</u>	<u>\$ 48,559</u>	<u>\$ 133,974</u>

Equipment held under the capital leases at August 31, 2010 totaled \$210,845.

Note 8. Budget Violations/Deficit Fund Balances

The general fund expenditures were more than budgeted appropriations by \$24,472. The following department's expenditures exceeded its budget appropriations by more than three percent.

Administration	\$ 17,456
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The nonmajor governmental funds expenditures that were more than budgeted were as follows.

Drug Forfeiture Fund	\$ 22,432
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Note 9. Economic Dependency

A significant portion of the water and gas funds service revenues are dependent on the business activity levels of commercial users.

Note 10. Retirement Plan

Plan Description

The City contributes to the Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for cities in the State of Georgia. This is a defined benefit pension plan. This plan has a stand-alone financial report which may be obtained by writing Georgia Municipal Association, Inc. at 201 Pryor Street, SW, Atlanta, Georgia 30303. The City's payroll for employees participating in the Plan for the year ended August 31, 2010, was \$1,583,263; the City's total payroll for the year ended August 31, 2010, was \$2,000,884.

City of Tallapoosa, Georgia
Notes to Financial Statements
August 31, 2010

Note 10. Retirement Plan - continued

Plan Description - continued

All full-time City employees with one year of service are eligible to participate in the system. Benefits vest after 10 years of credited service. City employees can retire at or after age 65 with five years of credited service or after age 55 with 10 years of credited service. There is no maximum employee entry age. The benefit formula ranges from 1.25% to 2.00% of annual salary based on year of birth of the employee. An extra credit is earned for years of service. The system also provides death and disability benefits. These benefit provisions and all other requirements are established by the Georgia Municipal Employees Benefit System and the adoption agreement executed by the City.

City employees are not required to contribute to the Plan, rather the City contributed the amount necessary to fund the system, using the actuarial basis specified by the adoption agreement.

As of August 31, 2010, the current plan membership includes the following categories of participants:

Retirees and beneficiaries currently receiving benefits	18
Terminated employees entitled to benefits but not yet receiving them	9
Current active employees:	
Vested	18
Nonvested	<u>21</u>
Total membership in the plan	<u>66</u>

Plan Asset Matters and Accounting Policies

Asset Data: The Georgia Municipal Employees Benefit System has supplied all asset data used in the valuation. The market value is based on information provided by GMEBS as of two months preceding the valuation date of January 1, 2010.

Participant Data: The primary source of participant data for the current valuation is a census of all participants which was prepared by the City through GMEBS.

The System assets do not include any loans, notes, or bonds or other instruments or securities of the City or related parties.

Funding Status and Progress

The amount shown as the "actuarial accrued liability" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of the plan on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is the actuarial present value of credited projected benefits and is independent of the funding method used to determine contributions to the Plan.

City of Tallapoosa, Georgia
Notes to Financial Statements
August 31, 2010

Note 10. Retirement Plan – continued

Funding Status and Progress - continued

The "actuarial accrued liability" was computed as part of an actuarial valuation performed as of January 1, 2010. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 7.75 percent a year, (b) projected salary increases of 3.5 percent a year attributable to inflation, (c) a cost of living adjustment of 2 ½ percent, and (d) no post-retirement benefit increases.

Actuarially Determined Contribution Requirements and Contribution Made

The funding policy for the plan is to contribute an amount equal to the recommended contribution in each year. These contributions are determined under the projected unit credit actuarial cost method. The period, and related method, for amortizing the unfunded frozen actuarial accrued liability is 30 years from October 1, 1985, and current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods, if applicable, are closed for this plan year.

Contributions to the plan for 2010 of \$228,656 are made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of August 31, 2010. Contributions consist of (a) \$103,189 normal cost and (b) \$114,367 amortization of frozen actuarial accrued liabilities and (c) \$11,100 interest. The City contributes the entire amount (14.11 percent of covered payroll).

Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Historical trend information, to the extent available, is presented below:

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL) Projected Unit Credit	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	(c) Annual Covered Payroll	UAAL as a Percentage of Covered Payroll [(b - a) / c]
01/01/10	\$ 2,208,161	\$ 3,031,884	\$ 823,723	72.8%	\$ 1,583,263	52.0%
08/31/09	2,097,857	3,013,063	915,206	69.6%	1,583,263	57.8%
08/31/08	1,966,858	2,844,539	877,681	69.2%	1,620,166	54.2%
08/31/07	1,757,432	2,564,314	806,882	68.5%	1,467,701	55.0%
08/31/06	1,568,345	1,819,106	250,761	86.2%	1,373,191	18.2%
08/31/05	1,420,116	1,767,266	347,850	80.4%	1,209,501	28.7%
08/31/04	1,309,360	1,580,023	270,663	82.9%	1,106,225	24.5%
08/31/03	1,195,098	1,363,526	168,428	87.6%	1,045,075	16.1%
08/31/02	1,089,661	1,333,604	243,943	81.7%	1,075,270	22.7%
08/31/01	987,473	1,185,390	197,917	83.3%	1,078,020	18.4%

City of Tallapoosa, Georgia
Notes to Financial Statements
August 31, 2010

Note 10. Retirement Plan – continued

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
1/01/10	\$ 228,656	100%	0
8/31/09	226,703	100%	0
8/31/08	222,306	100%	0
8/31/07	196,239	100%	0
8/31/06	108,310	100%	0
8/31/05	112,401	100%	0

Note 11. Contingencies

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

In the normal course of business, the City is involved in various lawsuits. Management is of the opinion that any liability or loss in excess of insurance coverage resulting from such litigation will not have a material adverse effect on the financial statements.

