

CITY OF TALLAPOOSA, GEORGIA

**Financial Statements and Supplementary Information
For the Year Ended August 31, 2012**

and

Independent Auditor's Report

City of Tallapoosa, Georgia
Annual Financial Report
For the Year Ended August 31, 2012

Table of Contents

INTRODUCTORY SECTION:	
List of Principal Officials	4
FINANCIAL SECTION:	
Independent Auditor's Report	5
Required Supplementary Information:	
Management's Discussion and Analysis	7
Basic Financial Statements:	
<i>Government-wide Financial Statements:</i>	
Statement of Net Assets	13
Statement of Activities	14
<i>Fund Financial Statements:</i>	
Balance Sheet – Governmental Funds	15
Statement of Revenues, Expenditures and	
Changes in Fund Balances – Governmental Funds	16
Statement of Net Assets – Proprietary Funds	18
Statement of Revenues, Expenses and Changes in	
Net Assets – Proprietary Funds	19
Statement of Cash Flows – Proprietary Funds	21
<i>Notes to Basic Financial Statements</i>	22
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule – General Fund	47
Budgetary Comparison Schedule – UDAG Fund	54
OTHER SUPPLEMENTARY INFORMATION:	
Combining Balance Sheet – Nonmajor Governmental Funds	55
Combining Statement of Revenues, Expenditures and Changes	
in Fund Balances – Nonmajor Governmental Funds	56

City of Tallapoosa, Georgia
Annual Financial Report
For the Year Ended August 31, 2012

OTHER SUPPLEMENTARY INFORMATION - continued:

Budgetary Comparison Schedule - Museum Fund	57
Budgetary Comparison Schedule - Tallapoosa Community Planning Committee Fund	58
Budgetary Comparison Schedule – Drug Forfeiture Fund	59
Budgetary Comparison Schedule – Hotel/Motel Tax Fund	60
Component Units – Combining Statement of Net Assets	61
Component Units – Combining Statement of Activities	62
Schedule of Projects Constructed with Special Purpose Local Option Sales Tax Proceeds	63
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	64

City of Tallapoosa, Georgia
List of Principal Officials
August 31, 2012

<u>Name</u>	<u>Office Held</u>
William "Pete" Bridges	Mayor
Jonathan James	City Council Member
Bobby Parker	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
Thomas &
Fazio, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Ann M. Fazio	CPA	Julie M. George	CPA
Frederick G. Thomas	CPA	Amber E. Ash	CPA
Deborah W. Cooke	CPA	Kevin G. Bush	CPA
Johanna H. Tallent	CPA	Shari L. Reid	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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of 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, 2012, 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 21, 2013 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 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

January 21, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Tallapoosa, Georgia
Management's Discussion and Analysis
August 31, 2012

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, 2012. 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, 2012

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, 2012

Financial Analysis of the City as a Whole

The City's net assets at fiscal year-end are \$15,007,757. This is a \$394,952 increase from last year's adjusted net assets of \$14,612,805.

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

Summary of Net Assets

	Governmental Activities		Business-Type Activities		Total	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Cash	\$ 1,099,802	\$ 1,418,673	\$ 1,814,253	\$ 1,583,344	\$ 2,914,055	\$ 3,002,017
Capital assets	2,802,969	2,744,268	11,195,515	10,522,008	13,998,484	13,266,276
Other assets	<u>613,683</u>	<u>594,476</u>	<u>330,094</u>	<u>379,540</u>	<u>943,777</u>	<u>974,016</u>
Total assets	<u>\$ 4,516,454</u>	<u>\$ 4,757,417</u>	<u>\$ 13,339,862</u>	<u>\$ 12,484,892</u>	<u>\$ 17,856,316</u>	<u>\$ 17,242,309</u>
Current liabilities	\$ 60,521	\$ 85,381	\$ 371,928	\$ 419,957	\$ 432,449	\$ 505,338
Long-term liabilities	<u>00</u>	<u>00</u>	<u>2,416,110</u>	<u>2,124,166</u>	<u>2,416,110</u>	<u>2,124,166</u>
Total liabilities	<u>\$ 60,521</u>	<u>\$ 85,381</u>	<u>\$ 2,788,038</u>	<u>\$ 2,544,123</u>	<u>\$ 2,848,559</u>	<u>\$ 2,629,504</u>
Net assets:						
Invested in capital assets,						
Net of related debt	\$ 2,802,969	\$ 2,744,268	\$ 8,604,884	\$ 8,227,306	\$ 11,407,853	\$ 10,971,574
Unrestricted	<u>1,652,964</u>	<u>1,927,768</u>	<u>1,946,940</u>	<u>1,713,463</u>	<u>3,599,904</u>	<u>3,641,231</u>
Total net assets	<u>\$ 4,455,933</u>	<u>\$ 4,672,036</u>	<u>\$ 10,551,824</u>	<u>\$ 9,940,769</u>	<u>\$ 15,007,757</u>	<u>\$ 14,612,805</u>

City of Tallapoosa, Georgia
Management's Discussion and Analysis
August 31, 2012

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

**Summary of Changes in
Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues:						
Program revenues:						
Charges for service	\$ 213,270	\$ 235,199	\$ 3,086,911	\$ 3,070,938	\$ 3,300,181	\$ 3,306,137
Operating grants and contributions	00	00	00	00	00	00
Capital grants and contributions	00	50,000	276,641	174,710	276,641	224,710
General revenues:						
Sales tax	1,190,771	1,114,388	00	00	1,190,771	1,114,388
Property taxes	773,791	770,571	00	00	773,791	770,571
Other taxes and misc.	<u>742,002</u>	<u>644,370</u>	<u>22,481</u>	<u>17,460</u>	<u>764,483</u>	<u>661,830</u>
Total revenues	<u>2,919,834</u>	<u>2,814,528</u>	<u>3,386,033</u>	<u>3,263,108</u>	<u>6,305,867</u>	<u>6,077,636</u>
Expenses:						
General government	402,649	405,693			402,649	405,693
Public safety	1,269,195	1,370,951			1,269,195	1,370,951
Highways and streets	341,362	335,699			341,362	335,699
Culture and recreation	<u>487,065</u>	<u>476,936</u>			<u>487,065</u>	<u>476,936</u>
Total	<u>2,500,271</u>	<u>2,589,279</u>				
Water and sewer			1,446,975	1,447,582	1,446,975	1,447,582
Sanitation			212,077	213,189	212,077	213,189
Gas			1,078,437	1,259,451	1,078,437	1,259,451
Golf			<u>673,155</u>	<u>722,590</u>	<u>673,155</u>	<u>722,590</u>
Total			<u>3,410,644</u>	<u>3,642,812</u>		
Total expenses					<u>5,910,915</u>	<u>6,232,091</u>
Change in net assets before transfers	419,563	225,249	(24,611)	(379,704)	394,952	(154,455)
Transfers	<u>(635,666)</u>	<u>(176,109)</u>	<u>635,666</u>	<u>176,109</u>	<u>00</u>	<u>00</u>
Change in net assets	(216,103)	49,140	611,055	(203,595)	394,952	(154,455)
Beginning 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>
Ending net assets	<u>\$ 4,455,933</u>	<u>\$ 4,672,036</u>	<u>\$ 10,551,824</u>	<u>\$ 9,940,769</u>	<u>\$ 15,007,757</u>	<u>\$ 14,612,805</u>

City of Tallapoosa, Georgia
Management's Discussion and Analysis
August 31, 2012

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 \$1,244,482. The total ending fund balances of governmental funds show an decrease of \$288,052 over the prior year adjusted balance.

The Major Governmental Fund

The General Fund is the City's primary operating fund. The fund balance of the General Fund decreased from \$726,352 to \$422,045. Key factors contributing to this decrease were operating transfers 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 \$2,240,155. Amendments were made to the budget during the year to total \$2,348,843.

Capital Asset and Debt Administration

Capital assets

At the end of fiscal year 2012, the City had \$13,998,484 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 2012, the City had long-term debt of \$2,590,631. 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, 2012

Next Year's Budget

The general fund budget for the year ending August 31, 2012 reflects expenditures of \$2,299,884. This is an approximate 3% decrease under the final budget for the year ended August 31, 2012.

