

CITY OF TALLAPOOSA, GEORGIA

**Financial Statements and Supplementary Information
For the Year Ended August 31, 2011**

and

Independent Auditor's Report

City of Tallapoosa, Georgia
Annual Financial Report
For the Year Ended August 31, 2011

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City of Tallapoosa, Georgia
List of Principal Officials
August 31, 2011

<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	Amber E. Ash	CPA
Johanna H. Tallent	CPA	Kevin G. Bush	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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of 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, 2011, 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 January 27, 2012, 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.

Honorable Mayor and City Council
Tallapoosa, Georgia

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 7 through 12 and 47 through 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of 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 & Sazio, P.C.

January 27, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Tallapoosa, Georgia
Management's Discussion and Analysis
August 31, 2011

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, 2011. 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, 2011

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 46 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, 2011

Financial Analysis of the City as a Whole

The City's net assets at fiscal year-end are \$14,612,805. This is a \$154,455 decrease from last year's adjusted net assets of \$14,767,260.

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

Summary of Net Assets

	Governmental Activities		Business-Type Activities		Total	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Cash	\$ 1,418,673	\$ 1,440,894	\$ 1,583,344	\$ 1,981,618	\$ 3,002,017	\$ 3,422,512
Capital assets	2,744,268	2,603,032	10,522,008	10,279,379	13,266,276	12,882,411
Other assets	<u>594,476</u>	<u>714,546</u>	<u>379,540</u>	<u>380,741</u>	<u>974,016</u>	<u>1,095,287</u>
Total assets	<u>\$ 4,757,417</u>	<u>\$ 4,758,472</u>	<u>\$ 12,484,892</u>	<u>\$ 12,641,738</u>	<u>\$ 17,242,309</u>	<u>\$ 17,400,210</u>
Current liabilities	\$ 85,381	\$ 135,576	\$ 419,957	\$ 390,287	\$ 505,338	\$ 525,863
Long-term liabilities	<u>00</u>	<u>00</u>	<u>2,124,166</u>	<u>2,107,087</u>	<u>2,124,166</u>	<u>2,107,087</u>
Total liabilities	<u>\$ 85,381</u>	<u>\$ 135,576</u>	<u>\$ 2,544,123</u>	<u>\$ 2,497,374</u>	<u>\$ 2,629,504</u>	<u>\$ 2,632,950</u>
Net assets:						
Invested in capital assets,						
Net of related debt	\$ 2,744,268	\$ 2,603,032	\$ 8,227,306	\$ 7,998,449	\$ 10,971,574	\$ 10,601,481
Unrestricted	<u>1,927,768</u>	<u>2,019,864</u>	<u>1,713,463</u>	<u>2,145,915</u>	<u>3,641,231</u>	<u>4,165,779</u>
Total net assets	<u>\$ 4,672,036</u>	<u>\$ 4,622,896</u>	<u>\$ 9,940,769</u>	<u>\$ 10,144,364</u>	<u>\$ 14,612,805</u>	<u>\$ 14,767,260</u>

City of Tallapoosa, Georgia
Management's Discussion and Analysis
August 31, 2011

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>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues:						
Program revenues:						
Charges for service	\$ 235,199	\$ 273,459	\$ 3,070,938	\$ 3,232,376	\$ 3,306,137	\$ 3,505,835
Operating grants and contributions	00	00	00	00	00	00
Capital grants and contributions	517,220	00	174,710	00	691,930	00
General revenues:						
Sales tax	647,168	865,364	00	00	647,168	865,364
Property taxes	770,571	793,978	00	00	770,571	793,978
Other taxes and misc.	644,370	663,691	17,460	33,360	661,830	697,051
Total revenues	<u>2,814,528</u>	<u>2,596,492</u>	<u>3,263,108</u>	<u>3,265,736</u>	<u>6,077,636</u>	<u>5,862,228</u>
Expenses:						
General government	405,693	419,605			405,693	419,605
Public safety	1,370,951	1,429,991			1,370,951	1,429,991
Highways and streets	335,699	298,565			335,699	298,565
Culture and recreation	476,936	462,072			476,936	462,072
Total	<u>2,589,279</u>	<u>2,610,233</u>				
Water and sewer			1,447,582	1,444,255	1,447,582	1,444,255
Sanitation			213,189	217,607	213,189	217,607
Gas			1,259,451	1,350,959	1,259,451	1,350,959
Golf			722,590	622,070	722,590	622,070
Total			<u>3,642,812</u>	<u>3,634,891</u>		
Total expenses					<u>6,232,091</u>	<u>6,245,124</u>
Change in net assets before transfers	225,249	(13,741)	(379,704)	(369,155)	(154,455)	(382,896)
Transfers	<u>176,109</u>	<u>(396,957)</u>	<u>176,109</u>	<u>396,957</u>	<u>00</u>	<u>00</u>
Change in net assets	49,140	(410,698)	(203,595)	27,802	(154,455)	(382,896)
Beginning 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>
Ending net assets	<u>\$ 4,672,036</u>	<u>\$ 4,622,896</u>	<u>\$ 9,940,769</u>	<u>\$ 10,144,364</u>	<u>\$ 14,612,805</u>	<u>\$ 14,767,260</u>

City of Tallapoosa, Georgia
Management's Discussion and Analysis
August 31, 2011

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 \$1,532,534. The total ending fund balances of governmental funds show an decrease of \$78,894 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 increased by \$26,412 to \$726,352. 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 \$2,376,190. Amendments were made to the budget during the year to total \$2,514,938.

Capital Asset and Debt Administration

Capital assets

At the end of fiscal year 2011, the City had \$13,266,276 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 2011, the City had long-term debt of \$2,124,166. 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, 2011

Next Year's Budget

The general fund budget for the year ending August 31, 2012 reflects expenditures of \$2,240,155. This is an approximate 9% decrease under the budget for the year ended August 31, 2011.

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, 2011

	Primary Government			Component
				<u>Units</u>
	Governmental	Business-Type		
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	
Assets:				
Cash	\$ 1,418,673	\$ 1,583,344	\$ 3,002,017	\$ 406,152
Receivables, net	550,328	306,383	856,711	17,805
Inventory	00	47,930	47,930	00
Other assets	44,148	25,229	69,375	00
Capital assets, non depreciable	456,132	142,816	598,948	1,886,433
Capital assets, depreciable – net	<u>2,288,136</u>	<u>10,379,192</u>	<u>12,667,328</u>	<u>1,006,492</u>
Total assets	<u>\$ 4,757,417</u>	<u>\$ 12,484,892</u>	<u>\$ 17,242,309</u>	<u>\$ 3,316,882</u>
Liabilities:				
Accounts payable	\$ 70,925	\$ 159,739	\$ 230,664	\$ 95,914
Accrued liabilities	14,456	3,072	17,528	00
Customer deposits	00	86,610	86,610	00
Long-term liabilities:				
Due within one year	00	170,536	170,536	165,000
Due in more than one year	<u>00</u>	<u>2,124,166</u>	<u>2,124,166</u>	<u>175,000</u>
Total liabilities	<u>\$ 85,381</u>	<u>\$ 2,544,123</u>	<u>\$ 2,629,504</u>	<u>\$ 435,914</u>
Net assets:				
Invested in capital assets, net of related debt	\$ 2,744,268	\$ 8,227,306	\$ 10,971,574	\$ 2,552,925
Unrestricted	<u>1,927,768</u>	<u>1,713,463</u>	<u>3,641,231</u>	<u>328,043</u>
Total net assets	<u>\$ 4,672,036</u>	<u>\$ 9,940,769</u>	<u>\$ 14,612,805</u>	<u>\$ 2,880,968</u>

See accompanying notes to financial statements.