Note 12. Commitments

The City has agreed to purchase a minimum of 13,690,000 gallons of water each month from the Haralson County Water Authority. At current rates, this totals \$427,128 each year. The agreement expires in 2025. Also, as discussed in Note 14, the City has entered into a contract with the Tallapoosa Recreation Authority which requires the City to make certain payments to the Authority until 2011.

Note 13. Risk Management

The City of Tallapoosa is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City joined the Georgia Interlocal Risk Management Agency on December 31, 1988. This membership allows the City to share liability, crime, motor vehicle and property damage risks.

City of Tallapoosa, Georgia
Notes to Financial Statements
August 31, 2010

Note 13. Risk Management - continued

Chapter 85 of Title 36 of the Official Code of Georgia Annotated authorizes Georgia municipalities to form interlocal risk management agencies. The Georgia Interlocal Risk Management Agency (GIRMA) is a municipal interlocal risk management agency to function as an unincorporated nonprofit instrumentality of its member municipalities – GIRMA establishes and administers one or more group self insurance funds and a risk management service to prevent or lessen the incidence and severity of casualty and property losses occurring in the operation of municipal government. GIRMA is to defend and protect in accordance with the member government contract and related coverage descriptions any member of GIRMA against liability or loss.

The City of Tallapoosa participates at all times in at least one fund which is established by GIRMA. Other responsibilities of the City are as follows:

To pay all contributions, assessments or other sums due to GIRMA at such times and in such amounts as shall be established by GIRMA.

To select a person to serve as a Member representative.

To allow GIRMA and its agents reasonable access to all facilities of the City and all records, including but not limited to financial records, which relate to the purposes of GIRMA.

To allow attorneys appointed by GIRMA to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the Fund or Funds established by GIRMA.

To assist and cooperate in the defense and settlement of claims against the City.

To furnish full cooperation to GIRMA'S attorneys, claims adjusters, Service Company, and any agent, employee, officer or independent contractor of GIRMA relating to the purposes of GIRMA.

To follow all loss reduction and prevention procedures established by GIRMA.

To furnish to GIRMA such budget, operating and underwriting information as may be requested.

To report as promptly as possible, and in accordance with any Coverage Descriptions issued, all incidents which could result in GIRMA or any Fund established by GIRMA being required to pay claim for loss or injuries to municipal property or injuries to persons or property when such loss or injury is within the scope of the protection of a Fund or Funds in which the City participates.

The City of Tallapoosa retains the first \$1,000 of each risk of loss in the form of a deductible. The City files all claims with GIRMA. GIRMA bills the City for any risk of loss up to the \$1,000 deductible.

City of Tallapoosa, Georgia
Notes to Financial Statements
August 31, 2010

Note 13. Risk Management

The City of Tallapoosa, Georgia, has joined together with other municipalities in the State as part of the Georgia Worker's 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 pool is administered by the Georgia Municipal Association (GMA).

As 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 issued, all incidents which could result in the fund being required to pay any claim of loss. The City is also to allow the pool's agents and attorneys to represent the City in investigation, settlement discussions, and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the Fund.

The Fund is to defend and protect the members of the Fund against liability or loss as prescribed in the member government's contracts, and in accordance with the worker's compensation laws of Georgia. The Fund is to pay all costs 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.

Note 14. Component Unit Disclosures

Tallapoosa Development Authority

In 1993, the Tallapoosa Development Authority purchased an industrial building, land and improvements for \$1,677,500 with grant funds from the Economic Development Administration and note proceeds from a bank.

The Development Authority has leased the building with monthly rent payments set so as to equal the amount owed as monthly payments on the bank note. At August 31, 2007, the note payable had been paid in full. The building has been vacant during the year and thus no depreciation has been added for the year.

Capital Assets

Capital assets activity for the year ended August 31, 2010, was as follows:

	Balance 9-01-09	Additions	Retirements	Balance 8-31-10
Building	\$ 1,677,500	\$ 00	\$ 00	\$ 1,677,500
Land (non-depreciable)	142,083	00	00	142,083
	1,819,583	00	00	1,819,583
Less accumulated depreciation:				
Building	671,008	00	00	671,008
	<u>\$ 1,148,575</u>	<u>\$ 00</u>	<u>\$ 00</u>	<u>\$ 1,148,575</u>

City of Tallapoosa, Georgia
Notes to Financial Statements
August 31, 2010

Note 14. Component Unit Disclosures – continued

Conduit Debt

The Tallapoosa Development Authority agreed to issue revenue bonds to provide financial assistance to Honda Precision Parts of Georgia, LLC for economic development. Under the arrangement, the Authority is not responsible for the payment of the debt. The debt is secured only by the cash payments agreed to be paid by Precision Parts of Georgia, LLC under a lease agreement.

The Authority has made available to the Company conduit taxable revenue bond financing in an amount not to exceed \$200,000,000.

Tallapoosa Recreation Authority

The Tallapoosa Recreation Authority is involved in a project that expanded the public golf course of the City. The Authority and the City entered into a contract that required the Authority to obtain financing for the project, acquire title to land on which the project is located, and to coordinate with the City and its agencies on the acquisition and installation of the project.