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, 2012

	Primary Government			Component <u>Units</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
Assets:				
Cash	\$ 1,099,802	\$ 1,814,253	\$ 2,914,055	\$ 853,163
Receivables, net	553,346	302,252	855,598	17,805
Inventory	00	8,635	8,635	00
Other assets	60,337	19,207	79,544	00
Capital assets, non depreciable	456,132	696,097	1,152,229	1,886,433
Capital assets, depreciable – net	<u>2,346,837</u>	<u>10,499,418</u>	<u>12,846,255</u>	<u>1,006,492</u>
Total assets	<u>\$ 4,516,454</u>	<u>\$ 13,339,862</u>	<u>\$ 17,856,316</u>	<u>\$ 3,763,893</u>
Liabilities:				
Accounts payable	\$ 48,268	\$ 102,936	\$ 151,204	\$ 95,914
Accrued liabilities	12,253	2,881	15,134	00
Customer deposits	00	91,590	91,590	00
Long-term liabilities:				
Due within one year	00	174,521	174,521	175,000
Due in more than one year	<u>00</u>	<u>2,416,110</u>	<u>2,416,110</u>	<u>00</u>
Total liabilities	<u>\$ 60,521</u>	<u>\$ 2,788,038</u>	<u>\$ 2,848,559</u>	<u>\$ 270,914</u>
Net assets:				
Invested in capital assets, net of related debt	\$ 2,802,969	\$ 8,604,884	\$ 11,407,853	\$ 2,717,925
Unrestricted	<u>1,652,964</u>	<u>1,946,940</u>	<u>3,599,904</u>	<u>775,054</u>
Total net assets	<u>\$ 4,455,933</u>	<u>\$ 10,551,824</u>	<u>\$ 15,007,757</u>	<u>\$ 3,492,979</u>

See accompanying notes to financial statements.

City of Tallapoosa, Georgia
Statement of Activities
For the Year Ended August 31, 2012

		Program Revenues			Net (Expenses) Revenue and Changes in Net Assets			
Function/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Unit	
					Governmental Activities	Business-Type Activities		
Total								
Primary government:								
Governmental activities:								
General government	\$ 402,649	\$ 55,093	\$ 00	\$ 00	\$ (347,556)	\$	\$	
Public safety	1,269,195	71,092	00	00	(1,198,103)			
Highways and streets	341,362	00	00	00	(341,362)			
Recreation and culture	487,065	87,085	00	00	(399,980)			
Total governmental activities	2,500,271	213,270	00	00	(2,287,001)			
Business-type activities:								
Water and sewer	1,446,975	1,303,151	00	276,641		132,817		
Gas	1,078,437	1,222,392	00	00		143,955		
Golf	673,155	319,280	00	00		(353,875)		
Sanitation	212,077	242,088	00	00		30,011		
Total business-type activities	3,410,644	3,086,911	00	276,641		(47,092)		
Total primary government	\$ 5,910,915	\$ 3,300,181	\$ 00	\$ 276,641	(2,287,001)	(47,092)	(2,334,093)	
Component Units:								
Development Authority	\$ 80,000	\$ 525,000	\$ 00	\$ 00			445,000	
Downtown Development Authority	8,741	00	11,338				2,597	
Recreation Authority	19,063	178,434	00	00			159,371	
Total component units	\$ 107,804	\$ 703,434	\$ 11,338	\$ 00			606,968	
General revenues:								
Taxes:								
Property taxes levied for general purposes					773,791	00	773,791 00	
Franchise taxes					356,478	00	356,478 00	
Sales taxes					1,190,771	00	1,190,771 00	
Insurance premium taxes					158,806	00	158,806 00	
Hotel/motel taxes					15,532	00	15,532 00	
Malt beverage taxes					86,476	00	86,476 00	
Interest and investment earnings					24,187	13,311	37,498 5,043	
Miscellaneous					100,523	9,170	109,693 00	
Total general revenues					2,706,564	22,481	2,729,045 5,043	
Transfers					(635,666)	635,666	00 00	
Total general revenues and transfers					2,070,898	658,147	2,729,045 5,043	
Change in net assets					(216,103)	611,055	394,952 612,011	
Net assets-beginning					4,672,036	9,940,769	14,612,805 2,880,968	
Net assets-ending					\$ 4,455,933	\$ 10,551,824	\$ 15,007,757 \$ 3,492,979	

See accompanying notes to financial statements.

City of Tallapoosa, Georgia
Balance Sheet
Governmental Funds
August 31, 2012

	General Fund	SPLOST Fund	UDAG Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and equivalents	\$ 322,744	\$ 00	\$ 764,305	\$ 12,753	\$ 1,099,802
Receivables, net	161,028	00	00	00	161,028
Due from other funds	92,805	00	00	00	92,805
Receivables from other governments	00	138,184	00	00	138,184
Total assets	\$ 576,577	\$ 138,184	\$ 764,305	\$ 12,753	\$ 1,491,819
Liabilities					
Accounts payable	\$ 30,463	\$ 00	\$ 00	\$ 00	\$ 30,463
Accrued liabilities	12,253	00	00	00	12,253
Due to other funds	00	00	92,805	00	92,805
Deferred revenue	94,011	00	00	00	94,011
Due to other governments	17,805	00	00	00	17,805
Total liabilities	154,532	00	92,805	00	247,337
Fund Balances					
Unassigned	329,240	00	00	00	329,240
Nonspendable	92,805	00	00	00	92,805
Restricted	00	138,184	671,500	61	809,745
Committed	00	00	00	12,692	12,692
Total fund balance	422,045	138,184	671,500	12,753	1,244,482
Total liabilities and fund balances	\$ 576,577	\$ 138,184	\$ 764,305	\$ 12,753	

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	2,802,969
Some receivables are not available to pay for current-period expenditures and therefore are deferred in the funds	254,134
Prepaid items are not reported in the funds	60,337
Earned revenue deferred due to availability criteria is taken into income on the accrual basis government wide statement	94,011

Net assets of governmental activities \$ 4,455,933

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, 2012

	General Fund	SPLOST Fund	UDAG Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 2,050,492	\$ 00	\$ 00	\$ 15,532	\$ 2,066,024
Fees and fines	75,842	00	00	00	75,842
Licenses and permits	43,058	00	00	00	43,058
Charges for services	99,120	00	00	00	99,120
Intergovernmental	00	524,821	00	00	524,821
Interest	6,492	00	6,886	9	13,387
Miscellaneous	94,020	00	00	6,503	100,523
Total revenues	<u>2,369,024</u>	<u>524,821</u>	<u>6,886</u>	<u>22,044</u>	<u>2,922,775</u>
Expenditures					
Current operating:					
General government	333,209	00	00	5,344	338,553
Public safety	1,233,485	00	00	1,855	1,235,340
Highways and streets	296,337	00	00	00	296,337
Recreation and culture	463,011	00	00	2,685	465,696
Capital outlay	00	239,235	00	00	239,235
Total expenditures	<u>2,326,042</u>	<u>239,235</u>	<u>00</u>	<u>9,884</u>	<u>2,575,161</u>
Excess (deficit) of revenues over expenditures	<u>42,982</u>	<u>285,586</u>	<u>6,886</u>	<u>12,160</u>	<u>347,614</u>
Other financing sources (uses)					
Transfers in (out)	(347,289)	(278,189)	00	(10,188)	(635,666)
Total other financing sources (uses)	<u>(347,289)</u>	<u>(278,189)</u>	<u>00</u>	<u>(10,188)</u>	<u>(635,666)</u>
Net change in fund balance	(304,307)	7,397	6,886	1,972	(288,052)
Fund balances – beginning	<u>726,352</u>	<u>130,787</u>	<u>664,614</u>	<u>10,781</u>	<u>1,532,534</u>
Fund balances – ending	<u>\$ 422,045</u>	<u>\$ 138,184</u>	<u>\$ 671,500</u>	<u>\$ 12,753</u>	<u>\$ 1,244,482</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, 2012

Net change in fund balances – total government funds \$ (288,052)

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. (2,941)

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	\$ 239,235	
Depreciation	<u>180,534</u>	58,701

Expenditures in the governmental funds that benefit periods beyond
August 31, 2012 are reported as prepaid items in the statement of net
assets. 16,189

Change in net assets of governmental activities. \$ (216,103)

City of Tallapoosa, Georgia
Statement of Net Assets
Proprietary Funds
August 31, 2012