City of Tallapoosa, Georgia
Statement of Activities
For the Year Ended August 31, 2011

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		Total	
					Governmental Activities	Business-Type Activities		
Primary government:								
Governmental activities:								
General government	\$ 405,693	\$ 64,122	\$ 00	\$ 517,220	\$ 175,649	\$ 00	\$	
Public safety	1,370,951	89,081	00	00	(1,281,870)	00		
Highways and streets	335,699	00	00	00	(335,699)	00		
Recreation and culture	<u>476,936</u>	<u>81,996</u>	<u>00</u>	<u>00</u>	<u>(394,940)</u>	<u>00</u>		
Total governmental activities	<u>2,589,279</u>	<u>235,199</u>	<u>00</u>	<u>517,220</u>	<u>(1,836,860)</u>	<u>00</u>		
Business-type activities:								
Water and sewer	1,447,582	1,257,222	00	174,710	00	(15,650)		
Gas	1,259,451	1,383,462	00	00	00	124,011		
Golf	722,590	189,974	00	00	00	(532,616)		
Sanitation	<u>213,189</u>	<u>240,280</u>	<u>00</u>	<u>00</u>	<u>00</u>	<u>27,091</u>		
Total business-type activities	<u>3,642,812</u>	<u>3,070,938</u>	<u>00</u>	<u>174,710</u>	<u>00</u>	<u>(397,164)</u>		
Total primary government	<u>\$ 6,232,091</u>	<u>\$ 3,306,137</u>	<u>\$ 00</u>	<u>\$ 691,930</u>	<u>(1,836,860)</u>	<u>(397,164)</u>	<u>(2,234,024)</u>	
Component Units:								
Development Authority	\$ 00	\$ 00	\$ 00	\$ 00				\$ 00
Downtown Development Authority	00	00	00	149				149
Recreation Authority	<u>24,569</u>	<u>179,728</u>	<u>00</u>	<u>00</u>				<u>155,159</u>
Total component units	<u>\$ 24,569</u>	<u>\$ 179,728</u>	<u>\$ 00</u>	<u>\$ 149</u>				<u>155,308</u>
General revenues:								
Taxes:								
Property taxes levied for general purposes				770,571	00	770,571		00
Franchise taxes				329,852	00	329,852		00
Sales taxes				647,169	00	647,169		00
Insurance premium taxes				160,307	00	160,307		00
Hotel/motel taxes				14,489	00	14,489		00
Malt beverage taxes				85,131	00	85,131		00
Interest and investment earnings				31,192	13,962	45,154		465
Miscellaneous				<u>23,398</u>	<u>3,498</u>	<u>26,896</u>		<u>00</u>
Total general revenues				2,062,109	17,460	2,079,569		465
Transfers				<u>(176,109)</u>	<u>176,109</u>	<u>00</u>		<u>00</u>
Total general revenues and transfers				<u>1,886,000</u>	<u>193,569</u>	<u>2,079,569</u>		<u>465</u>
Change in net assets				49,140	(203,595)	(154,455)		155,773
Net assets-beginning				<u>4,622,896</u>	<u>10,144,364</u>	<u>14,767,260</u>		<u>2,725,195</u>
Net assets-ending				<u>\$ 4,672,036</u>	<u>\$ 9,940,769</u>	<u>\$ 14,612,805</u>		<u>\$ 2,880,968</u>

See accompanying notes to financial statements.

City of Tallapoosa, Georgia
Balance Sheet
Governmental Funds
August 31, 2011

	General Fund	SPLOST Fund	UDAG Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and equivalents	\$ 650,473	\$ 00	\$ 757,419	\$ 10,781	\$ 1,418,675
Receivables, net	160,657	00	00	00	160,657
Due from other funds	92,805	00	00	00	92,805
Receivables from other governments	00	130,787	00	00	130,787
Total assets	\$ 903,935	\$ 130,787	\$ 757,419	\$ 10,781	\$ 1,802,922
Liabilities					
Accounts payable	\$ 53,120	\$ 00	\$ 00	\$ 00	\$ 53,120
Accrued liabilities	14,456	00	00	00	14,456
Due to other funds	00	00	92,805	00	92,805
Deferred revenue	92,202	00	00	00	92,202
Due to other governments	17,805	00	00	00	17,805
Total liabilities	177,583	00	92,805	00	270,388
Fund Balances					
Unassigned	633,547	00	00	00	633,547
Nonspendable	92,805	00	00	00	92,805
Restricted	00	130,787	664,614	1,916	797,317
Committed	00	00	00	8,865	8,865
Total fund balance	726,352	130,787	664,614	10,781	1,532,534
Total liabilities and fund balances	\$ 903,935	\$ 130,787	\$ 757,419	\$ 10,781	

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	2,744,268
Some receivables are not available to pay for current-period expenditures and therefore are deferred in the funds	258,884
Prepaid items are not reported in the funds	44,148
Earned revenue deferred due to availability criteria is taken into income on the accrual basis government wide statement	92,202

Net assets of governmental activities \$ 4,672,036

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, 2011

	General Fund	SPLOST Fund	UDAG Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 1,998,637	\$ 00	\$ 00	\$ 14,489	\$ 2,013,126
Fees and fines	96,776	00	00	00	96,776
Licenses and permits	43,533	00	00	00	43,533
Charges for services	102,585	00	00	00	102,585
Intergovernmental	50,000	467,219	00	00	517,219
Interest	8,245	00	11,851	31	20,127
Miscellaneous	17,047	00	00	6,352	23,399
Total revenues	<u>2,316,823</u>	<u>467,219</u>	<u>11,851</u>	<u>20,872</u>	<u>2,816,765</u>
Expenditures					
Current operating:					
General government	341,269	00	00	11,206	352,475
Public safety	1,315,725	00	00	7,864	1,323,589
Highways and streets	285,824	00	00	00	285,824
Recreation and culture	432,208	00	00	7,331	439,539
Capital outlay	88,855	227,743	00	1,525	318,123
Total expenditures	<u>2,463,881</u>	<u>227,743</u>	<u>00</u>	<u>27,926</u>	<u>2,719,550</u>
Excess (deficit) of revenues over expenditures	<u>(147,058)</u>	<u>239,476</u>	<u>11,851</u>	<u>(7,054)</u>	<u>97,215</u>
Other financing sources (uses)					
Transfers in (out)	173,470	(340,886)	00	(8,693)	(176,109)
Total other financing sources (uses)	<u>173,470</u>	<u>(340,886)</u>	<u>00</u>	<u>(8,693)</u>	<u>(176,109)</u>
Net change in fund balance	26,412	(101,410)	11,851	(15,747)	(78,894)
Fund balances -- beginning	<u>699,940</u>	<u>232,197</u>	<u>652,763</u>	<u>26,528</u>	<u>1,611,428</u>
Fund balances -- ending	<u>\$ 726,352</u>	<u>\$ 130,787</u>	<u>\$ 664,614</u>	<u>\$ 10,781</u>	<u>\$ 1,532,534</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, 2011

Net change in fund balances – total government funds \$ (78,894)

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. (2,237)

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	\$ 318,123	
Depreciation	<u>176,887</u>	141,236

Expenditures in the governmental funds that benefit periods beyond
August 31, 2011 are reported as prepaid items in the statement of net
assets. (10,965)

Change in net assets of governmental activities. \$ 49,140

See accompanying notes to financial statements.

City of Tallapoosa, Georgia
Statement of Net Assets
Proprietary Funds
August 31, 2011

<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	\$ 1,089,697	\$ 320,158	\$ 00	\$ 200	\$ 1,410,055
Accounts receivable (net of allowance)	114,826	54,169	28,219	10,887	208,101
Interest receivable	1,833	535	00	00	2,368
Inventory	5,000	42,930	00	00	47,930
Prepaid insurance	9,232	3,473	00	9,970	22,675
Due from Tallapoosa Recreation Authority	00	00	00	95,914	95,914
Total non-restricted current assets	<u>1,220,588</u>	<u>421,265</u>	<u>28,219</u>	<u>116,971</u>	<u>1,787,043</u>
Restricted assets:					
Cash	<u>173,289</u>	<u>00</u>	<u>00</u>	<u>00</u>	<u>173,289</u>
Total restricted current assets	<u>173,289</u>	<u>00</u>	<u>00</u>	<u>00</u>	<u>173,289</u>
Total current assets	<u>1,393,877</u>	<u>421,265</u>	<u>28,219</u>	<u>116,971</u>	<u>1,960,332</u>
Capital assets:					
Property, plant and equipment	11,790,060	1,711,328	21,410	1,097,109	14,619,907
Accumulated depreciation	<u>2,609,340</u>	<u>592,086</u>	<u>21,410</u>	<u>875,063</u>	<u>4,097,899</u>
Total capital assets	<u>9,180,720</u>	<u>1,119,242</u>	<u>00</u>	<u>222,046</u>	<u>10,522,008</u>
Other non-current assets:					
Unamortized loan costs	<u>2,552</u>	<u>00</u>	<u>00</u>	<u>00</u>	<u>2,552</u>
Total non-current assets	<u>2,552</u>	<u>00</u>	<u>00</u>	<u>00</u>	<u>2,552</u>
Total assets	<u>\$ 10,577,149</u>	<u>\$ 1,540,507</u>	<u>\$ 28,219</u>	<u>\$ 339,017</u>	<u>\$ 12,484,892</u>

See accompanying notes to financial statements.