Under the contract, the City will operate the existing golf facility and the project with the assistance of the Authority as a public recreational facility. The City will collect all revenues from the existing golf facility and the project and may use such revenues for any lawful purpose. In payment of the Authority's facilities and services furnished, the City covenants and agrees that it will, to the extent necessary, levy an annual tax on all taxable property located within the boundaries of the City, at such rate or rates, as may be necessary to make the payments to the Authority for its services as called for by the contract.

The City has the right to make the payments called for by the contract from available golf course revenues or from general funds or any other lawfully available sources. The payments will equal the debt service requirements of the Authority.

Capital Assets

Capital assets activity for the year ended August 31, 2010, was as follows:

	Balance <u>9-01-09</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>8-31-10</u>
Land – non depreciable	<u>\$ 1,733,846</u>	<u>\$ 00</u>	<u>\$ 00</u>	<u>\$ 1,733,846</u>

City of Tallapoosa, Georgia
Notes to Financial Statements
August 31, 2010

Note 14. Component Unit Disclosures- continued

Tallapoosa Recreation Authority - continued

Long-Term Debt

The following is a summary of changes in the long-term debt of the Tallapoosa Recreation Authority for the year ended August 31, 2010:

	Balance <u>9-01-09</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>8-31-10</u>	Amount Due Within <u>One Year</u>
Bonds payable	<u>\$ 655,000</u>	<u>\$ 00</u>	<u>\$ 155,000</u>	<u>\$ 500,000</u>	<u>\$ 160,000</u>

Bonds Payable

In 1996, the Authority issued \$1,745,000 in revenue bonds to finance the project. The 2003 Tallapoosa Recreational Authority Refunding Revenue Bonds in the amount of \$1,355,000 were issued in August, 2003 to finance the refunding of the 1996 bond issue. The following is a schedule of principal and interest requirements:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 160,000	\$ 21,183	\$ 181,183
2012	165,000	14,543	179,543
2013	<u>175,000</u>	<u>7,612</u>	<u>182,612</u>
	<u>\$ 500,000</u>	<u>\$ 43,338</u>	<u>\$ 543,338</u>

Note 15. Joint Ventures

Under Georgia law, the City, in conjunction with other cities and counties in the area, is a member of the Coosa Valley Regional Development Center (RDC) and is required to pay annual dues thereto. During its year ended August 31, 2010, the City paid \$3,083 in such dues. Membership in an RDC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the RDC in Georgia. The RDC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RDC. Separate financial statements of the Commission are available at the offices located in Rome, Georgia.

Note 16. Hotel/Motel Tax

Beginning in February, 1998, the City began collecting a hotel/motel tax in accordance with the provisions of OCGA 48-13-51. The initial rate of 3% was increased to 5% in September, 1998. A summary of the transactions for the year ended August 31, 2010 follows:

Hotel/Motel tax collected	\$ 15,600
Disbursements and transfers	\$ 15,600

REQUIRED SUPPLEMENTARY INFORMATION

City of Tallapoosa, Georgia
 Budgetary Comparison Schedule - General Fund
 For the Year Ended August 31, 2010

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Taxes:				
Property	\$ 711,625	\$ 717,877	\$ 696,763	\$ (21,114)
Hotel/Motel	9,910	9,360	00	(9,360)
Mobile home	636	585	585	00
Vehicle	64,026	56,255	56,255	00
Intangible	6,046	3,926	3,926	00
P.I.L.O.T. (Housing Authority)	14,277	14,054	14,054	00
Franchise	383,673	294,689	294,689	00
Local option sales	656,741	638,025	643,020	4,995
Railroad equipment	1,245	1,281	1,281	00
Malt beverage	88,471	85,526	85,526	00
Insurance premium tax	165,135	165,631	165,631	00
Interest and penalties	<u>13,612</u>	<u>14,965</u>	<u>14,965</u>	<u>00</u>
	<u>2,115,397</u>	<u>2,002,174</u>	<u>1,976,695</u>	<u>(25,479)</u>
Licenses and permits:				
Business licenses	31,240	30,575	30,700	125
Insurance licenses	1,660	1,660	1,660	00
Alcoholic and beverage licenses	7,800	6,500	6,500	00
Street maintenance	5,460	3,745	3,745	00
Building permits	5,971	5,910	5,910	00
Rezoning applications	800	00	00	00
Manufactured home annual fees	<u>00</u>	<u>00</u>	<u>00</u>	<u>00</u>
	<u>52,631</u>	<u>48,390</u>	<u>48,515</u>	<u>125</u>
Intergovernmental:				
Grants	<u>17,602</u>	<u>00</u>	<u>00</u>	<u>00</u>
Charges for services:				
Recreation programs	58,900	71,518	72,009	491
Transportation trips – GA DHR	15,102	15,818	15,818	00
Cemetery sales and fees	18,450	7,700	7,700	00
Other	<u>54,277</u>	<u>00</u>	<u>7,264</u>	<u>7,264</u>
	<u>146,729</u>	<u>95,036</u>	<u>102,791</u>	<u>7,755</u>
Fines and forfeitures	<u>146,403</u>	<u>103,515</u>	<u>112,011</u>	<u>8,496</u>
Interest	<u>10,397</u>	<u>6,405</u>	<u>5,600</u>	<u>(805)</u>
Other:				
Miscellaneous	<u>27,653</u>	<u>54,943</u>	<u>64,008</u>	<u>9,065</u>
Total revenues	<u>2,516,812</u>	<u>2,310,463</u>	<u>2,309,620</u>	<u>(843)</u>

See accompanying notes to budgetary comparison schedule.