<u>Assets</u>	<u>Business-Type Activities</u>				<u>Totals</u>
	<u>Water and Sewer</u>	<u>Gas</u>	<u>(Non-major) Sanitation</u>	<u>Golf</u>	
Current assets:					
Non-restricted assets:					
Cash	\$ 1,315,789	\$ 322,986	\$ 00	\$ 200	\$ 1,638,975
Accounts receivable (net of allowance)	124,900	51,260	20,717	9,461	206,338
Inventory	5,000	3,635	00	00	8,635
Prepaid insurance	6,917	5,971	00	4,618	17,506
Due from Tallapoosa Recreation Authority	00	00	00	95,914	95,914
Total non-restricted current assets	<u>1,452,606</u>	<u>383,852</u>	<u>20,717</u>	<u>110,193</u>	<u>1,967,368</u>
Restricted assets:					
Cash	<u>175,278</u>	<u>00</u>	<u>00</u>	<u>00</u>	<u>175,278</u>
Total restricted current assets	<u>175,278</u>	<u>00</u>	<u>00</u>	<u>00</u>	<u>175,278</u>
Total current assets	<u>1,627,884</u>	<u>383,852</u>	<u>20,717</u>	<u>110,193</u>	<u>2,142,646</u>
Capital assets:					
Property, plant and equipment	12,439,253	1,811,410	21,410	729,273	15,001,346
Accumulated depreciation	<u>2,746,193</u>	<u>615,361</u>	<u>21,410</u>	<u>422,867</u>	<u>3,805,831</u>
Total capital assets	<u>9,693,060</u>	<u>1,196,049</u>	<u>00</u>	<u>306,406</u>	<u>11,195,515</u>
Other non-current assets:					
Unamortized loan costs	<u>1,701</u>	<u>00</u>	<u>00</u>	<u>00</u>	<u>1,701</u>
Total non-current assets	<u>1,701</u>	<u>00</u>	<u>00</u>	<u>00</u>	<u>1,701</u>
Total assets	<u>\$ 11,322,645</u>	<u>\$ 1,579,901</u>	<u>\$ 20,717</u>	<u>\$ 416,599</u>	<u>\$ 13,339,862</u>

See accompanying notes to financial statements.

City of Tallapoosa, Georgia
Statement of Net Assets
Proprietary Funds
August 31, 2012

<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	\$ 57,268	\$ 13,843	\$ 16,715	\$ 15,110	\$ 102,936
Accrued expenses	00	393	00	2,488	2,881
Customer deposits	31,445	60,145	00	00	91,590
Current portion of capital lease payable and note payable	00	00	00	48,229	48,229
Total current liabilities payable from non-restricted current assets	88,713	74,381	16,715	65,827	245,636
Current liabilities payable from restricted current assets:					
Current portion of notes payable	126,292	00	00	00	126,292
Total current liabilities payable from restricted current assets	126,292	00	00	00	126,292
Total current liabilities	215,005	74,381	16,715	65,827	371,928
Long-term liabilities:					
Notes payable (less current portion)	2,302,628	00	00	9,730	2,312,358
Capital lease payable (less current portion)	00	00	00	103,752	103,752
Total long-term liabilities	2,302,628	00	00	113,482	2,416,110
Total liabilities	2,517,633	74,381	16,715	179,309	2,788,038
<u>Net Assets</u>					
Invested in capital assets, net of related debt	7,264,140	1,196,049	00	144,695	8,604,884
Unrestricted	1,540,872	309,471	4,002	92,595	1,946,940
Total net assets	8,805,012	1,505,520	4,002	237,290	10,551,824
Total liabilities and net assets	\$ 11,322,645	\$ 1,579,901	\$ 20,717	\$ 416,599	\$ 13,339,862

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, 2012

	Water and Sewer	Gas	(Non-major) Sanitation	Golf	Totals
Operating revenues:					
Charges for services	\$ 1,303,151	\$ 1,222,392	\$ 242,088	\$ 319,280	\$ 3,086,911
Miscellaneous	<u>3,450</u>	<u>113</u>	<u>38</u>	<u>5,569</u>	<u>9,170</u>
Total operating revenues	<u>1,306,601</u>	<u>1,222,505</u>	<u>242,126</u>	<u>324,849</u>	<u>3,096,081</u>
Operating expenses:					
Salaries	243,453	288,021	00	163,330	694,804
Payroll taxes	18,193	21,283	00	12,243	51,719
Group medical insurance	30,588	38,421	00	17,800	86,809
Municipal insurance	22,182	12,022	6,583	10,516	51,303
Employee retirement	33,697	43,325	00	16,849	93,871
Telephone	5,302	3,876	1,651	1,720	12,549
Utilities	118,870	4,189	00	50,880	173,939
Office supplies	8,321	5,104	3,200	7,149	23,774
Software and data processing	3,360	1,290	955	4,674	10,279
Water purchases	521,115	00	00	00	521,115
Natural gas purchases	00	536,264	00	00	536,264
Materials	22,856	50,610	00	00	73,466
Repairs and maintenance	60,120	7,449	00	26,561	94,130
Bad debts	16,029	00	00	00	16,029
Travel and training	2,286	4,958	00	594	7,838
Cathodic protection	00	8,972	00	00	8,972
Samples and testing	21,726	00	00	00	21,726
Garbage contract	00	00	197,912	00	197,912
Professional fees	3,697	12,525	1,715	1,715	19,652
Vehicle gas and oil	20,939	8,123	00	31,845	60,907
Miscellaneous	13,872	2,542	61	3,416	19,891
Depreciation	136,852	23,274	00	52,277	212,403
Tools and small equipment	3,835	1,456	00	6,098	11,389
Chemicals	43,022	00	00	2,172	45,194
Greens expense	00	00	00	20,805	20,805
Concessions	00	00	00	22,861	22,861
Rent - Recreation Authority	00	00	00	166,425	166,425
Contract labor – Department of Corrections	7,182	3,890	00	39,500	50,572
Planning & development	<u>1,075</u>	<u>843</u>	<u>00</u>	<u>243</u>	<u>2,161</u>
Total operating expenses	<u>1,358,572</u>	<u>1,078,437</u>	<u>212,077</u>	<u>659,673</u>	<u>3,308,759</u>
Operating income (loss)	<u>(51,971)</u>	<u>144,068</u>	<u>30,049</u>	<u>(334,824)</u>	<u>(212,678)</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, 2012

	<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	\$ 11,016	\$ 2,294	\$ 00	\$ 1	\$ 13,311
Interest expense	(88,403)	00	00	(13,482)	(101,885)
Grant income	<u>276,641</u>	<u>00</u>	<u>00</u>	<u>00</u>	<u>276,641</u>
Total non-operating revenues (expenses)	<u>199,254</u>	<u>2,294</u>	<u>00</u>	<u>(13,481)</u>	<u>188,067</u>
Income (loss) before transfers	<u>147,283</u>	<u>146,362</u>	<u>30,049</u>	<u>(348,305)</u>	<u>(24,611)</u>
Transfer in	397,386	57,113	00	367,536	822,035
Transfer out	<u>00</u>	<u>(133,170)</u>	<u>(37,689)</u>	<u>(15,510)</u>	<u>(186,369)</u>
Total transfers in (out)	<u>397,386</u>	<u>(76,057)</u>	<u>(37,689)</u>	<u>352,026</u>	<u>635,666</u>
Change in net assets	544,669	70,305	(7,640)	3,721	611,055
Net assets beginning 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>
Net assets end of year	<u>\$ 8,805,012</u>	<u>\$ 1,505,520</u>	<u>\$ 4,002</u>	<u>\$ 237,290</u>	<u>\$ 10,551,824</u>

See accompanying notes to financial statements.