City of Tallapoosa, Georgia
Statement of Net Assets
Proprietary Funds
August 31, 2011

	<u>Business-Type Activities</u>				
<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	\$ 72,353	\$ 45,553	\$ 16,577	\$ 25,256	\$ 159,739
Accrued expenses	00	944	00	2,128	3,072
Customer deposits	27,815	58,795	00	00	86,610
Current portion of capital lease payable	00	00	00	43,560	43,560
Total current liabilities payable from non-restricted current assets	<u>100,168</u>	<u>105,292</u>	<u>16,577</u>	<u>70,944</u>	<u>292,981</u>
Current liabilities payable from restricted current assets:					
Current portion of notes payable	<u>114,798</u>	<u>00</u>	<u>00</u>	<u>12,178</u>	<u>126,976</u>
Total current liabilities payable from restricted current assets	<u>114,798</u>	<u>00</u>	<u>00</u>	<u>12,178</u>	<u>126,976</u>
Total current liabilities	<u>214,966</u>	<u>105,292</u>	<u>16,577</u>	<u>83,122</u>	<u>419,957</u>
Long-term liabilities:					
Notes payable (less current portion)	<u>2,101,840</u>	<u>00</u>	<u>00</u>	<u>22,326</u>	<u>2,124,166</u>
Total long-term liabilities	<u>2,101,840</u>	<u>00</u>	<u>00</u>	<u>22,326</u>	<u>2,124,166</u>
Total liabilities	<u>2,316,806</u>	<u>105,292</u>	<u>16,577</u>	<u>105,448</u>	<u>2,544,123</u>
<u>Net Assets</u>					
Invested in capital assets, net of related debt	6,964,082	1,119,242	00	143,982	8,227,306
Unrestricted	<u>1,296,261</u>	<u>315,973</u>	<u>11,642</u>	<u>89,587</u>	<u>1,713,463</u>
Total net assets	<u>8,260,343</u>	<u>1,435,215</u>	<u>11,642</u>	<u>233,569</u>	<u>9,940,769</u>
Total liabilities and net assets	<u>\$ 10,577,149</u>	<u>\$ 1,540,507</u>	<u>\$ 28,219</u>	<u>\$ 339,017</u>	<u>\$ 12,484,892</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, 2011

	<u>Water and Sewer</u>	<u>Gas</u>	<u>(Non-major) Sanitation</u>	<u>Golf</u>	<u>Totals</u>
Operating revenues:					
Charges for services	\$ 1,257,222	\$ 1,383,462	\$ 240,280	\$ 189,974	\$ 3,070,938
Miscellaneous	<u>1,999</u>	<u>150</u>	<u>16</u>	<u>1,333</u>	<u>3,498</u>
Total operating revenues	<u>1,259,221</u>	<u>1,383,612</u>	<u>240,296</u>	<u>191,307</u>	<u>3,074,436</u>
Operating expenses:					
Salaries	235,452	293,721	00	145,604	674,777
Payroll taxes	17,453	21,718	00	10,887	50,058
Group medical insurance	27,657	35,996	00	17,722	81,375
Municipal insurance	19,380	9,223	4,696	10,769	44,068
Employee retirement	29,725	36,396	00	16,195	82,316
Telephone	6,622	3,369	1,559	1,592	13,142
Utilities	107,023	13,420	00	63,080	183,523
Office supplies	8,169	5,553	4,348	5,659	23,729
Software and data processing	2,741	2,667	1,089	2,854	9,351
Water purchases	534,814	00	00	00	534,814
Natural gas purchases	00	718,740	00	00	718,740
Materials	26,650	29,747	00	00	56,397
Repairs and maintenance	58,473	11,626	385	39,984	110,468
Bad debts	16,360	00	00	00	16,360
Travel and training	1,756	6,032	00	66	7,854
Cathodic protection	00	7,729	00	00	7,729
Samples and testing	7,867	00	00	00	7,867
Garbage contract	00	00	198,529	00	198,529
Professional fees	3,822	11,873	1,986	1,873	19,554
Vehicle gas and oil	18,464	9,727	00	22,119	50,310
Miscellaneous	5,454	2,194	597	2,252	10,497
Depreciation	138,490	28,933	00	60,034	227,457
Tools and small equipment	3,976	3,479	00	6,170	13,625
Chemicals	60,523	3,443	00	00	63,966
Greens expense	00	00	00	86,516	86,516
Concessions	00	00	00	12,671	12,671
Rent - Recreation Authority	00	00	00	173,658	173,658
Contract labor – Department of Corrections	7,132	3,865	00	39,774	50,771
Planning & development	<u>22,500</u>	<u>00</u>	<u>00</u>	<u>00</u>	<u>22,500</u>
Total operating expenses	<u>1,360,503</u>	<u>1,259,451</u>	<u>213,189</u>	<u>719,479</u>	<u>3,552,622</u>
Operating income (loss)	<u>(101,282)</u>	<u>124,161</u>	<u>27,107</u>	<u>(528,172)</u>	<u>(478,186)</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, 2011

	<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	\$ 10,311	\$ 3,652	\$ 00	\$ 00	\$ 13,963
Interest expense	(87,080)	00	00	(3,111)	(90,191)
Grant income	<u>174,710</u>	<u>00</u>	<u>00</u>	<u>00</u>	<u>174,710</u>
Total non-operating revenues (expenses)	<u>97,941</u>	<u>3,652</u>	<u>00</u>	<u>(3,111)</u>	<u>98,482</u>
Income (loss) before transfers	<u>(3,341)</u>	<u>127,813</u>	<u>27,107</u>	<u>(531,283)</u>	<u>(379,704)</u>
Transfer in	340,886	00	00	528,310	869,196
Transfer out	<u>(556,708)</u>	<u>(119,080)</u>	<u>(17,299)</u>	<u>00</u>	<u>(693,087)</u>
Total transfers in (out)	<u>(215,822)</u>	<u>(119,080)</u>	<u>(17,299)</u>	<u>528,310</u>	<u>176,109</u>
Change in net assets	(219,163)	8,733	9,808	(2,973)	(203,595)
Net assets beginning 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>
Net assets end of year	<u>\$ 8,260,343</u>	<u>\$ 1,435,215</u>	<u>\$ 11,642</u>	<u>\$ 233,569</u>	<u>\$ 9,940,769</u>

See accompanying notes to financial statements.

City of Tallapoosa, Georgia
Statement of Cash Flows
Proprietary Funds
For the Year Ended August 31, 2011