City of Tallapoosa, Georgia
 Budgetary Comparison Schedule - General Fund
 For the Year Ended August 31, 2010

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
General Government:				
Administration:				
Salaries	\$ 134,231	\$ 144,114	\$ 144,113	\$ 1
Payroll taxes	10,106	10,891	10,891	00
Group medical insurance	13,751	21,688	21,689	(1)
Employee retirement	15,584	17,278	17,278	00
Travel	1,876	1,859	1,859	00
Training	3,008	1,330	1,330	00
Supplies	6,763	7,919	8,107	(188)
Public announcements	2,476	749	1,865	(1,116)
Insurance	9,044	4,772	6,508	(1,736)
Special events	65	258	3,208	(2,950)
Legal services	22,931	32,205	31,813	392
Audit	1,854	1,842	1,842	00
Planning and development	1,145	4,766	5,359	(593)
Repairs and maintenance	4,686	12,546	21,234	(8,688)
Vehicle gas and oil	986	1,090	1,242	(152)
Data processing and software	1,883	2,049	2,049	00
Rent	200	200	200	00
Membership fees	2,628	1,357	1,357	00
Professional fees	00	500	500	00
Telephone	00	00	00	00
Utilities - gas and water	3,736	2,654	2,654	00
Utilities - electricity	9,036	7,922	9,706	(1,784)
Miscellaneous	125	00	42	(42)
Contract labor	3,591	2,992	3,591	(599)
Capital outlay	<u>00</u>	<u>00</u>	<u>00</u>	<u>00</u>
	<u>249,705</u>	<u>280,981</u>	<u>298,437</u>	<u>(17,456)</u>
Mayor and Council:				
Salaries and fees	23,900	22,000	22,000	00
Insurance	5,757	3,637	3,637	00
Special events	7,696	8,916	9,223	(307)
Public announcements	00	00	00	00
Legal services	169	259	1,310	(1,051)
Audit	1,854	1,842	1,842	00
Election	00	3,817	4,154	(337)
Planning and development	300	194	194	00
Membership fees	317	110	110	00
Payroll taxes	1,828	1,683	1,683	00
Travel and training	<u>10,939</u>	<u>10,161</u>	<u>10,161</u>	<u>00</u>
	<u>52,760</u>	<u>52,619</u>	<u>54,314</u>	<u>(1,695)</u>

See accompanying notes to budgetary comparison schedule.

City of Tallapoosa, Georgia
 Budgetary Comparison Schedule - General Fund
 For the Year Ended August 31, 2010

	Original <u>Budget</u>	Amended <u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
General Government - continued:				
Other:				
Salary – janitor	\$ 11,090	\$ 10,188	\$ 10,188	\$ 00
Payroll taxes - janitor	848	779	779	00
Cemetery maintenance	877	483	501	(18)
Utilities – gas, water, electricity	370	318	318	00
Membership fees	318	110	110	00
Contract labor	3,591	2,992	3,591	(599)
Insurance	11,282	6,566	6,566	00
Capital outlay	<u>3,747</u>	<u>00</u>	<u>00</u>	<u>00</u>
	<u>32,123</u>	<u>21,436</u>	<u>22,053</u>	<u>(617)</u>
Total general government	<u>334,588</u>	<u>355,036</u>	<u>374,804</u>	<u>(19,768)</u>
Public Safety:				
Police Department:				
Salaries	729,345	730,017	730,017	00
Payroll taxes	54,033	53,962	53,962	00
Group medical insurance	69,663	88,189	88,189	00
Employee retirement	76,614	84,879	84,879	00
Travel	582	366	366	00
Training	3,208	1,355	1,355	00
Supplies	3,939	6,940	6,351	589
Miscellaneous	1,408	1,197	936	261
Insurance	42,978	41,747	42,251	(504)
Legal services	7,163	17,508	18,475	(967)
Audit	1,854	1,842	1,842	00
Repairs and maintenance	25,993	13,532	15,761	(2,229)
Vehicle gas and oil	55,955	39,298	43,618	(4,320)
Data processing and software	4,556	9,846	1,405	8,441
Planning and development	300	122	122	00
Uniforms	1,221	2,266	2,351	(85)
Service contracts	3,820	2,768	3,127	(359)
Contract labor	3,864	2,992	3,591	(599)
Witness fees	00	00	00	00
Membership fees	461	235	235	00
Telephone	9,540	6,606	6,902	(296)
Utilities - gas and water	2,270	2,958	2,958	00
Utilities - electricity	7,248	6,175	7,237	(1,062)
Capital outlay	<u>11,168</u>	<u>13,468</u>	<u>00</u>	<u>13,468</u>
	<u>1,117,183</u>	<u>1,128,268</u>	<u>1,115,930</u>	<u>12,338</u>

See accompanying notes to budgetary comparison schedule.