City of Tallapoosa, Georgia
Statement of Cash Flows
Proprietary Funds
For the Year Ended August 31, 2012

	<u>Water</u>	<u>Gas</u>	<u>(Non-major) Sanitation</u>	<u>Golf</u>	<u>Totals</u>
Cash flows from operating activities:					
Receipts from customers	\$ 1,301,990	\$ 1,227,299	\$ 249,628	\$ 326,275	\$ 3,105,192
Payments for suppliers	(907,708)	(659,577)	(211,939)	(401,607)	(2,180,831)
Payments to employees	(325,931)	(391,050)	(00)	(210,223)	(927,204)
Net cash provided (used) by operating activities	<u>68,351</u>	<u>176,672</u>	<u>37,689</u>	<u>(285,555)</u>	<u>(2,843)</u>
Cash flows from noncapital financing activities:					
Operating subsidies and transfers to/from other funds	<u>204,325</u>	<u>(98,557)</u>	<u>(37,689)</u>	<u>352,025</u>	<u>420,104</u>
Net cash provided (used) by noncapital financing activities	<u>204,325</u>	<u>(98,557)</u>	<u>(37,689)</u>	<u>352,025</u>	<u>420,104</u>
Cash flows from capital and related financing activities:					
SPLOST transfers	193,061	22,500	00	00	215,561
Loan proceeds	328,173	00	00	148,500	476,673
Capital grants	276,641	00	00	00	276,641
Purchases of capital assets	(649,193)	(100,081)	00	(136,637)	(885,911)
Principal paid on capital debt	(115,890)	00	00	(64,852)	(180,742)
Interest paid on capital debt	(88,403)	00	00	(13,482)	(101,885)
Net cash used by capital and related financing activities	<u>(55,611)</u>	<u>(77,581)</u>	<u>00</u>	<u>(66,471)</u>	<u>(199,663)</u>
Cash flows from investing activities:					
Interest	<u>11,016</u>	<u>2,294</u>	<u>00</u>	<u>1</u>	<u>13,311</u>
Net cash provided by investing activities	<u>11,016</u>	<u>2,294</u>	<u>00</u>	<u>1</u>	<u>13,311</u>
Net (decrease) increase in cash and cash equivalents	228,081	2,828	00	00	230,909
Balances – beginning of year	<u>1,262,986</u>	<u>320,158</u>	<u>00</u>	<u>200</u>	<u>1,583,344</u>
Balances – end of year	<u>\$ 1,491,067</u>	<u>\$ 322,986</u>	<u>\$ 00</u>	<u>\$ 200</u>	<u>\$ 1,814,253</u>
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ (51,971)	\$ 144,068	\$ 30,049	\$ (334,824)	\$ (212,678)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation expense	136,852	23,274	00	52,277	212,403
Amortization expense	851	00	00	00	851
Change in assets and liabilities:					
Receivables, net	(8,241)	3,444	7,502	1,426	4,131
Prepaid expense	2,315	(2,498)	00	5,352	5,169
Inventory	00	39,295	00	00	39,295
Customer deposits	3,630	1,350	00	00	4,980
Accounts and other payables	(15,085)	(31,710)	138	(10,146)	(56,803)
Accrued expenses	00	(551)	00	360	(191)
Net cash provided (used) by operating activities	<u>\$ 68,351</u>	<u>\$ 176,672</u>	<u>\$ 37,689</u>	<u>\$ (285,555)</u>	<u>\$ (2,843)</u>

See accompanying notes to financial statements.

City of Tallapoosa, Georgia
Notes to Financial Statements
August 31, 2012

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, 2012

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, 2012

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:	
Capital projects	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):	
Special revenue	Accounts for revenues and expenditures of promoting urban economic development.

City of Tallapoosa, Georgia
Notes to Financial Statements
August 31, 2012

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.

City of Tallapoosa, Georgia
Notes to Financial Statements
August 31, 2012

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, 2012

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, 2012

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 the fiscal year end, 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, 2012

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, 2012

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, 2012

Note 1. Summary of Significant Accounting Policies – continued

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, 2012

Note 2. Custodial Credit Risk Related to Deposits

At August 31, 2012, the carrying amount of the City's deposits was \$2,914,055 and the bank balances were \$3,069,377. 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 18, 2011, and payable on December 31, 2011. The assessed value at January 1, 2011, upon which the 2011 levy was based, was \$92,168,386 (Estimated market value of \$113,798,418). The rate was 7.348 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:						
Golf	\$ 00	\$ 00	\$ 15,511	\$ 00	\$ 00	\$ 15,511
Hotel-Motel Tax Fund	10,188	00	00	00	00	10,188
Sanitation Fund	18,587	00	19,102	00	00	37,689
Gas Fund	133,170	00	00	00	00	133,170
SPLOST Fund	62,628	193,061	22,500	00	00	278,189
General Fund	00	204,325	00	367,536	00	571,861
Totals	<u>\$ 224,573</u>	<u>\$ 397,386</u>	<u>\$ 57,113</u>	<u>\$ 367,536</u>	<u>\$ 00</u>	

Interfund balances at August 31, 2012, 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 does not expect to repay 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, 2012

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>

- ***Restricted*** – The following fund balances are restricted for:

Special Revenue Funds:	
Confiscated Asset Fund – used to	
account for drug related expenditures.	\$ 61
UDAG – accounts for grant promoting urban	
economic development	<u>671,500</u>
	<u>\$ 671,561</u>

Capital Projects Fund:	
Special Purpose Local Option Sales Tax Fund	
(SPLOST) – used to account for capital projects	
financed with SPLOST.	<u>\$ 138,184</u>

Total restricted	<u>\$ 809,745</u>
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- ***Committed*** – The following fund balances are committed to:

Special Revenue Funds:	
Museum	\$ 11,259
Planning committee	<u>1,433</u>
	<u>\$ 12,692</u>

- ***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, 2012

Note 5. Capital Assets

Capital assets activity for the year ended August 31, 2012 was as follows:

	Balance at September 1, 2011	Additions	Disposals	Balance at August 31, 2012
Governmental activities:				
Non-depreciable:				
Land	\$ 456,132	\$ 00	\$ 00	\$ 456,132
Depreciable:				
Buildings and improvements	\$ 2,360,579	\$ 151,182	\$ 00	\$ 2,511,761
Machinery and equipment	793,567	21,851	00	815,418
Vehicles	478,076	37,491	00	515,567
Infrastructure	1,047,421	28,711	00	1,076,132
Totals at historical cost	4,679,643	239,235	00	4,918,878
Less accumulated depreciation:				
Buildings and improvements	1,009,531	70,479	00	\$ 1,080,010
Machinery and equipment	693,951	42,542	00	736,493
Vehicles	455,886	21,978	00	477,864
Infrastructure	232,139	45,535	00	277,674
Total accumulated depreciation	2,391,507	180,534	00	2,572,041
Governmental activities capital assets (depreciable), net	\$ 2,288,136	\$ 58,701	\$ 00	\$ 2,346,837
Business-type activities:				
Non-depreciable:				
Land	\$ 142,816	\$ 00	\$ 00	\$ 142,816
Construction in progress	306,214	247,067	00	553,281
	\$ 449,030	\$ 247,067	\$ 00	\$ 696,097
Depreciable:				
Land improvements	\$ 15,656	\$ 00	\$ 00	\$ 15,656
Water and sewer distribution system	11,373,393	402,126	00	11,775,519
Gas distribution system	1,475,527	100,082	00	1,575,609
Buildings	205,008	00	00	205,008
Vehicles, machinery & equipment	1,101,293	164,000	531,835	733,458
Totals at historical costs	14,170,877	666,208	531,835	14,305,250
Less accumulated depreciation:				
Land improvements	15,657	00	00	15,657
Water and sewer distribution system	2,496,831	138,909	00	2,635,740
Gas distribution system	367,899	20,334	00	388,233
Buildings	199,088	496	00	199,584
Vehicles, machinery & equipment	1,018,424	52,664	504,471	566,617
	4,097,899	212,403	504,471	3,805,831
Business-type capital assets (depreciable), net	\$ 10,072,978	\$ 453,805	\$ 27,364	\$ 10,499,419

City of Tallapoosa, Georgia
Notes to Financial Statements
August 31, 2012

Note 5. Capital Assets - continued

Depreciation was charged to governmental activities as follows:

General government	\$ 67,451
Public safety	41,567
Highways and streets	46,532
Recreation and culture	<u>24,984</u>
Total	<u>\$ 180,534</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, 2012:

	Balance Sept. 1, 2011	Additions	Payments	Balance Aug. 31, 2012	Amount Due Within One Year
GEFA Loan #DW10-029	\$ 00	\$ 276,640	\$ 00	\$ 276,640*	\$ 00
GEFA Loan #92-025	96,341	00	24,302	72,039	25,289
GEFA Loan #2000-L58-WJ	332,510	00	29,276	303,234	30,284
GEFA Loan #2005-L30-WJ	1,634,678	00	61,219	1,573,459	63,998
GEFA Loan #2005-L30-WJA	153,109	51,533	1,094	203,548	6,720
Bank Loan – Mower	34,504	00	12,178	22,326	12,596
Capital lease – golf carts	<u>43,560</u>	<u>148,500</u>	<u>52,675</u>	<u>139,385</u>	<u>35,633</u>
	<u>\$ 2,294,702</u>	<u>\$ 476,673</u>	<u>\$ 180,744</u>	<u>\$ 2,590,631</u>	<u>\$ 174,520</u>

The following is a schedule of principal and interest requirements:

	Principal	Interest	Total
2013	\$ 174,520	\$ 89,992	\$ 264,512
2014	177,771	83,451	261,222
2015	167,526	76,882	244,408
2016	142,728	70,978	213,706
2017	118,282	65,857	184,139
2018 to 2022	615,548	254,885	870,433
2023 to 2027	585,203	134,436	719,639
2028 to 2032	<u>332,414</u>	<u>19,807</u>	<u>352,221</u>
	<u>\$ 2,313,992</u>	<u>\$ 796,288</u>	<u>\$ 3,110,280</u>

* Not included in schedule because no amortization period has been established.

City of Tallapoosa, Georgia
Notes to Financial Statements
August 31, 2012

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

Interest expensed in the current year was \$101,885.

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 #DW10-029

During the year, the City entered into a loan with GEFA. The original amount of the loan is \$287,250 of which there was \$276,640 drawn during the year. The construction rate and permanent rate is 3%. There will be no payments until the loan is complete. This is a loan and grant in which the total project is \$574,000 of which \$287,250 is forgiven as grant income. The remaining 50% of the project will be paid back as a loan from GEFA.

GEFA Loan #92-025

The original amount of the loan was \$381,393 with a 4% interest rate. The following is a schedule of debt service requirements for the next three years and to maturity:

Year Ending August 31,	Principal	Interest	Total
2013	\$ 25,289	\$ 2,505	\$ 27,794
2014	26,315	1,479	27,794
2015	20,435	412	20,847
	<u>\$ 72,039</u>	<u>\$ 4,396</u>	<u>\$ 76,435</u>

GEFA Loan # 2000-L58-WJ

The original amount of the loan was \$581,790 with a 3.4% interest rate. The following is a schedule of debt service requirements for the next five years and to maturity:

Year Ending August 31,	Principal	Interest	Total
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	34,677	5,534	40,211
2018 to 2021	141,018	9,776	150,794
	<u>\$ 303,234</u>	<u>\$ 48,615</u>	<u>\$ 351,849</u>

City of Tallapoosa, Georgia
Notes to Financial Statements
August 31, 2012

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, 2012 the City had borrowed \$1,740,632 under the loan agreement which is being amortized as indicated below.

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	75,657	53,130	128,787
2018 to 2022	429,387	214,547	643,934
2023 to 2027	529,531	114,403	643,934
2028 to 2030	<u>266,285</u>	<u>12,754</u>	<u>279,039</u>
	<u>\$ 1,573,459</u>	<u>\$ 637,383</u>	<u>\$ 2,210,842</u>

GEFA Loan #2005-L30-WJA

The City has entered into a promissory note for \$647,866 under the same loan provisions as above. At August 31, 2012 there had been \$203,548 drawn to date. The amortization of the loan began in June 2012 and is payable in 240 monthly installments.

Based on the amount drawn to August 31, 2012, the following is a schedule of debt service requirements for the next five years and to maturity.

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 6,720	\$ 8,421	\$ 15,141
2014	7,008	8,133	15,141
2015	7,308	7,833	15,141
2016	7,621	7,520	15,141
2017	7,948	7,193	15,141
2018 to 2022	45,143	30,562	75,705
2023 to 2027	55,672	20,033	75,705
2028 to 2032	<u>66,128</u>	<u>7,053</u>	<u>73,181</u>
	<u>\$ 203,548</u>	<u>\$ 96,748</u>	<u>\$ 300,296</u>

City of Tallapoosa, Georgia
Notes to Financial Statements
August 31, 2012

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

Capital Lease Obligations

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

Year Ending <u>August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 35,633	\$ 3,789	\$ 39,422
2014	36,730	2,692	39,422
2015	37,862	1,560	39,422
2016	<u>29,160</u>	<u>407</u>	<u>29,567</u>
	<u>\$ 139,385</u>	<u>\$ 8,448</u>	<u>\$ 147,833</u>

Equipment held under the capital leases at August 31, 2012 totaled \$148,500. The interest rate is 3%.

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 3.38%. The equipment serves as collateral. The following is a schedule of debt service requirements for the next three years, which is the

Year Ending <u>August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 12,596	\$ 561	\$ 13,157
2014	<u>9,730</u>	<u>137</u>	<u>9,867</u>
	<u>\$ 22,326</u>	<u>\$ 698</u>	<u>\$ 23,024</u>

Note 8. Budget Violations/Deficit Fund Balances

The general fund expenditures were less than budgeted appropriations by \$22,801. There were no department's expenditures exceeding its budget appropriations by more than three percent.

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.

City of Tallapoosa, Georgia
Notes to Financial Statements
August 31, 2012

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, 2012, was \$1,654,237; the City's total payroll for the year ended August 31, 2012, was \$1,859,274.

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	11%, 7%, 6.5% and 6% for the first through fifth years of service
Cost of Living Adjustments	2.50%
Inflation	3.5%
Membership of the plan	
Retirees and beneficiaries	16
Terminated plan members entitled to, but not yet receiving benefits	10
Active plan members	<u>37</u>
Total	63

City of Tallapoosa, Georgia
Notes to Financial Statements
August 31, 2012

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, 2012.

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, 2012.

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 2012 of \$255,727 are made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of August 31, 2012. Contributions consist of (a) \$123,456 normal cost and (b) \$119,857 payment on unfunded actuarial accrued liabilities and (c) \$12,414 adjustment to fiscal year. The City contributes the entire amount (15.11 percent of covered payroll).

City of Tallapoosa, Georgia
Notes to Financial Statements
August 31, 2012

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]
01/01/12	\$ 2,631,404	\$ 3,486,731	\$ 855,327	75.5%	\$ 1,654,237	51.7%
01/01/11	2,409,061	3,230,880	821,819	74.6%	1,702,556	48.2%
01/01/10	2,208,161	3,031,884	823,723	72.8%	1,583,263	52.0%
10/01/09	2,097,857	3,013,063	915,206	69.6%	1,583,263	57.8%
09/01/08	1,966,858	2,844,539	877,681	69.2%	1,620,166	54.2%
09/01/07	1,757,432	2,564,314	806,882	68.5%	1,467,701	55.0%

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
8/31/12	\$ 255,727	100%	0
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

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, 2012

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 approximates \$425,000 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 2012.

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, 2012

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 had 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, 2012

Note 14. Component Unit Disclosures – continued

Tallapoosa Development Authority - continued

Capital Assets

Capital assets activity for the year ended August 31, 2012, was as follows:

	Balance <u>9-01-11</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>8-31-12</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, 2012

Note 14. Component Unit Disclosures- continued

Tallapoosa Recreation Authority – continued

Capital Assets

Capital assets activity for the year ended August 31, 2012, was as follows:

	<u>Balance</u> <u>9-01-11</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>8-31-12</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, 2012:

	<u>Balance</u> <u>9-01-11</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>8-31-12</u>	<u>Amount</u> <u>Due</u> <u>Within</u> <u>One Year</u>
Bonds payable	<u>\$ 340,000</u>	<u>\$ 00</u>	<u>\$ 165,000</u>	<u>\$ 175,000</u>	<u>\$ 175,000</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>
2013	<u>\$ 175,000</u>	<u>\$ 7,612</u>	<u>\$ 182,612</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 Northwest Georgia Regional Commission and is required to pay annual dues thereto. During its year ended August 31, 2012, the City paid \$3,155 in such dues. Membership is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the NWGRC in Georgia. The 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. 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, 2012

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, 2012 follows:

Hotel/Motel tax collected	\$ 15,532
Disbursements and transfers	\$ 15,532

REQUIRED SUPPLEMENTARY INFORMATION

City of Tallapoosa, Georgia
 Budgetary Comparison Schedule - General Fund
 For the Year Ended August 31, 2012