	Water	Gas	(Non-major) Sanitation	Golf	Totals
Cash flows from operating activities:					
Receipts from customers	\$ 1,259,098	\$ 1,398,506	\$ 231,703	\$ 186,295	\$ 3,075,602
Payments for suppliers	(980,296)	(908,618)	(214,404)	(521,054)	(2,624,372)
Payments to employees	(235,452)	(293,720)	00	(145,604)	(674,776)
Net cash provided (used) by operating activities	<u>43,350</u>	<u>196,168</u>	<u>17,299</u>	<u>(480,363)</u>	<u>(223,546)</u>
Cash flows from noncapital financing activities:					
Operating subsidies and transfers to/from other funds	(556,708)	(118,980)	(17,299)	528,310	(164,677)
Net cash provided (used) by noncapital financing activities	<u>(556,708)</u>	<u>(118,980)</u>	<u>(17,299)</u>	<u>528,310</u>	<u>(164,677)</u>
Cash flows from capital and related financing activities:					
SPLOST transfers in	340,886	00	00	00	340,886
Loan proceeds	153,109	00	00	00	153,109
Capital grants	174,710	00	00	00	174,710
Purchases of capital assets	(355,413)	(77,187)	00	(37,484)	(470,084)
Principal paid on capital debt	(131,986)	00	00	(7,352)	(139,338)
Interest paid on capital debt	(87,080)	00	00	(3,111)	(90,191)
Net cash used by capital and related financing activities	<u>94,226</u>	<u>(77,187)</u>	<u>00</u>	<u>(47,947)</u>	<u>(30,908)</u>
Cash flows from investing activities:					
Interest	<u>17,259</u>	<u>3,598</u>	<u>00</u>	<u>00</u>	<u>20,857</u>
Net cash provided by investing activities	<u>17,259</u>	<u>3,598</u>	<u>00</u>	<u>00</u>	<u>20,857</u>
Net (decrease) increase in cash and cash equivalents	(401,873)	3,599	00	00	(398,274)
Balances – beginning of year	<u>1,664,859</u>	<u>316,559</u>	<u>00</u>	<u>200</u>	<u>1,981,618</u>
Balances – end of year	<u>\$ 1,262,986</u>	<u>\$ 320,158</u>	<u>\$ 00</u>	<u>\$ 200</u>	<u>\$ 1,583,344</u>
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ (101,282)	\$ 124,161	\$ 27,107	\$ (528,172)	\$ (478,186)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation expense	138,490	28,933	00	60,034	227,457
Amortization expense	1,069	00	00	00	1,069
Change in assets and liabilities:					
Receivables, net	(2,113)	13,544	(8,593)	(5,012)	(2,174)
Prepaid expense	2,413	810	00	(4,456)	(1,233)
Inventory	00	(3,355)	00	00	(3,355)
Customer deposits	1,990	1,350	00	00	3,340
Accounts and other payables	2,783	30,833	(1,215)	(4,614)	27,787
Accrued expenses	<u>00</u>	<u>(108)</u>	<u>00</u>	<u>1,857</u>	<u>1,749</u>
Net cash provided (used) by operating activities	<u>\$ 43,350</u>	<u>\$ 196,168</u>	<u>\$ 17,299</u>	<u>\$ (480,363)</u>	<u>\$ (223,546)</u>

See accompanying notes to financial statements.

City of Tallapoosa, Georgia
Notes to Financial Statements
August 31, 2011

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, 2011

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, 2011

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.
Urban Development Action Grant Fund (UDAG)	Accounts for revenues and expenditures of promoting urban economic development.

City of Tallapoosa, Georgia
Notes to Financial Statements
August 31, 2011

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.

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.

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, 2011

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, 2011

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, 2010, 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.

GASB 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, 2011

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, 2011

Note 1. Summary of Significant Accounting Policies - continued

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

Equity Classifications

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

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

- **Nonspendable** – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.
- **Restricted** – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.
- **Committed** – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through the adoption of a resolution or motion. The City Council also may modify or rescind the commitment.
- **Assigned** – Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the City Council has authorized the City's Finance committee to assign fund balances.
- **Unassigned** – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds.

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

- Committed
- Assigned
- Unassigned

Net Assets – Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has not spent) for the acquisition, construction or improvement of those assets. Net assets are reported as restricted as described in the fund balance section above. All other net assets are reported as unrestricted.

City of Tallapoosa, Georgia
Notes to Financial Statements
August 31, 2011

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.

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.

City of Tallapoosa, Georgia
Notes to Financial Statements
August 31, 2011

Note 2. Custodial Credit Risk Related to Deposits

At August 31, 2011, the carrying amount of the City's deposits was \$3,406,970 and the bank balances were \$3,414,202. 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 20, 2010, and payable on December 31, 2010. The assessed value at January 1, 2010, upon which the 2010 levy was based, was \$93,096,774 (40% of the estimated market value of \$140,948,765). The rate was 7.27 mills.

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>General Fund</u>	<u>Water Fund</u>	<u>Gas Fund</u>	<u>Golf Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>
Transfers from:						
Hotel-Motel Tax Fund	\$ 8,693	\$ 00	\$ 00	\$ 00	\$ 00	\$ 8,693
Sanitation Fund	17,299	00	00	00	00	17,299
Gas Fund	119,080	00	00	00	00	119,080
SPLOST Fund	00	340,886	00	00	00	340,886
General Fund	00	556,708	00	528,310	00	1,085,018
Totals	<u>\$ 145,072</u>	<u>\$ 897,594</u>	<u>\$ 00</u>	<u>\$ 528,310</u>	<u>\$ 00</u>	<u>\$ 1,570,976</u>

Interfund balances at August 31, 2011, 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, 2011

Note 4. Interfund Transfers and Balances – continued

4.A. Fund Equity

Fund Balances:

- ***Nonspendable*** – The following fund balances are nonspendable because they are allocated to:

General Fund:

Long-term interfund receivable	<u>\$ 92,805</u>
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- ***Restricted*** – The following fund balances are restricted for:

Special Revenue Funds:

Confiscated Asset Fund – used to account for drug related expenditures.	\$ 1,916
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UDAG – accounts for grant promoting urban economic development	<u>664,614</u>
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\$ 666,530

Capital Projects Fund:

Special Purpose Local Option Sales Tax Fund (SPLOST) – used to account for capital projects financed with SPLOST.	<u>\$ 130,787</u>
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Total restricted	<u>\$ 797,317</u>
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- ***Committed*** – The following fund balances are committed to:

Special Revenue Funds:

Museum	\$ 7,441
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Planning committee	<u>1,424</u>
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\$ 8,865

- ***Unassigned*** – The City's policy is to maintain an adequate General Fund unassigned fund balance to provide liquidity in the event of an economic downturn or natural disaster.

City of Tallapoosa, Georgia
Notes to Financial Statements
August 31, 2011

Note 5. Capital Assets

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

	Balance at September 1, 2010	Additions	Disposals	Balance at August 31, 2011
Governmental activities:				
Non-depreciable:				
Land	\$ 456,132	\$ 00	\$ 00	\$ 456,132
Depreciable:				
Buildings and improvements	\$ 2,147,615	\$ 212,964	\$ 00	\$ 2,360,579
Machinery and equipment	745,695	47,872	00	793,567
Vehicles	478,076	00	00	478,076
Infrastructure	990,134	57,287	00	1,047,421
Totals at historical cost	<u>4,361,520</u>	<u>318,123</u>	<u>00</u>	<u>4,679,643</u>
Less accumulated depreciation:				
Buildings and improvements	942,844	66,687	00	1,009,531
Machinery and equipment	651,384	42,567	00	693,951
Vehicles	433,070	22,816	00	455,886
Infrastructure	187,322	44,817	00	232,139
Total accumulated depreciation	<u>2,214,620</u>	<u>176,887</u>	<u>00</u>	<u>2,391,507</u>
Governmental activities capital assets (depreciable), net	<u>\$ 2,146,900</u>	<u>\$ 141,236</u>	<u>\$ 00</u>	<u>\$ 2,288,136</u>
Business-type activities:				
Non-depreciable:				
Land	\$ 142,816	\$ 00	\$ 00	\$ 142,816
Construction in progress	00	306,214	00	306,214
	<u>\$ 142,816</u>	<u>\$ 306,214</u>	<u>\$ 00</u>	<u>\$ 449,030</u>
Depreciable:				
Land improvements	\$ 15,656	\$ 00	\$ 00	\$ 15,656
Water and sewer distribution system	11,324,194	49,199	00	11,373,393
Gas distribution system	1,398,340	77,187	00	1,475,527
Buildings	205,008	00	00	205,008
Vehicles, machinery & equipment	1,063,809	37,484	00	1,101,293
Totals at historical costs	<u>14,007,007</u>	<u>163,870</u>	<u>00</u>	<u>14,170,877</u>
Less accumulated depreciation:				
Land improvements	15,097	560	00	15,657
Water and sewer distribution system	2,362,114	134,717	00	2,496,831
Gas distribution system	347,564	20,335	00	367,899
Buildings	196,907	2,181	00	199,088
Vehicles, machinery & equipment	948,762	69,662	00	1,018,424
	<u>3,870,444</u>	<u>227,455</u>	<u>00</u>	<u>4,097,899</u>
Business-type capital assets (depreciable), net	<u>\$ 10,136,563</u>	<u>\$ (63,585)</u>	<u>\$ 00</u>	<u>\$ 10,072,978</u>

City of Tallapoosa, Georgia
Notes to Financial Statements
August 31, 2011

Note 5. Capital Assets - continued

Depreciation was charged to governmental activities as follows:

General government	\$ 50,953
Public safety	42,405
Highways and streets	48,589
Recreation and culture	<u>34,940</u>
 Total	 <u>\$ 176,887</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, 2011:

	Balance Sept. 1, 2010	Additions	Payments	Balance Aug. 31, 2011	Amount Due Within One Year
GEFA Loan #90-024-WQ	\$ 21,549	\$ 00	\$ 21,549	\$ 00	\$ 00
GEFA Loan #92-025	119,695	00	23,354	96,341	24,302
GEFA Loan #2000-L58-WJ	360,812	00	28,302	332,510	29,277
GEFA Loan #2005-L30-WJ	1,693,461	00	58,783	1,634,678	61,219
GEFA Loan #2005-L30-WJA	00	153,109	00	153,109	00
Bank Loan – Mower	00	37,484	2,980	34,504	12,178
Capital lease – golf carts	<u>85,415</u>	<u>00</u>	<u>41,855</u>	<u>43,560</u>	<u>43,560</u>
	<u>\$ 2,280,932</u>	<u>\$ 190,593</u>	<u>\$ 176,823</u>	<u>\$ 2,294,702</u>	<u>\$ 170,536</u>

The following is a schedule of principal and interest requirements:

	Principal	Interest	Total
2012	\$ 170,535	\$ 106,401	\$ 276,936
2013	132,167	77,782	209,949
2014	134,033	72,626	206,659
2015	122,356	67,489	189,845
2016	105,947	63,051	168,998
2017 to 2021	587,513	247,426	834,939
2022 to 2026	507,788	136,146	643,934
2027 to 2031	<u>534,363</u>	<u>26,571</u>	<u>560,934</u>
	<u>\$ 2,294,702</u>	<u>\$ 797,492</u>	<u>\$ 3,092,194</u>

City of Tallapoosa, Georgia
Notes to Financial Statements
August 31, 2011

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

Interest expensed in the current year was \$90,191.

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 #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:

<u>Year Ending</u> <u>August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 96,341</u>	<u>\$ 7,888</u>	<u>\$ 104,229</u>

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</u> <u>August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	33,522	6,689	40,211
2017 to 2021	<u>175,695</u>	<u>15,310</u>	<u>191,005</u>
	<u>\$ 332,510</u>	<u>\$ 59,550</u>	<u>\$ 392,060</u>

City of Tallapoosa, Georgia
Notes to Financial Statements
August 31, 2011

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

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, 2011 the City had borrowed \$1,740,632 under the loan agreement which is being amortized as indicated below.

During the year, the City entered into a promissory note for \$647,866 under the same loan provisions. At August 31, 2011 there had been \$153,109 drawn to date. No amortization will begin until the full drawn loan has accrued.

Based on the amount drawn to August 31, 2011, the following is a schedule of debt service requirements for the next five years and to maturity.

<u>Year Ending</u> <u>August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	72,425	56,362	128,787
2017 to 2021	411,818	232,116	643,934
2022 to 2026	507,788	136,146	643,934
2027 to 2031	<u>381,254</u>	<u>26,571</u>	<u>407,825</u>
	<u>\$ 1,634,678</u>	<u>\$ 704,950</u>	<u>\$ 2,339,628</u>

Capital Lease Obligations

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

<u>Year Ending</u> <u>August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 43,560	\$ 23,427	\$ 66,987
	<u>\$ 43,560</u>	<u>\$ 23,427</u>	<u>\$ 66,987</u>

Equipment held under the capital leases at August 31, 2011 totaled \$210,845.

City of Tallapoosa, Georgia
Notes to Financial Statements
August 31, 2011

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

Bank Loan

The City has entered into a loan agreement with a local bank for the acquisition of equipment for \$37,484. The loan is for 36 months with a nominal interest rate of 3038%. The equipment serves as collateral. The following is a schedule of debt service requirements for the next three years, which is the term of the loan.

Year Ending August 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 12,178	\$ 979	\$ 13,157
2013	12,596	561	13,157
2014	<u>9,730</u>	<u>137</u>	<u>9,867</u>
	<u>\$ 34,504</u>	<u>\$ 1,677</u>	<u>\$ 36,181</u>

Note 8. Budget Violations/Deficit Fund Balances

The general fund expenditures were less than budgeted appropriations by \$51,057. There were no department's expenditures exceeding its budget appropriations by more than three percent.

The nonmajor governmental funds expenditures that were more than budgeted were as follows.

This amount was not significant.

Drug Forfeiture Fund	\$ 1,526
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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, 2011, was \$1,702,556; the City's total payroll for the year ended August 31, 2011, was \$1,921,253.

City of Tallapoosa, Georgia
Notes to Financial Statements
August 31, 2011

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.

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Closed level dollar for remaining unfunded liability
Remaining Amortization Period	Remaining amortization period varies for the period of 10 years
bases, with a net effective amortization	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 50% of market value for 2009, 44% of market value for 2010, 38% of market value for 2011, 32% of market value for 2012, 26% of market value for 2013, and 20% of market value for 2014 and later years.
Asset Valuation Method	
Actuarial Assumptions:	
Net Investment Rate of Return	7.75%
Projected Salary Increases	3.50% plus age and service based merit increases
Cost of Living Adjustments	2.50%
Membership of the plan	
Retirees and beneficiaries	16
Terminated plan members entitled to, but not yet receiving benefits	10
Active plan members	<u>41</u>
Total	67

City of Tallapoosa, Georgia
Notes to Financial Statements
August 31, 2011

Note 10. Retirement Plan - continued

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, 2011.

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.

The "actuarial accrued liability" was computed as part of an actuarial valuation performed as of January 1, 2011.

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 2011 of \$240,696 are made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of August 31, 2011. Contributions consist of (a) \$113,655 normal cost and (b) \$115,357 amortization of frozen actuarial accrued liabilities and (c) \$11,684 interest. The City contributes the entire amount (13.82 percent of covered payroll).

City of Tallapoosa, Georgia
Notes to Financial Statements
August 31, 2011

Note 10. Retirement Plan – continued

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]
08/31/11	\$ 2,409,061	\$ 3,230,880	\$ 821,819	74.6%	\$ 1,702,556	48.2%
08/31/10	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%

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
8/31/11	\$ 240,696	100%	0
8/31/10	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.

City of Tallapoosa, Georgia
Notes to Financial Statements
August 31, 2011

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.

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.

City of Tallapoosa, Georgia
Notes to Financial Statements
August 31, 2011

Note 13. Risk Management - continued

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.

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.

City of Tallapoosa, Georgia
Notes to Financial Statements
August 31, 2011

Note 14. Component Unit Disclosures – continued

Tallapoosa Development Authority - continued

Capital Assets

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

	Balance <u>9-01-10</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>8-31-11</u>
Building	\$ 1,677,500	\$ 00	\$ 00	\$ 1,677,500
Land (non-depreciable)	<u>142,083</u>	<u>00</u>	<u>00</u>	<u>142,083</u>
	1,819,583	00	00	1,819,583
Less accumulated depreciation:				
Building	<u>671,008</u>	<u>00</u>	<u>00</u>	<u>671,008</u>
	<u>\$ 1,148,575</u>	<u>\$ 00</u>	<u>\$ 00</u>	<u>\$ 1,148,575</u>

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.

City of Tallapoosa, Georgia
Notes to Financial Statements
August 31, 2011

Note 14. Component Unit Disclosures- continued

Tallapoosa Recreation Authority – continued

Capital Assets

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

	Balance <u>9-01-10</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>8-31-11</u>
Land – non depreciable	\$ <u>1,733,846</u>	\$ <u>00</u>	\$ <u>00</u>	\$ <u>1,733,846</u>

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, 2011:

	Balance <u>9-01-10</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>8-31-11</u>	Amount Due Within <u>One Year</u>
Bonds payable	\$ <u>500,000</u>	\$ <u>00</u>	\$ <u>160,000</u>	\$ <u>340,000</u>	\$ <u>165,000</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>
2012	\$ 165,000	\$ 14,543	\$ 179,543
2013	<u>175,000</u>	<u>7,612</u>	<u>182,612</u>
	\$ <u>340,000</u>	\$ <u>22,155</u>	\$ <u>366,155</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, 2011, the City paid \$3,087 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.