City of Tallapoosa, Georgia
Budgetary Comparison Schedule - General Fund
For the Year Ended August 31, 2010

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Public Safety - continued:				
Fire Department:				
Salaries	\$ 158,172	\$ 166,667	\$ 166,667	\$ 00
Payroll taxes	11,451	12,049	12,049	00
Group medical insurance	18,384	22,600	22,600	00
Employee retirement	17,437	19,530	19,530	00
Travel	00	00	00	00
Training	00	00	00	00
Supplies	1,929	1,807	1,844	(37)
Municipal insurance	12,695	10,318	10,318	00
Audit and legal	1,854	1,842	1,842	00
Repairs and maintenance	4,396	3,468	4,342	(874)
Vehicle gas and oil	7,225	7,140	7,871	(731)
Uniforms	179	1,098	1,098	00
Service contracts	222	174	174	00
Telephone	1,135	1,248	661	587
Utilities - gas and water	4,081	4,116	4,116	00
Utilities - electricity	115	00	00	00
Software and data processing	992	1,233	1,233	00
Miscellaneous	432	350	350	00
Planning and development	100	122	122	00
Capital outlay	<u>00</u>	<u>00</u>	<u>00</u>	<u>00</u>
	<u>240,799</u>	<u>253,762</u>	<u>254,817</u>	<u>(1,055)</u>
Total public safety	<u>1,357,982</u>	<u>1,382,030</u>	<u>1,370,747</u>	<u>11,283</u>
Highways and Streets:				
Salaries	67,124	64,078	64,078	00
Contract labor - Department of Corrections	3,591	2,992	3,591	(599)
Payroll taxes	4,831	4,579	4,579	00
Group medical insurance	9,523	13,276	13,276	00
Employee retirement	6,539	6,757	6,757	00
Supplies	1,896	2,333	2,351	(18)
Insurance	14,488	11,467	11,467	00
Audit and legal	1,854	1,842	1,842	00
Repairs and maintenance	3,000	3,455	4,269	(814)
Street maintenance	40,786	35,602	32,743	2,859
Lawn maintenance	676	40	40	00
Park beautification	1,295	47	290	(243)
Vehicle gas and oil	9,423	6,222	7,440	(1,218)
Signs and signals	2,288	1,772	2,158	(386)
Pipe and brick	17	00	00	00
Chemicals	10,347	6,051	6,051	00

See accompanying notes to budgetary comparison schedule.

City of Tallapoosa, Georgia
Budgetary Comparison Schedule - General Fund
For the Year Ended August 31, 2010

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Highways and Streets – continued:				
Software and data processing	\$ 992	\$ 1,079	\$ 1,079	\$ 00
Telephone	3,560	3,566	3,284	282
Utilities - electricity and gas	81,551	77,910	85,258	(7,348)
Uniforms	190	41	41	00
Miscellaneous	1,198	120	120	00
Capital outlays	<u>27,503</u>	<u>00</u>	<u>00</u>	<u>00</u>
Total highways and streets	<u>292,672</u>	<u>243,229</u>	<u>250,714</u>	<u>(7,485)</u>
Culture and Recreation:				
Library:				
Salaries	56,831	58,928	58,928	00
Payroll taxes	4,038	4,287	4,287	00
Group medical insurance	5,348	5,962	5,962	00
Employee retirement	6,212	5,246	5,246	00
Supplies	2,515	2,261	2,673	(412)
Insurance	5,757	3,643	3,643	00
Audit and legal	1,854	1,842	1,842	00
Repairs and maintenance	00	1,244	1,265	(21)
Contract labor	2,036	2,992	3,591	(599)
Telephone	4,137	4,360	4,021	339
Utilities - gas and water	2,856	2,926	2,926	00
Utilities - electricity	6,236	5,072	6,253	(1,181)
Miscellaneous	00	266	264	2
Capital outlay	<u>521</u>	<u>00</u>	<u>00</u>	<u>00</u>
	<u>98,341</u>	<u>99,029</u>	<u>100,901</u>	<u>(1,872)</u>
Museum:				
Salaries	11,549	12,676	12,676	00
Payroll taxes	847	930	930	00
Supplies	1,522	1,357	1,568	(211)
Insurance	9,409	6,522	6,520	2
Audit	1,854	1,842	1,842	00
Repairs and maintenance	1,365	00	00	00
Data processing and software	992	1,079	62	1,017)
Telephone	1,135	1,398	811	587
Utilities - gas and water	4,549	4,630	4,630	00
Utilities - electricity	6,760	7,324	7,324	00
Miscellaneous	00	794	795	(1)
Contract labor – DOC	3,591	2,992	3,591	(599)
Capital outlays	<u>00</u>	<u>00</u>	<u>00</u>	<u>00</u>
	<u>43,573</u>	<u>41,544</u>	<u>40,749</u>	<u>795</u>

See accompanying notes to budgetary comparison schedule.

City of Tallapoosa, Georgia
 Budgetary Comparison Schedule - General Fund
 For the Year Ended August 31, 2010