	Original <u>Budget</u>	Amended <u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Taxes:				
Property	\$ 740,533	\$ 675,090	\$ 679,437	\$ 4,347
Mobile home	560	500	500	00
Vehicle	6,100	57,720	57,720	00
Intangible	4,200	4,705	4,705	00
P.I.L.O.T. (Housing Authority)	14,055	28,108	28,108	00
Franchise	329,852	356,478	356,478	00
Local option sales	642,029	666,775	665,950	(825)
Railroad equipment	1,325	1,512	1,512	00
Malt beverage	85,131	86,476	86,476	00
Insurance premium tax	160,307	158,806	158,806	00
Interest and penalties	<u>11,065</u>	<u>10,800</u>	<u>10,800</u>	<u>00</u>
	<u>1,995,157</u>	<u>2,046,970</u>	<u>2,050,492</u>	<u>3,522</u>
Licenses and permits:				
Business licenses	29,000	28,195	28,195	00
Insurance licenses	6,201	1,760	1,760	00
Alcoholic and beverage licenses	7,800	10,400	10,400	00
Building permits	5,001	2,703	2,703	00
Rezoning applications	<u>1,200</u>	<u>00</u>	<u>00</u>	<u>00</u>
	<u>49,202</u>	<u>43,058</u>	<u>43,058</u>	<u>00</u>
Charges for services:				
Recreation programs	81,798	87,085	87,085	00
Transportation trips – GA DHR	14,190	12,035	12,035	00
Cemetery sales and fees	<u>6,400</u>	<u>00</u>	<u>00</u>	<u>00</u>
	<u>102,388</u>	<u>99,120</u>	<u>99,120</u>	<u>00</u>
Fines and forfeitures	<u>91,581</u>	<u>76,214</u>	<u>75,842</u>	<u>(372)</u>
Interest	<u>7,135</u>	<u>4,679</u>	<u>6,492</u>	<u>1,813</u>
Other:				
Miscellaneous	<u>16,825</u>	<u>91,931</u>	<u>94,020</u>	<u>2,089</u>
	<u>16,825</u>	<u>91,931</u>	<u>94,020</u>	<u>2,089</u>
Total revenues	<u>2,262,288</u>	<u>2,361,972</u>	<u>2,369,024</u>	<u>7,052</u>

See accompanying notes to budgetary comparison schedule.

City of Tallapoosa, Georgia
 Budgetary Comparison Schedule - General Fund
 For the Year Ended August 31, 2012

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
General Government:				
Administration:				
Salaries	\$ 126,700	\$ 126,816	\$ 126,816	\$ 00
Payroll taxes	9,865	10,556	10,556	00
Group medical insurance	21,400	20,694	20,694	00
Employee retirement	19,275	16,849	16,849	00
Travel	3,000	1,216	1,216	00
Training	1,000	598	598	00
Supplies	7,100	7,091	6,934	157
Public announcements	3,000	1,912	1,596	316
Insurance	7,500	7,817	7,780	37
Special events	2,000	25	72	(47)
Legal services	10,000	7,895	3,681	4,214
Audit	2,000	1,686	1,914	(228)
Planning and development	3,000	3,839	3,839	00
Repairs and maintenance	12,000	5,491	4,908	583
Vehicle gas and oil	1,000	424	321	103
Data processing and software	3,000	1,682	1,668	14
Rent	200	200	200	00
Membership fees	4,700	2,642	2,642	00
Professional fees	600	00	00	00
Telephone	1,000	1,939	2,243	(304)
Utilities - gas and water	5,000	6,357	6,357	00
Utilities - electricity	12,000	12,837	12,164	673
Miscellaneous	00	124	297	(173)
Contract labor	3,900	3,292	7,781	(4,489)
Capital outlay	<u>2,000</u>	<u>00</u>	<u>00</u>	<u>00</u>
	<u>261,240</u>	<u>241,982</u>	<u>241,126</u>	<u>856</u>
Mayor and Council:				
Salaries and fees	22,800	22,800	22,800	00
Insurance	4,900	6,837	6,800	37
Special events	6,000	5,966	5,966	00
Public announcements	00	1,449	693	756
Legal services	00	1,130	1,130	00
Audit	1,800	1,686	1,686	00
Election	3,800	3,135	3,135	00
Planning and development	500	243	243	00
Membership fees	400	00	00	00
Payroll taxes	1,745	1,744	1,744	00
Travel and training	<u>10,500</u>	<u>14,363</u>	<u>14,363</u>	<u>00</u>
	<u>52,445</u>	<u>59,353</u>	<u>58,560</u>	<u>793</u>

See accompanying notes to budgetary comparison schedule.

City of Tallapoosa, Georgia
 Budgetary Comparison Schedule - General Fund
 For the Year Ended August 31, 2012

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
General Government - continued:				
Other:				
Salary – janitor	\$ 12,000	\$ 15,324	\$ 15,324	\$ 00
Payroll taxes - janitor	918	1,172	1,172	00
Cemetery maintenance	1,500	364	364	00
Utilities – gas, water, electricity	700	276	276	00
Membership fees	425	00	00	00
Contract labor	3,900	3,292	2,992	300
Insurance	9,500	13,421	13,383	38
Equipment repair	1,000	12	12	00
Capital outlay	<u>00</u>	<u>00</u>	<u>00</u>	<u>00</u>
	<u>29,943</u>	<u>33,861</u>	<u>33,523</u>	<u>338</u>
Total general government	<u>343,628</u>	<u>335,196</u>	<u>333,209</u>	<u>1,987</u>
Public Safety:				
Police Department:				
Salaries	580,000	598,077	598,077	00
Payroll taxes	44,370	44,314	44,314	00
Group medical insurance	85,000	85,022	85,022	00
Employee retirement	85,000	84,244	84,244	00
Travel	1,500	370	370	00
Training	2,000	1,794	1,900	(106)
Supplies	5,600	6,360	6,488	(128)
Miscellaneous	600	1,541	1,541	00
Insurance	30,000	28,648	28,611	37
Legal services	15,000	18,468	18,386	82
Audit	2,000	1,686	1,686	00
Repairs and maintenance	20,500	28,111	27,085	1,026
Vehicle gas and oil	45,000	49,239	50,828	(1,589)
Data processing and software	3,800	13,286	13,046	240
Planning and development	150	243	243	00
Uniforms	2,500	2,879	2,786	93
Service contracts	2,600	1,897	1,778	119
Contract labor	3,900	3,292	2,992	300
Witness fees	200	00	00	00
Membership fees	500	138	138	00
Telephone	6,400	4,252	4,097	155
Utilities - gas and water	2,600	2,015	2,015	00
Utilities - electricity	8,100	8,437	7,435	1,002
Capital outlay	<u>6,000</u>	<u>00</u>	<u>00</u>	<u>00</u>
	<u>953,320</u>	<u>984,313</u>	<u>983,082</u>	<u>1,231</u>

See accompanying notes to budgetary comparison schedule.

City of Tallapoosa, Georgia
 Budgetary Comparison Schedule - General Fund
 For the Year Ended August 31, 2012

	Original <u>Budget</u>	Amended <u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Public Safety - continued:				
Fire Department:				
Salaries	\$ 165,000	\$ 158,063	\$ 158,063	\$ 00
Payroll taxes	12,622	11,554	11,554	00
Group medical insurance	26,658	23,279	23,279	00
Employee retirement	20,000	26,477	26,477	00
Travel	100	00	00	00
Training	500	00	00	00
Supplies	1,650	2,055	1,928	127
Municipal insurance	9,800	10,966	10,929	37
Audit and legal	2,000	1,686	1,686	00
Repairs and maintenance	4,500	5,621	5,593	28
Vehicle gas and oil	8,100	6,167	5,350	817
Uniforms	800	146	146	00
Service contracts	500	189	308	(119)
Telephone	1,700	1,720	1,651	69
Utilities - gas and water	3,600	2,103	2,103	00
Utilities - electricity	600	00	00	00
Software and data processing	1,000	955	955	00
Miscellaneous	402	138	138	00
Planning and development	00	243	243	00
Capital outlay	2,000	00	00	00
	<u>261,532</u>	<u>251,362</u>	<u>250,403</u>	<u>959</u>
Total public safety	<u>1,214,852</u>	<u>1,235,675</u>	<u>1,233,485</u>	<u>2,190</u>
Highways and Streets:				
Salaries	60,000	61,543	61,543	00
Contract labor - Department of Corrections	3,900	3,292	2,992	300
Payroll taxes	4,600	4,400	4,400	00
Group medical insurance	16,789	16,971	16,971	00
Employee retirement	7,000	7,221	7,221	00
Supplies	1,850	2,711	2,561	150
Insurance	11,000	12,538	12,501	37
Audit and legal	1,800	1,686	1,686	00
Repairs and maintenance	6,500	4,744	4,220	524
Street maintenance	20,000	57,432	55,187	2,245
Lawn maintenance	700	30	30	00
Park beautification	900	159	159	00
Vehicle gas and oil	8,500	8,955	7,489	1,466
Paving and resurfacing	00	00	1,245	(1,245)
Signs and signals	2,100	2,249	2,037	212
Pipe and brick	2,000	00	00	00
Chemicals	5,800	8,451	8,451	00

See accompanying notes to budgetary comparison schedule.