City of Tallapoosa, Georgia
Notes to Financial Statements
August 31, 2011

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, 2011 follows:

Hotel/Motel tax collected	\$ 14,489
Disbursements and transfers	\$ 14,489

Note 17. Subsequent Event

The City was approved for a Georgia Environmental Finance Authority Grant and a matching loan for \$287,250 (each) for its Meter Replacement Project. The first draws did not occur until after year end.

REQUIRED SUPPLEMENTARY INFORMATION

City of Tallapoosa, Georgia
 Budgetary Comparison Schedule - General Fund
 For the Year Ended August 31, 2011

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Taxes:				
Property	\$ 717,877	\$ 677,830	\$ 683,986	\$ 6,156
Mobile home	585	558	558	00
Vehicle	56,255	61,000	61,000	00
Intangible	3,926	4,190	4,190	00
P.I.L.O.T. (Housing Authority)	14,054	14,054	14,054	00
Franchise	294,689	329,852	329,852	00
Local option sales	595,051	643,395	647,169	3,774
Railroad equipment	1,281	1,325	1,325	00
Malt beverage	85,526	85,131	85,131	00
Insurance premium tax	165,631	160,307	160,307	00
Interest and penalties	14,965	11,065	11,065	00
	<u>1,949,840</u>	<u>1,988,707</u>	<u>1,998,637</u>	<u>9,930</u>
Licenses and permits:				
Business licenses	30,575	28,910	28,910	00
Insurance licenses	1,660	620	620	00
Alcoholic and beverage licenses	6,500	7,800	7,800	00
Street maintenance	3,745	00	00	00
Building permits	5,910	5,003	5,003	00
Rezoning applications	00	1,200	1,200	00
Manufactured home annual fees	00	00	00	00
	<u>48,390</u>	<u>43,533</u>	<u>43,533</u>	<u>00</u>
Intergovernmental:				
Grants	00	50,000	50,000	00
Charges for services:				
Recreation programs	71,518	81,996	81,996	00
Transportation trips – GA DHR	15,818	14,189	14,189	00
Cemetery sales and fees	7,700	6,400	6,400	00
Other	00	00	00	00
	<u>95,036</u>	<u>102,585</u>	<u>102,585</u>	<u>00</u>
Fines and forfeitures	<u>103,515</u>	<u>93,989</u>	<u>96,776</u>	<u>2,787</u>
Interest	<u>6,405</u>	<u>7,420</u>	<u>8,245</u>	<u>825</u>
Other:				
Contributions	00	00	17,047	00
Miscellaneous	49,302	10,107	00	6,940
	<u>49,302</u>	<u>10,107</u>	<u>17,047</u>	<u>6,940</u>
Total revenues	<u>2,252,488</u>	<u>2,296,341</u>	<u>2,316,823</u>	<u>20,482</u>

See accompanying notes to budgetary comparison schedule.

City of Tallapoosa, Georgia
 Budgetary Comparison Schedule - General Fund
 For the Year Ended August 31, 2011

	Original <u>Budget</u>	Amended <u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
General Government:				
Administration:				
Salaries	\$ 145,140	\$ 124,080	\$ 124,080	\$ 00
Payroll taxes	10,786	9,387	9,387	00
Group medical insurance	24,403	18,573	18,573	00
Employee retirement	17,141	18,292	18,292	00
Travel	900	3,549	3,549	00
Training	1,500	484	484	00
Supplies	6,800	7,217	7,284	(67)
Public announcements	1,200	3,923	2,583	1,340
Insurance	5,500	7,396	5,696	1,700
Special events	1,000	5,885	2,935	2,950
Legal services	10,000	31,586	35,725	(4,139)
Audit	2,000	1,797	1,797	00
Planning and development	4,500	3,042	2,542	500
Repairs and maintenance	4,400	3,098	3,303	(205)
Vehicle gas and oil	1,100	928	880	48
Data processing and software	3,000	2,113	2,127	(14)
Rent	200	200	200	00
Membership fees	1,500	4,670	4,670	00
Professional fees	500	1,179	1,179	00
Telephone	1,300	755	712	43
Utilities - gas and water	2,800	6,219	6,219	00
Utilities - electricity	9,500	11,419	11,882	(463)
Miscellaneous	00	00	00	00
Contract labor	3,500	3,802	3,503	299
Capital outlay	<u>12,000</u>	<u>7,926</u>	<u>7,913</u>	<u>13</u>
	<u>270,670</u>	<u>277,520</u>	<u>275,515</u>	<u>2,005</u>
Mayor and Council:				
Salaries and fees	22,800	22,400	22,400	00
Insurance	4,000	4,941	4,978	(37)
Special events	7,500	00	00	00
Public announcements	00	778	1,114	(336)
Legal services	00	77	77	00
Audit	2,000	1,797	1,797	00
Election	3,800	2,455	1,774	681
Planning and development	400	647	647	00
Membership fees	200	402	402	00
Payroll taxes	1,539	1,951	1,951	00
Travel and training	7,500	11,041	11,041	00
Administration	<u>00</u>	<u>121</u>	<u>121</u>	<u>00</u>
	<u>49,739</u>	<u>46,610</u>	<u>46,302</u>	<u>308</u>

See accompanying notes to budgetary comparison schedule.

City of Tallapoosa, Georgia
 Budgetary Comparison Schedule - General Fund
 For the Year Ended August 31, 2011

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
General Government - continued:				
Other:				
Salary – janitor	\$ 12,200	\$ 10,896	\$ 10,896	\$ 00
Payroll taxes - janitor	933	834	834	00
Cemetery maintenance	1,500	435	435	00
Utilities – gas, water, electricity	1,000	248	248	00
Membership fees	150	402	402	00
Contract labor	3,200	3,865	3,566	299
Insurance	7,300	9,637	9,673	(36)
Equipment repair	00	400	400	00
Capital outlay	<u>1,000</u>	<u>00</u>	<u>00</u>	<u>00</u>
	<u>27,283</u>	<u>26,717</u>	<u>26,454</u>	<u>263</u>
Total general government	<u>347,692</u>	<u>350,847</u>	<u>348,271</u>	<u>2,576</u>
Public Safety:				
Police Department:				
Salaries	712,680	670,844	670,844	00
Payroll taxes	54,316	49,325	49,325	00
Group medical insurance	99,280	89,342	89,342	00
Employee retirement	86,947	91,274	91,274	00
Travel	1,800	234	234	00
Training	2,000	727	727	00
Supplies	7,100	5,815	6,012	(197)
Miscellaneous	450	742	742	00
Insurance	46,757	29,747	29,280	467
Legal services	15,000	15,382	15,427	(45)
Audit	2,000	1,797	1,797	00
Repairs and maintenance	25,500	19,182	16,637	2,545
Vehicle gas and oil	39,000	45,239	45,506	(267)
Data processing and software	3,800	12,626	12,571	55
Planning and development	150	725	725	00
Uniforms	2,500	2,875	2,968	(93)
Service contracts	3,000	2,145	1,786	359
Contract labor	3,200	3,865	3,566	299
Witness fees	200	40	40	00
Membership fees	300	502	502	00
Telephone	6,900	6,368	6,122	246
Utilities - gas and water	3,000	2,673	2,673	00
Utilities - electricity	7,200	8,041	8,176	(135)
Capital outlay	<u>9,000</u>	<u>3,997</u>	<u>2,472</u>	<u>1,525</u>
	<u>1,132,080</u>	<u>1,063,507</u>	<u>1,058,748</u>	<u>4,759</u>

See accompanying notes to budgetary comparison schedule.