	Original <u>Budget</u>	Amended <u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Culture and Recreation - continued:				
Recreation:				
Salaries	\$ 89,000	\$ 88,039	\$ 88,039	\$ 00
Payroll taxes	6,807	6,715	6,715	00
Group medical insurance	00	3,558	3,558	00
Employee retirement	00	4,534	4,534	00
Travel and training	1,160	1,746	1,746	00
Supplies	2,509	2,985	2,595	390
Public announcements	503	208	208	00
Insurance	9,417	6,982	6,982	00
Audit and legal	1,854	1,842	1,842	00
Repairs and maintenance	30,427	24,464	25,251	(787)
Field maintenance	1,971	1,698	1,698	00
Swimming pool maintenance	1,040	63	62	1
Vehicle gas and oil	1,813	2,006	2,157	(151)
Chemicals	1,997	2,041	2,651	(610)
Software and data processing	993	1,176	1,176	00
Uniforms - athletic	16,897	26,866	27,491	(625)
Umpire fees	10,698	10,276	10,276	00
Tournament fees	2,526	2,665	2,665	00
League fees	63	546	546	00
Membership fees	852	815	814	1
Telephone	2,115	2,583	2,197	386
Utilities - gas and water	4,113	4,639	4,640	(1)
Utilities - electricity	11,011	8,724	10,535	(1,811)
Concessions	13,251	11,552	12,157	(605)
Planning and development	00	122	122	00
Trophies	379	998	953	45
Miscellaneous	449	00	00	00
Contract services	3,591	2,992	3,591	(599)
Capital outlays	<u>00</u>	<u>00</u>	<u>00</u>	<u>00</u>
	<u>215,436</u>	<u>220,835</u>	<u>225,201</u>	<u>(4,366)</u>
Senior Center:				
Salaries	17,192	25,890	25,890	00
Payroll taxes	1,315	1,981	1,981	00
Supplies	1,345	1,434	1,451	(17)
Insurance	6,421	3,848	3,848	00
Repairs and maintenance	750	1,400	3,569	(2,169)
Vehicle gas and oil	2,753	2,504	2,796	(292)
Software and data processing	992	1,079	1,079	00
Membership fees	317	110	110	00

See accompanying notes to budgetary comparison schedule.

City of Tallapoosa, Georgia
 Budgetary Comparison Schedule - General Fund
 For the Year Ended August 31, 2010

	Original <u>Budget</u>	Amended <u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Culture and Recreation – continued:				
Senior Center – continued:				
Utilities – telephone	\$ 153	\$ 155	\$ 154	\$ 1
Utilities - electricity	12,662	4,549	4,549	00
Utilities – gas and water	1,577	1,766	1,766	00
Miscellaneous	969	574	557	17
Contract labor	3,591	2,992	3,591	(599)
Capital putlays	<u>271</u>	<u>00</u>	<u>00</u>	<u>00</u>
	<u>50,308</u>	<u>48,282</u>	<u>51,341</u>	<u>(3,059)</u>
Total culture and recreation	<u>407,658</u>	<u>409,690</u>	<u>418,192</u>	<u>(8,502)</u>
Total expenditures	<u>2,392,900</u>	<u>2,389,985</u>	<u>2,414,457</u>	<u>(24,472)</u>
Excess of revenues over expenditures and other financing uses	123,912	(79,522)	(104,837)	(25,315)
Other financing sources (uses):				
Transfer in (out)	<u>(123,912)</u>	<u>79,522</u>	<u>(273,392)</u>	<u>(352,914)</u>
Excess of revenues and other financing sources over expenditures and other financing uses	<u>\$ 00</u>	<u>\$ 00</u>	<u>\$ (378,229)</u>	<u>\$ (378,229)</u>

Notes to Required Supplementary Information

Annual budgets are prepared by the City Manager and Finance Officer for the General Fund, Special Revenue Funds and Proprietary Funds based on requests made by various department heads and are approved by the Mayor and City Council. Prior to the budget being legally enacted through passage of an ordinance, a public hearing is held to obtain taxpayer comments. The budgets are prepared on a basis consistent with generally accepted accounting principles. Project-length budgets are prepared for capital project funds.

See accompanying notes to budgetary comparison schedule.

City of Tallapoosa, Georgia
Nonmajor Governmental Funds
Combining Balance Sheet
August 31, 2010

	Capital Projects	Special Revenue-----					
				Tallapoosa Community Planning Committee	Drug Forfeiture Fund	Hotel/ Motel Tax Fund	
	<u>CDBG</u>	<u>UDAG Fund</u>	<u>Museum</u>				<u>Totals</u>
<u>Assets</u>							
Cash	\$ 5,410	\$ 745,568	\$ 8,420	\$ 1,424	\$ 11,274	\$ 00	\$ 772,096
Total assets	<u>\$ 5,410</u>	<u>\$ 745,568</u>	<u>\$ 8,420</u>	<u>\$ 1,424</u>	<u>\$ 11,274</u>	<u>\$ 00</u>	<u>\$ 772,096</u>
<u>Liabilities and Fund Balance</u>							
Liabilities	\$ 00	\$ 92,805	\$ 00	\$ 00	\$ 00	\$ 00	\$ 92,805
Fund balance	<u>5,410</u>	<u>652,763</u>	<u>8,420</u>	<u>1,424</u>	<u>11,274</u>	<u>00</u>	<u>679,291</u>
Total liabilities and fund balance	<u>\$ 5,410</u>	<u>\$ 745,568</u>	<u>\$ 8,420</u>	<u>\$ 1,424</u>	<u>\$ 11,274</u>	<u>\$ 00</u>	<u>\$ 772,096</u>

City of Tallapoosa, Georgia
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
August 31, 2010