City of Tallapoosa, Georgia
 Budgetary Comparison Schedule - General Fund
 For the Year Ended August 31, 2012

	Original <u>Budget</u>	Amended <u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Highways and Streets – continued:				
Software and data processing	\$ 1,000	\$ 955	\$ 955	\$ 00
Telephone	2,800	1,803	2,238	(435)
Utilities - electricity and gas	96,000	98,840	103,824	(4,984)
Uniforms	200	76	76	00
Miscellaneous	910	551	551	00
Capital outlays	<u>7,000</u>	<u>00</u>	<u>00</u>	<u>00</u>
Total highways and streets	<u>261,349</u>	<u>294,607</u>	<u>296,337</u>	<u>(1,730)</u>
Culture and Recreation:				
Library:				
Salaries	58,620	60,061	60,061	00
Payroll taxes	4,400	4,417	4,417	00
Group medical insurance	7,000	6,908	6,908	00
Employee retirement	4,600	7,221	7,221	00
Supplies	2,400	2,073	1,982	91
Insurance	4,900	7,513	6,800	713
Audit and legal	1,800	1,686	1,686	00
Repairs and maintenance	2,100	1,149	1,149	00
Contract labor	3,900	3,292	2,993	299
Telephone	4,500	5,385	5,315	70
Utilities - gas and water	2,500	2,037	2,037	00
Utilities - electricity	7,200	10,110	9,038	1,072
Miscellaneous	200	1,336	1,336	00
Capital outlay	<u>500</u>	<u>00</u>	<u>00</u>	<u>00</u>
	<u>104,620</u>	<u>113,188</u>	<u>110,943</u>	<u>2,245</u>
Museum:				
Salaries	15,600	13,964	13,964	00
Payroll taxes	1,194	1,066	1,066	00
Supplies	1,650	1,343	1,221	122
Insurance	6,750	8,760	8,726	34
Audit	1,800	1,686	1,686	00
Repairs and maintenance	1,000	952	952	00
Data processing and software	800	955	955	00
Telephone	1,600	1,720	1,651	69
Utilities - gas and water	4,200	3,315	3,315	00
Utilities - electricity	9,200	9,608	8,339	1,269
Miscellaneous	800	569	569	00
Contract labor – DOC	3,900	3,292	2,993	299
Capital outlays	<u>00</u>	<u>00</u>	<u>00</u>	<u>00</u>
	<u>48,494</u>	<u>47,230</u>	<u>45,437</u>	<u>1,793</u>

See accompanying notes to budgetary comparison schedule.

City of Tallapoosa, Georgia
 Budgetary Comparison Schedule - General Fund
 For the Year Ended August 31, 2012

	Original <u>Budget</u>	Amended <u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Culture and Recreation - continued:				
Recreation:				
Salaries	\$ 85,500	\$ 79,403	\$ 79,403	\$ 00
Payroll taxes	6,541	6,087	6,087	00
Group medical insurance	6,200	8,273	8,273	00
Employee retirement	00	6,290	6,290	00
Travel and training	1,300	4,986	3,712	1,274
Supplies	2,400	2,502	2,380	122
Public announcements	300	32	32	00
Insurance	9,700	10,422	10,385	37
Audit and legal	2,000	1,686	1,686	00
Repairs and maintenance	4,800	23,178	15,449	7,729
Field maintenance	2,500	2,086	1,392	694
Swimming pool maintenance	1,000	1,000	1,000	00
Vehicle gas and oil	3,000	4,914	4,395	519
Chemicals	1,800	1,422	840	582
Software and data processing	1,000	955	955	00
Uniforms - athletic	18,800	38,405	37,558	847
Umpire fees	14,000	14,404	14,404	00
Tournament fees	3,600	6,668	6,668	00
League fees	650	650	650	00
Membership fees	1,000	688	688	00
Telephone	2,900	3,056	2,911	145
Utilities - gas and water	8,500	13,640	13,640	00
Utilities - electricity	10,000	10,046	8,974	1,072
Concessions	16,000	14,325	13,695	630
Planning and development	00	243	243	00
Trophies	1,000	775	00	775
Miscellaneous	00	1,013	1,013	00
Contract services	3,800	3,292	2,992	300
Capital outlays	<u>3,500</u>	<u>00</u>	<u>00</u>	<u>00</u>
	<u>211,791</u>	<u>260,441</u>	<u>245,715</u>	<u>14,726</u>
Senior Center:				
Salaries	27,144	29,243	29,243	00
Payroll taxes	2,077	2,237	2,237	00
Supplies	1,250	1,616	1,494	122
Insurance	6,000	7,706	7,670	36
Repairs and maintenance	2,500	2,841	2,914	(73)
Vehicle gas and oil	3,000	3,439	3,231	208
Software and data processing	1,000	955	955	00
Membership fees	400	138	138	00

See accompanying notes to budgetary comparison schedule.

City of Tallapoosa, Georgia
 Budgetary Comparison Schedule - General Fund
 For the Year Ended August 31, 2012

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Culture and Recreation – continued:				
Senior Center – continued:				
Utilities – telephone	\$ 450	\$ 1,335	\$ 1,265	\$ 70
Utilities - electricity	6,200	7,461	6,534	927
Utilities – gas and water	1,500	1,246	1,246	00
Miscellaneous	00	997	997	00
Contract labor	3,900	3,292	2,992	300
Capital outlays	<u>00</u>	<u>00</u>	<u>00</u>	<u>00</u>
	<u>55,421</u>	<u>62,506</u>	<u>60,916</u>	<u>1,590</u>
Total culture and recreation	<u>420,326</u>	<u>483,365</u>	<u>463,011</u>	<u>20,354</u>
Total expenditures	<u>2,240,155</u>	<u>2,348,843</u>	<u>2,326,042</u>	<u>22,801</u>
Excess of revenues over expenditures and other financing uses	22,133	13,129	42,982	29,853
Other financing sources (uses):				
Transfer in (out)	<u>(22,133)</u>	<u>(13,129)</u>	<u>(347,289)</u>	<u>(334,160)</u>
Excess of revenues and other financing sources over expenditures and other financing uses	00	00	(304,307)	(304,307)
Fund balance, beginning of year	<u>726,352</u>	<u>726,352</u>	<u>726,352</u>	<u>00</u>
Fund balance, end of year	<u>\$ 726,352</u>	<u>\$ 726,352</u>	<u>\$ 422,045</u>	<u>\$ (304,307)</u>

See accompanying notes to budgetary comparison schedule.