City of Tallapoosa, Georgia
 Budgetary Comparison Schedule - General Fund
 For the Year Ended August 31, 2011

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Public Safety - continued:				
Fire Department:				
Salaries	\$ 166,667	\$ 171,617	\$ 171,617	\$ 00
Payroll taxes	12,929	12,493	12,493	00
Group medical insurance	25,705	23,181	23,181	00
Employee retirement	20,000	20,579	20,579	00
Travel	100	36	36	00
Training	500	00	00	00
Supplies	1,850	1,424	1,612	(188)
Municipal insurance	11,600	9,605	9,642	(37)
Audit and legal	2,000	1,873	1,873	00
Repairs and maintenance	4,500	4,754	3,976	778
Vehicle gas and oil	7,100	8,081	8,165	(84)
Uniforms	1,000	170	170	00
Service contracts	700	190	190	00
Telephone	1,100	1,691	1,680	11
Utilities - gas and water	4,200	3,152	3,152	00
Utilities - electricity	600	00	00	00
Software and data processing	1,000	1,029	1,029	00
Miscellaneous	150	510	510	00
Planning and development	150	00	00	00
Capital outlay	<u>2,500</u>	<u>00</u>	<u>00</u>	<u>00</u>
	<u>264,351</u>	<u>260,385</u>	<u>259,905</u>	<u>480</u>
Total public safety	<u>1,396,431</u>	<u>1,323,892</u>	<u>1,318,653</u>	<u>5,239</u>
Highways and Streets:				
Salaries	62,196	65,653	65,653	00
Contract labor - Department of Corrections	3,200	3,865	3,566	299
Payroll taxes	4,800	4,713	4,713	00
Group medical insurance	14,182	14,598	14,598	00
Employee retirement	6,800	6,860	6,860	00
Supplies	1,850	2,128	2,342	(214)
Insurance	12,843	10,832	10,869	(37)
Audit and legal	2,000	1,873	1,873	00
Repairs and maintenance	6,000	8,866	8,980	(114)
Street maintenance	16,000	48,917	44,794	4,123
Lawn maintenance	700	265	265	00
Park beautification	900	495	251	244
Vehicle gas and oil	6,800	12,264	12,512	(248)
Paving and resurfacing	00	1,245	1,245	00
Signs and signals	2,000	2,212	2,424	(212)
Pipe and brick	2,000	00	00	00
Chemicals	6,100	5,539	5,539	00

See accompanying notes to budgetary comparison schedule.

City of Tallapoosa, Georgia
 Budgetary Comparison Schedule - General Fund
 For the Year Ended August 31, 2011

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Highways and Streets – continued:				
Software and data processing	\$ 1,000	\$ 1,029	\$ 1,029	\$ 00
Telephone	3,600	2,626	2,491	135
Utilities - electricity and gas	81,800	92,958	94,116	(1,158)
Uniforms	200	42	42	00
Miscellaneous	1,150	1,662	1,662	00
Capital outlays	<u>6,000</u>	<u>50,081</u>	<u>42,508</u>	<u>7,573</u>
Total highways and streets	<u>242,121</u>	<u>338,723</u>	<u>328,332</u>	<u>10,391</u>
Culture and Recreation:				
Library:				
Salaries	58,928	58,703	58,703	00
Payroll taxes	4,500	4,317	4,317	00
Group medical insurance	6,707	6,094	6,094	00
Employee retirement	5,260	4,573	4,573	00
Supplies	2,100	2,443	2,615	(172)
Insurance	4,000	4,941	5,654	(713)
Audit and legal	2,000	1,874	1,874	00
Repairs and maintenance	2,500	1,993	1,973	20
Contract labor	3,200	3,865	3,566	299
Telephone	4,500	4,376	4,366	10
Utilities - gas and water	3,000	1,975	1,975	00
Utilities - electricity	5,500	7,044	7,142	(98)
Miscellaneous	150	1,432	1,432	00
Capital outlay	<u>500</u>	<u>00</u>	<u>00</u>	<u>00</u>
	<u>102,845</u>	<u>103,630</u>	<u>104,284</u>	<u>(654)</u>
Museum:				
Salaries	16,000	12,908	12,908	00
Payroll taxes	1,224	984	984	00
Supplies	1,500	1,592	1,764	(172)
Insurance	6,100	6,714	6,750	(36)
Audit	2,000	1,874	1,874	00
Repairs and maintenance	1,600	2,411	1,218	1,193
Data processing and software	800	1,029	1,029	00
Telephone	1,500	1,569	1,559	10
Utilities - gas and water	4,700	3,964	3,964	00
Utilities - electricity	5,900	9,175	9,302	(127)
Miscellaneous	325	1,724	1,724	00
Contract labor – DOC	3,200	3,865	3,566	299
Capital outlays	<u>00</u>	<u>00</u>	<u>00</u>	<u>00</u>
	<u>44,849</u>	<u>47,809</u>	<u>46,642</u>	<u>1,167</u>

See accompanying notes to budgetary comparison schedule.

City of Tallapoosa, Georgia
 Budgetary Comparison Schedule - General Fund
 For the Year Ended August 31, 2011

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Culture and Recreation - continued:				
Recreation:				
Salaries	\$ 85,000	\$ 84,537	\$ 84,537	\$ 00
Payroll taxes	6,500	6,595	6,595	00
Group medical insurance	4,021	6,078	6,078	00
Employee retirement	3,720	7,444	7,444	00
Travel and training	1,600	600	1,874	(1,274)
Supplies	2,700	2,182	2,360	(178)
Public announcements	300	63	63	00
Insurance	8,500	9,835	9,872	(37)
Audit and legal	2,000	1,873	1,873	00
Repairs and maintenance	4,800	11,095	11,297	(202)
Field maintenance	2,000	3,503	4,289	(786)
Swimming pool maintenance	1,000	26	26	00
Vehicle gas and oil	2,100	3,477	3,845	(368)
Chemicals	1,600	2,065	2,314	(249)
Software and data processing	1,000	1,349	1,349	00
Uniforms - athletic	14,800	23,773	23,992	(219)
Umpire fees	11,000	13,289	13,290	(1)
Tournament fees	2,800	3,609	3,609	00
League fees	500	650	650	00
Membership fees	825	1,152	1,152	00
Telephone	2,600	2,842	2,852	(10)
Utilities - gas and water	4,800	10,050	10,050	00
Utilities - electricity	9,500	10,440	10,471	(31)
Concessions	11,500	15,191	15,550	(359)
Planning and development	400	00	00	00
Trophies	1,000	00	00	00
Miscellaneous	00	00	00	00
Contract services	3,200	3,865	3,566	299
Capital outlays	<u>3,500</u>	<u>69,687</u>	<u>35,962</u>	<u>33,725</u>
	<u>193,266</u>	<u>295,270</u>	<u>264,960</u>	<u>30,310</u>
Senior Center:				
Salaries	25,890	24,839	24,839	00
Payroll taxes	1,979	1,900	1,900	00
Supplies	1,300	1,172	1,340	(168)
Insurance	4,232	5,923	5,960	(37)
Repairs and maintenance	2,500	1,620	1,620	00
Vehicle gas and oil	2,600	2,955	2,935	20
Software and data processing	1,000	1,020	1,020	00
Membership fees	125	402	402	00

See accompanying notes to budgetary comparison schedule.

City of Tallapoosa, Georgia
 Budgetary Comparison Schedule - General Fund
 For the Year Ended August 31, 2011

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Culture and Recreation – continued:				
Senior Center – continued:				
Utilities – telephone	\$ 160	\$ 435	\$ 503	\$ (68)
Utilities - electricity	4,200	6,104	6,271	(167)
Utilities – gas and water	1,800	1,401	1,402	(1)
Miscellaneous	00	981	981	00
Contract labor	3,200	3,865	3,566	299
Capital outlays	<u>00</u>	<u>2,150</u>	<u>00</u>	<u>2,150</u>
	<u>48,986</u>	<u>54,767</u>	<u>52,739</u>	<u>2,028</u>
Total culture and recreation	<u>389,946</u>	<u>501,476</u>	<u>468,625</u>	<u>32,851</u>
Total expenditures	<u>2,376,190</u>	<u>2,514,938</u>	<u>2,463,881</u>	<u>51,057</u>
Excess of revenues over expenditures and other financing uses	(123,702)	(218,597)	(147,058)	71,539
Other financing sources (uses):				
Transfer in (out)	<u>123,702</u>	<u>218,597</u>	<u>173,470</u>	<u>45,127</u>
Excess of revenues and other financing sources over expenditures and other financing uses	<u>\$ 00</u>	<u>\$ 00</u>	<u>\$ 26,412</u>	<u>\$ 26,412</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.