	Capital Projects	-----Special Revenue-----					<u>Totals</u>
		UDAG	Museum	Tallapoosa Community Planning Committee	Drug Forfeiture Fund	Hotel/ Motel Tax Fund	
	<u>CDBG</u>	<u>Fund</u>					
Revenues:							
Intergovernmental	\$ 00	\$ 00	\$ 00	\$ 00	\$ 00	\$ 00	\$ 00
Taxes	00	00	00	00	00	15,600	15,600
Miscellaneous	00	00	5,981	00	5,880	00	11,861
Interest	00	11,566	00	9	116	00	11,691
Total revenues	<u>00</u>	<u>11,566</u>	<u>5,981</u>	<u>9</u>	<u>5,996</u>	<u>15,600</u>	<u>39,152</u>
Expenditures:							
Current							
Public safety	00	00	00	00	8,199	00	8,199
Culture and recreation	00	00	7,042	00	00	00	7,042
General government	00	00	00	00	00	6,240	6,240
Capital outlay	00	00	00	00	36,213	00	36,213
Total expenditures	<u>00</u>	<u>00</u>	<u>7,042</u>	<u>00</u>	<u>44,412</u>	<u>6,240</u>	<u>57,694</u>
Excess (deficiency) of revenues over expenditures	00	11,566	(1,061)	9	(38,416)	9,360	(18,542)
Other financing uses:							
Operating transfers out	00	00	00	00	00	(9,360)	(9,360)
Excess (deficiency) of revenues over expenditures and other uses	00	11,566	(1,061)	9	(38,416)	00	(27,902)
Fund balance, beginning of year	<u>5,410</u>	<u>641,197</u>	<u>9,481</u>	<u>1,415</u>	<u>49,690</u>	<u>00</u>	<u>707,193</u>
Fund balance, end of year	<u>\$ 5,410</u>	<u>\$ 652,763</u>	<u>\$ 8,420</u>	<u>\$ 1,424</u>	<u>\$ 11,274</u>	<u>\$ 00</u>	<u>\$ 679,291</u>

OTHER SUPPLEMENTARY INFORMATION

City of Tallapoosa, Georgia
Budgetary Comparison Schedule
UDAG Fund
For the Year Ended August 31, 2010

	<u>Budget</u>	<u>Actual</u>
Revenues:		
Interest and other	\$ 27,720	\$ 11,566
Expenditures	<u>00</u>	<u>00</u>
Excess of revenues over expenditures	<u>\$ 27,720</u>	<u>\$ 11,566</u>

City of Tallapoosa, Georgia
Budgetary Comparison Schedule
Museum Fund
For the Year Ended August 31, 2010

	<u>Budget</u>	<u>Actual</u>
Revenue:		
Miscellaneous	\$ 5,705	\$ 5,981
Expenditures:		
Culture and recreation	<u>8,230</u>	<u>7,042</u>
Deficit of revenues over expenditures	<u>\$ (2,525)</u>	<u>\$ (1,061)</u>

City of Tallapoosa, Georgia
Budgetary Comparison Schedule
Tallapoosa Community Planning Committee Fund
For the Year Ended August 31, 2010

	<u>Budget</u>	<u>Actual</u>
Revenue	\$ 00	\$ 9
Expenditures	<u>00</u>	<u>00</u>
Excess of revenues over expenditures	<u>\$ 00</u>	<u>\$ 9</u>

City of Tallapoosa, Georgia
Budgetary Comparison Schedule
Drug Forfeiture Fund
For the Year Ended August 31, 2010

	<u>Budget</u>	<u>Actual</u>
Revenues:		
Interest and other	\$ 65,173	\$ 5,996
Expenditures	<u>21,980</u>	<u>44,412</u>
Excess of revenues over expenditures	<u>\$ 43,193</u>	<u>\$ (38,416)</u>

City of Tallapoosa, Georgia
Budgetary Comparison Schedule
Hotel/Motel Tax Fund
For the Year Ended August 31, 2010

	<u>Budget</u>	<u>Actual</u>
Revenues:		
Taxes	\$ 16,517	\$ 15,600
Expenditures:		
Haralson County Chamber of Commerce	<u>6,607</u>	<u>6,240</u>
Excess of revenues over expenditures	9,910	9,360
Other financing uses:		
Transfer to General Fund	<u>(9,910)</u>	<u>(9,360)</u>
Excess of revenues over expenditures and other financing uses	<u>\$ 00</u>	<u>\$ 00</u>

City of Tallapoosa, Georgia – Component Units
Combining Statement of Net Assets
August 31, 2010

	Development <u>Authority</u>	Recreation <u>Authority</u>	Downtown Development <u>Authority</u>	Total Component <u>Units</u>
<u>Assets</u>				
Cash	\$ 241,266	\$ 166,154	\$ 2,959	\$ 410,379
Accounts receivable	17,805	00	00	17,805
Capital assets, net	<u>1,148,575</u>	<u>1,733,846</u>	<u>10,504</u>	<u>2,892,925</u>
Total assets	<u>\$ 1,407,646</u>	<u>\$ 1,900,000</u>	<u>\$ 13,463</u>	<u>\$ 3,321,109</u>
<u>Liabilities</u>				
Accounts payable	\$ 00	\$ 95,914	\$ 00	\$ 95,914
Long-term liabilities:				
Due within one year	00	160,000	00	160,000
Due in more than one year	<u>00</u>	<u>340,000</u>	<u>00</u>	<u>340,000</u>
Total liabilities	<u>\$ 00</u>	<u>\$ 595,914</u>	<u>\$ 00</u>	<u>\$ 595,914</u>
<u>Net Assets</u>				
Invested in capital assets, net of related debt	\$ 1,148,575	\$ 1,233,846	\$ 10,504	\$ 2,392,925
Unrestricted	<u>259,071</u>	<u>70,240</u>	<u>2,959</u>	<u>332,270</u>
Total net assets	<u>\$ 1,407,646</u>	<u>\$ 1,304,086</u>	<u>\$ 13,463</u>	<u>\$ 2,725,195</u>