City of Tallapoosa, Georgia
 Budgetary Comparison Schedule
 UDAG Fund
 For the Year Ended August 31, 2012

	<u>Original Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Interest and other	\$ 11,566	\$ 6,886	\$ 6,886	\$ 00
Expenditures	<u>00</u>	<u>00</u>	<u>00</u>	<u>00</u>
Excess of revenues over expenditures	<u>\$ 11,566</u>	<u>\$ 6,886</u>	<u>\$ 6,886</u>	<u>\$ 00</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, 2012

	<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	\$ 11,259	\$ 1,433	\$ 61	\$ 00	\$ 12,753
Total assets	<u>\$ 11,259</u>	<u>\$ 1,433</u>	<u>\$ 61</u>	<u>\$ 00</u>	<u>\$ 12,753</u>
<u>Liabilities and Fund Balance</u>					
Liabilities	\$ 00	\$ 00	\$ 00	\$ 00	\$ 00
Fund balance					
Restricted	00	00	61	00	61
Committed	<u>11,259</u>	<u>1,433</u>	<u>00</u>	<u>00</u>	<u>12,692</u>
Total liabilities and fund balance	<u>\$ 11,259</u>	<u>\$ 1,433</u>	<u>\$ 61</u>	<u>\$ 00</u>	<u>\$ 12,753</u>

City of Tallapoosa, Georgia
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
August 31, 2012

	<u>Museum</u>	<u>Tallapoosa Community Planning Committee</u>	<u>Drug Forfeiture Fund</u>	<u>Hotel/ Motel Tax Fund</u>	<u>Totals</u>
Revenues:					
Taxes	\$ 00	\$ 00	\$ 00	\$ 15,532	\$ 15,532
Miscellaneous	6,503	00	00	00	6,503
Interest	<u>00</u>	<u>9</u>	<u>00</u>	<u>00</u>	<u>9</u>
Total revenues	<u>6,503</u>	<u>9</u>	<u>00</u>	<u>15,532</u>	<u>22,044</u>
Expenditures:					
Current					
General government	00	00	00	5,344	5,344
Public safety	00	00	1,855	00	1,855
Culture and recreation	2,685	00	00	00	2,685
Capital outlay	<u>00</u>	<u>00</u>	<u>00</u>	<u>00</u>	<u>00</u>
Total expenditures	<u>2,685</u>	<u>00</u>	<u>1,855</u>	<u>5,344</u>	<u>9,884</u>
Excess (deficiency) of revenues over expenditures	3,818	9	(1,855)	10,188	12,160
Other financing uses:					
Transfers out	<u>00</u>	<u>00</u>	<u>00</u>	<u>(10,188)</u>	<u>(10,188)</u>
Excess (deficiency) of revenues over expenditures and other uses	3,818	9	(1,855)	00	1,972
Fund balance, beginning of year	<u>7,441</u>	<u>1,424</u>	<u>1,916</u>	<u>00</u>	<u>10,781</u>
Fund balance, end of year	<u>\$ 11,259</u>	<u>\$ 1,433</u>	<u>\$ 61</u>	<u>\$ 00</u>	<u>\$ 12,753</u>

City of Tallapoosa, Georgia
Budgetary Comparison Schedule
Museum Fund
For the Year Ended August 31, 2012

	<u>Budget</u>	<u>Actual</u>
Revenue:		
Miscellaneous	\$ 6,503	\$ 6,503
Expenditures:		
Culture and recreation	<u>2,685</u>	<u>2,685</u>
Eccess of revenues over expenditures	<u>\$ 3,818</u>	<u>\$ 3,818</u>

City of Tallapoosa, Georgia
Budgetary Comparison Schedule
Tallapoosa Community Planning Committee Fund
For the Year Ended August 31, 2012

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

City of Tallapoosa, Georgia
 Budgetary Comparison Schedule
 Drug Forfeiture Fund
 For the Year Ended August 31, 2012

	<u>Budget</u>	<u>Actual</u>
Revenues:		
Interest and other	\$ 00	\$ 00
Expenditures	<u>1,855</u>	<u>1,855</u>
Excess of revenues over expenditures	<u>\$ (1,855)</u>	<u>\$ (1,855)</u>

City of Tallapoosa, Georgia
 Budgetary Comparison Schedule
 Hotel/Motel Tax Fund
 For the Year Ended August 31, 2012

	<u>Budget</u>	<u>Actual</u>
Revenues:		
Taxes	\$ 15,532	\$ 15,532
Expenditures:		
Haralson County Chamber of Commerce	<u>5,344</u>	<u>5,344</u>
Excess of revenues over expenditures	10,188	10,188
Other financing uses:		
Transfer to General Fund	<u>(10,188)</u>	<u>(10,188)</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, 2012

	Development Authority	Recreation Authority	Downtown Development Authority	Total Component Units
<u>Assets</u>				
Cash	\$ 690,983	\$ 156,459	\$ 5,721	\$ 853,163
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>\$ 1,857,363</u>	<u>\$ 1,890,305</u>	<u>\$ 16,225</u>	<u>\$ 3,763,893</u>
<u>Liabilities</u>				
Accounts payable	\$ 00	\$ 95,914	\$ 00	\$ 95,914
Long-term liabilities:				
Due within one year	00	175,000	00	175,000
Due in more than one year	<u>00</u>	<u>00</u>	<u>00</u>	<u>00</u>
Total liabilities	<u>\$ 00</u>	<u>\$ 270,914</u>	<u>\$ 00</u>	<u>\$ 270,914</u>
<u>Net Assets</u>				
Invested in capital assets, net of related debt	\$ 1,148,575	\$ 1,558,846	\$ 10,504	\$ 2,717,925
Unrestricted	<u>708,788</u>	<u>60,545</u>	<u>5,721</u>	<u>775,054</u>
Total net assets	<u>\$ 1,857,363</u>	<u>\$ 1,619,391</u>	<u>\$ 16,225</u>	<u>\$ 3,492,979</u>

City of Tallapoosa, Georgia – Component Units
Combining Statement of Activities
For the Year Ended August 31, 2012

Functions/Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets			Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities Development Authority	Recreation Authority	Downtown Development	
Development Authority:								
Governmental activities:								
General government	\$ 80,000	\$ 525,000	\$ 00	\$ 00	\$ 445,000	\$	\$	\$
Total governmental activities	80,000	525,000	00	00	445,000			
Recreation Authority:								
Governmental activities:								
Recreation and culture	4,181	178,434	00	00		174,253		
Interest on long-term debt	14,882	00	00	00		(14,882)		
Total governmental activities	19,063	178,434	00	00		159,371		
Downtown Development Authority:								
Governmental activities:								
General government	8,741	00	11,338	00			2,597	
Total governmental activities	8,741	00	11,338	00			2,597	
Total					445,000	159,371	2,597	606,968
General revenues:								
Interest and investment earnings					4,717	324	2	5,043
Total general revenues					4,717	324	2	5,043
Change in net assets					449,717	159,695	2,599	612,011
Net assets-beginning					1,407,646	1,459,696	13,626	2,880,968
Net assets-ending					\$ 1,857,363	\$ 1,619,391	\$ 16,225	\$ 3,492,979

City of Tallapoosa, Georgia
Schedule of Projects Constructed with Special Purpose
Local Option Sales Tax Proceeds
For the Year Ended August 31, 2012

2010 Project Activity	Original Estimated Cost	Expenditures		Total
		Prior Years	Current Year	
Old high school – Art Center	\$ 250,000	\$ 171,870	\$ 475	\$ 172,345
Street paving, storm drainage, signs and sidewalks	100,000	14,779	4,225	19,004
Cemetery – paving, clean-up and new lay-out	40,000	00	00	00
Fire department	200,000	00	00	00
Recreation complex	250,000	140,311	150,708	291,019
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	37,490	37,490
Water and Sewer debt	780,000	323,082	233,528	556,610
Administrative buildings – Police/City Hall area	425,000	00	00	00
Recreation equipment	100,000	00	4,203	4,203
Data processing	80,000	00	9,699	9,699
Public works – vehicles	100,000	00	00	00
Equipment purchase PW (backhoe)	75,000	00	4,977	4,977
Utility expenses – water, gas and sewer	150,000	38,243	25,330	63,573
Grant match – TEA, ARC, CDBG	150,000	00	43,816	43,816
Municipal building repairs	40,000	31,252	00	31,252
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	2,972	2,972
Acquisition of property	100,000	00	00	00
Scientific and planning studies	50,000	00	00	00
	<u>\$ 3,475,000</u>	<u>\$ 719,537</u>	<u>\$ 517,423</u>	<u>\$ 1,236,960</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
Thomas &
Fazio, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

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

Honorable Mayor and City Council
City of Tallapoosa, Georgia

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Tallapoosa, Georgia, as of and for the year ended August 31, 2012, which collectively comprise the City of Tallapoosa Georgia's basic financial statements and have issued our report thereon dated January 21, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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.

Sanett, Thomas & Fazio, P.C.

January 21, 2013