OTHER SUPPLEMENTARY INFORMATION

City of Tallapoosa, Georgia
Nonmajor Governmental Funds
Combining Balance Sheet
August 31, 2011

	<u>CDBG</u>	<u>Museum</u>	<u>Tallapoosa Community Planning Committee</u>	<u>Drug Forfeiture Fund</u>	<u>Hotel/ Motel Tax Fund</u>	<u>Totals</u>
<u>Assets</u>						
Cash	\$ 00	\$ 7,441	\$ 1,424	\$ 1,916	\$ 00	\$ 10,781
Total assets	\$ 00	\$ 7,441	\$ 1,424	\$ 1,916	\$ 00	\$ 10,781
<u>Liabilities and Fund Balance</u>						
Liabilities	\$ 00	\$ 00	\$ 00	\$ 00	\$ 00	\$ 00
Fund balance						
Restricted	00	00	00	1,916	00	1,916
Committed	00	7,441	1,424	00	00	8,865
Total liabilities and fund balance	\$ 00	\$ 7,441	\$ 1,424	\$ 1,916	\$ 00	\$ 10,781

City of Tallapoosa, Georgia
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
August 31, 2011

	<u>CDBG</u>	<u>Museum</u>	<u>Tallapoosa Community Planning Committee</u>	<u>Drug Forfeiture Fund</u>	<u>Hotel/ Motel Tax Fund</u>	<u>Totals</u>
Revenues:						
Intergovernmental	\$ 00	\$ 00	\$ 00	\$ 00	\$ 00	\$ 00
Taxes	00	00	00	00	14,489	14,489
Miscellaneous	00	6,652	00	00	00	6,352
Interest	<u>00</u>	<u>00</u>	<u>00</u>	<u>31</u>	<u>00</u>	<u>31</u>
Total revenues	<u>00</u>	<u>6,352</u>	<u>00</u>	<u>31</u>	<u>14,489</u>	<u>20,872</u>
Expenditures:						
Current						
Public safety	00	00	00	7,864	00	7,864
Culture and recreation	00	7,331	00	00	00	7,331
General government	5,410	00	00	00	5,796	11,206
Capital outlay	00	00	00	1,525	00	1,525
Total expenditures	<u>5,410</u>	<u>7,331</u>	<u>00</u>	<u>9,389</u>	<u>5,796</u>	<u>27,926</u>
Excess (deficiency) of revenues over expenditures	(5,410)	(979)	00	(9,358)	8,693	(7,054)
Other financing uses:						
Operating transfers out	<u>00</u>	<u>00</u>	<u>00</u>	<u>00</u>	<u>(8,693)</u>	<u>(8,693)</u>
Excess (deficiency) of revenues over expenditures and other uses	(5,410)	(979)	00	(9,358)	00	(15,747)
Fund balance, beginning of year	<u>5,410</u>	<u>8,420</u>	<u>1,424</u>	<u>11,274</u>	<u>00</u>	<u>26,528</u>
Fund balance, end of year	<u>\$ 00</u>	<u>\$ 7,441</u>	<u>\$ 1,424</u>	<u>\$ 1,916</u>	<u>\$ 00</u>	<u>\$ 10,781</u>

City of Tallapoosa, Georgia
Budgetary Comparison Schedule
UDAG Fund
For the Year Ended August 31, 2011

	<u>Budget</u>	<u>Actual</u>
Revenues:		
Interest and other	\$ 11,566	\$ 11,851
Expenditures	<u>00</u>	<u>00</u>
Excess of revenues over expenditures	<u>\$ 11,566</u>	<u>\$ 11,851</u>

City of Tallapoosa, Georgia
Budgetary Comparison Schedule
Museum Fund
For the Year Ended August 31, 2011

	<u>Budget</u>	<u>Actual</u>
Revenue:		
Miscellaneous	\$ 5,981	\$ 6,352
Expenditures:		
Culture and recreation	<u>7,042</u>	<u>7,331</u>
Deficit of revenues over expenditures	<u>\$ (1,061)</u>	<u>\$ (979)</u>

City of Tallapoosa, Georgia
Budgetary Comparison Schedule
Tallapoosa Community Planning Committee Fund
For the Year Ended August 31, 2011

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

City of Tallapoosa, Georgia
Budgetary Comparison Schedule
Drug Forfeiture Fund
For the Year Ended August 31, 2011

	<u>Budget</u>	<u>Actual</u>
Revenues:		
Interest and other	\$ 00	\$ 31
Expenditures	<u>7,863</u>	<u>9,389</u>
Excess of revenues over expenditures	<u>\$ (7,863)</u>	<u>\$ (9,358)</u>

City of Tallapoosa, Georgia
Budgetary Comparison Schedule
Hotel/Motel Tax Fund
For the Year Ended August 31, 2011

	<u>Budget</u>	<u>Actual</u>
Revenues:		
Taxes	\$ 14,489	\$ 14,489
Expenditures:		
Haralson County Chamber of Commerce	<u>5,796</u>	<u>5,796</u>
Excess of revenues over expenditures	8,693	8,693
Other financing uses:		
Transfer to General Fund	<u>(8,693)</u>	<u>(8,693)</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, 2011

	Development <u>Authority</u>	Recreation <u>Authority</u>	Downtown Development <u>Authority</u>	Total Component <u>Units</u>
<u>Assets</u>				
Cash	\$ 241,266	\$ 161,764	\$ 3,122	\$ 406,152
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>\$ 1,895,610</u>	<u>\$ 13,626</u>	<u>\$ 3,316,882</u>
<u>Liabilities</u>				
Accounts payable	\$ 00	\$ 95,914	\$ 00	\$ 95,914
Long-term liabilities:				
Due within one year	00	165,000	00	165,000
Due in more than one year	<u>00</u>	<u>175,000</u>	<u>00</u>	<u>175,000</u>
Total liabilities	<u>\$ 00</u>	<u>\$ 435,914</u>	<u>\$ 00</u>	<u>\$ 435,914</u>
<u>Net Assets</u>				
Invested in capital assets, net of related debt	\$ 1,148,575	\$ 1,393,846	\$ 10,504	\$ 2,552,925
Unrestricted	<u>259,071</u>	<u>65,850</u>	<u>3,122</u>	<u>328,043</u>
Total net assets	<u>\$ 1,407,646</u>	<u>\$ 1,459,696</u>	<u>\$ 13,626</u>	<u>\$ 2,880,968</u>

City of Tallapoosa, Georgia – Component Units
Combining Statement of Activities
For the Year Ended August 31, 2011

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	2,887	179,728	00	00		176,841		
Interest on long-term debt	21,682	00	00	00		(21,682)		
Total governmental activities	24,569	179,728	00	00		155,159		
Downtown Development Authority:								
Governmental activities:								
General government	00	00	00	149			149	
Total governmental activities	00	00	00	149			149	
Total					00	155,159	149	155,308
General revenues:								
Interest and investment earnings					00	451	14	465
Total general revenues					00	451	14	465
Change in net assets					00	155,610	163	155,773
Net assets-beginning					1,407,646	1,304,086	13,463	2,725,195
Net assets-ending					\$ 1,407,646	\$ 1,459,696	\$ 13,626	\$ 2,880,968

City of Tallapoosa, Georgia
Schedule of CDBG Project Cost
August 31, 2011

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>	

Return of funds to grantor – program closed \$ 5,410

City of Tallapoosa, Georgia
Schedule of Projects Constructed with Special Purpose
Local Option Sales Tax Proceeds
For the Year Ended August 31, 2011

2010 Project Activity	Original Estimated Cost	Expenditures		Total
		Prior Years	Current Year	
Old high school – Art Center	\$ 250,000	\$ 57,008	\$ 114,862	\$ 171,870
Street paving, storm drainage, signs and sidewalks	100,000	00	14,779	14,779
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	140,311	140,311
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	96,590	226,492	323,082
Administrative buildings – Police/City Hall area	425,000	16,459	14,793	31,252
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	38,243	38,243
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>\$ 170,057</u>	<u>\$ 549,480</u>	<u>\$ 719,537</u>

2003 Project Activity	Original Estimated Cost	Expenditures		Total
		Prior Years	Current Year	
Water and gas projects	\$ 290,000	\$ 506,710	\$ 00	\$ 506,710
Recreation building projects	125,000	144,304	582	144,886
Municipal administration building	470,000	254,899	18,567	254,899
Water and sewer debt	338,000	377,914	00	396,481
Equipment purchases	280,000	322,241	00	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>\$ 1,856,707</u>	<u>\$ 19,149</u>	<u>\$ 1,875,856</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
Frederick G. Thomas	CPA	Heather B. Foster	CPA
Deborah W. Cooke	CPA	Amber E. Ash	CPA
Johanna H. Tallent	CPA	Kevin G. Bush	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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of 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, 2011, 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 January 27, 2012, 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.

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

January 27, 2012