City of Tallapoosa, Georgia – Component Units
Combining Statement of Activities
For the Year Ended August 31, 2010

Functions/Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities			Total
					Development Authority	Recreation Authority	Downtown Development	
Development Authority:								
Governmental activities:								
General government	\$ 00	\$ 00	\$ 00	\$ 00	\$ 00	\$	\$	\$
Total governmental activities	00	00	00	00	00			
Recreation Authority:								
Governmental activities:								
Recreation and culture	2,788	171,893	00	00		169,105		
Interest on long-term debt	28,025	00	00	00		(28,025)		
Total governmental activities	30,813	171,893	00	00		141,080		
Downtown Development Authority:								
Governmental activities:								
General government	4,334	00	00	3,004			(1,330)	
Total governmental activities	4,334	00	00	3,004			(1,330)	
Total					00	141,080	(1,330)	139,750
General revenues:								
Interest and investment earnings					00	860	22	882
Total general revenues					00	860	22	882
Change in net assets					00	141,940	(1,308)	140,632
Net assets-beginning					1,407,646	1,162,146	14,771	2,584,563
Net assets-ending					\$ 1,407,646	\$ 1,304,086	\$ 13,463	\$ 2,725,195

City of Tallapoosa, Georgia
Schedule of CDBG Project Cost
August 31, 2010

Grant Number 02h-x-071-2-2679

<u>Project Activity</u>	<u>Activity Number</u>	<u>Approved Budget</u>	<u>Accumulated Expenditures</u>	<u>Questioned Costs</u>
Clearance	H-004-00	\$ 4,000	\$ 00	None
Rehabilitation of private properties	H-14A-01	443,300	259,800	None
Contingencies	C-022-00	20,000	00	None
Administration	A-21A-00	<u>32,700</u>	<u>29,350</u>	None
Total		<u>\$ 500,000</u>	<u>\$ 289,150</u>	

City of Tallapoosa, Georgia
Schedule of Projects Constructed with Special Purpose
Local Option Sales Tax Proceeds
For the Year Ended August 31, 2010

2009 Project Activity	Original Estimated Cost	Expenditures		Total
		Prior Years	Current Year	
Old high school – Art Center	\$ 250,000	\$ 00	\$ 57,008	\$ 57,008
Street paving, storm drainage, signs and sidewalks	100,000	00	00	00
Cemetery – paving, clean-up and new lay-out	40,000	00	00	00
Fire department	200,000	00	00	00
Recreation complex	250,000	00	00	00
Library - match (grant to expand)	65,000	00	00	00
Senior property – bank renovation and paving	40,000	00	00	00
Police department	260,000	00	00	00
Water and Sewer debt	780,000	00	96,590	96,590
Administrative buildings – Police/City Hall area	425,000	00	16,459	16,459
Recreation equipment	100,000	00	00	00
Data processing	80,000	00	00	00
Public works – vehicles	100,000	00	00	00
Equipment purchase PW (backhoe)	75,000	00	00	00
Utility expenses – water, gas and sewer	150,000	00	00	00
Grant match – TEA, ARC, CDBG	150,000	00	00	00
Municipal building repairs	40,000	00	00	00
Helton-Howland Park and drain pipes for lake	20,000	00	00	00
Economic projects	100,000	00	00	00
Capital outlay projects	100,000	00	00	00
Acquisition of property	100,000	00	00	00
Scientific and planning studies	50,000	00	00	00
	<u>\$ 3,475,000</u>	<u>\$ 00</u>	<u>\$ 170,057</u>	<u>\$ 170,057</u>

2003 Project Activity	Original Estimated Cost	Expenditures		Total
		Prior Years	Current Year	
Water and gas projects	\$ 290,000	\$ 456,716	\$ 49,994	\$ 506,710
Recreation building projects	125,000	60,503	83,801	144,304
Municipal administration building	470,000	134,441	120,458	254,899
Water and sewer debt	338,000	352,709	25,205	377,914
Equipment purchases	280,000	317,229	5,012	322,241
Vehicle purchases	113,652	199,662	00	199,662
Paving, pipe and sidewalks	150,000	50,977	00	50,977
	<u>\$ 1,766,652</u>	<u>\$ 1,572,237</u>	<u>\$ 284,470</u>	<u>\$ 1,856,707</u>

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*



Garrett
Stephens
Thomas &
Fazio, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Ann M. Fazio	CPA	Julie M. George	CPA
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Members of American Institute of Certified Public Accountants
Members of Private Companies Practice Section, Division for CPA Firms

Report on Internal Control over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

Honorable Mayor and City Council
City of Tallapoosa, Georgia

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Tallapoosa, Georgia, as of and for the year ended August 31, 2010, which collectively comprise the City of Tallapoosa Georgia's basic financial statements and have issued our report thereon dated December 22, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Tallapoosa, Georgia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Tallapoosa, Georgia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Tallapoosa, Georgia's internal control over financial reporting.

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

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

Honorable Mayor and City Council
Tallapoosa, Georgia

The management's discussion and analysis and budgetary information on pages 7 through 12 and 45 through 51 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 Tallapoosa's basic financial statements. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This other supplementary information 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 financial statements taken as a whole.

Danett, Stephens, Thomas & Fazio, P.C.

December 22, 2010