

CITY OF TALLAPOOSA, GEORGIA

**Financial Statements and Supplementary Information
For the Year Ended August 31, 2013**

and

Independent Auditor's Report

City of Tallapoosa, Georgia
Annual Financial Report
For the Year Ended August 31, 2013

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City of Tallapoosa, Georgia
List of Principal Officials
August 31, 2013

<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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Tallapoosa, Georgia, as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Honorable Mayor and City Council
Tallapoosa, Georgia

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 and each major fund of the City of Tallapoosa, Georgia, as of August 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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 48 through 55 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Tallapoosa, Georgia's basic financial statements. The accompanying supplementary information as listed in the table of contents on pages 56 through 64 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

This other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2014, on our consideration of the City of Tallapoosa, Georgia's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Tallapoosa, Georgia's internal control over financial reporting and compliance.

Danett, Thomas & Fazio, P.C.

March 3, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Tallapoosa, Georgia
Management's Discussion and Analysis
August 31, 2013

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, 2013. 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 Position*. 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 position*. Over time, increases or decreases in net position 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 position 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, 2013

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 Position 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, 2013

Financial Analysis of the City as a Whole

The City's net position at fiscal year-end are \$14,858,236. This is a \$149,521 decrease from last year's adjusted net position of \$15,007,757.

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

Summary of Net Position

	Governmental Activities		Business-Type Activities		Total	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Cash	\$ 1,097,122	\$ 1,099,802	\$ 1,794,892	\$ 1,814,253	\$ 2,892,014	\$ 2,914,055
Capital assets	2,739,731	2,802,969	11,101,064	11,195,515	13,840,795	13,998,484
Other assets	<u>512,474</u>	<u>613,683</u>	<u>323,377</u>	<u>330,094</u>	<u>835,851</u>	<u>943,777</u>
Total assets	<u>\$ 4,349,327</u>	<u>\$ 4,516,454</u>	<u>\$ 13,219,333</u>	<u>\$ 13,339,862</u>	<u>\$ 17,568,660</u>	<u>\$ 17,856,316</u>
Current liabilities	\$ 72,414	\$ 60,521	\$ 388,999	\$ 371,928	\$ 461,413	\$ 432,449
Long-term liabilities	<u>00</u>	<u>00</u>	<u>2,249,011</u>	<u>2,416,110</u>	<u>2,249,011</u>	<u>2,416,110</u>
Total liabilities	<u>\$ 72,414</u>	<u>\$ 60,521</u>	<u>\$ 2,638,010</u>	<u>\$ 2,788,038</u>	<u>\$ 2,710,424</u>	<u>\$ 2,848,559</u>
Net position:						
Net investment in capital assets	\$ 2,739,731	\$ 2,802,969	\$ 8,677,867	\$ 8,604,884	\$ 11,417,598	\$ 11,407,853
Unrestricted and unrestricted	<u>1,537,182</u>	<u>1,652,964</u>	<u>1,903,456</u>	<u>1,946,940</u>	<u>3,440,638</u>	<u>3,599,904</u>
Total net position	<u>\$ 4,276,913</u>	<u>\$ 4,455,933</u>	<u>\$ 10,581,323</u>	<u>\$ 10,551,824</u>	<u>\$ 14,858,236</u>	<u>\$ 15,007,757</u>

City of Tallapoosa, Georgia
Management's Discussion and Analysis
August 31, 2013

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

	Governmental Activities		Business-Type Activities		Total	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues:						
Program revenues:						
Charges for service	\$ 188,166	\$ 213,270	\$ 3,138,441	\$ 3,086,911	\$ 3,326,607	\$ 3,300,181
Operating grants and contributions	81,800	00	00	00	81,800	00
Capital grants and contributions	246,242	524,821	52,368	276,641	298,610	801,462
General revenues:						
Sales tax	545,238	665,950	00	00	545,238	665,950
Property taxes	788,784	773,791	00	00	788,784	773,791
Other taxes and misc.	<u>646,519</u>	<u>742,002</u>	<u>4,554</u>	<u>22,481</u>	<u>651,073</u>	<u>764,483</u>
Total revenues	<u>2,496,749</u>	<u>2,919,834</u>	<u>3,195,363</u>	<u>3,386,033</u>	<u>5,692,112</u>	<u>6,305,867</u>
Expenses:						
General government	379,626	402,649			379,626	402,649
Public safety	1,287,944	1,269,195			1,287,944	1,269,195
Highways and streets	311,404	341,362			311,404	341,362
Culture and recreation	<u>485,229</u>	<u>487,065</u>			<u>485,229</u>	<u>487,065</u>
Total	<u>2,464,203</u>	<u>2,500,271</u>				
Water and sewer			1,407,407	1,446,975	1,407,407	1,446,975
Sanitation			218,116	212,077	218,116	212,077
Gas			1,171,985	1,078,437	1,171,985	1,078,437
Golf			<u>579,922</u>	<u>673,155</u>	<u>579,922</u>	<u>673,155</u>
Total			<u>3,377,430</u>	<u>3,410,644</u>		
Total expenses					<u>5,841,633</u>	<u>5,910,915</u>
Change in net assets before transfers	32,546	419,563	(182,067)	(24,611)	(149,521)	394,952
Transfers	<u>(211,566)</u>	<u>(635,666)</u>	<u>211,566</u>	<u>635,666</u>	<u>00</u>	<u>00</u>
Change in net position	(179,020)	(216,103)	29,499	611,055	(149,521)	394,952
Beginning net position	<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>
Ending net position	<u>\$ 4,276,913</u>	<u>\$ 4,455,933</u>	<u>\$ 10,581,323</u>	<u>\$ 10,551,824</u>	<u>\$ 14,858,236</u>	<u>\$ 15,007,757</u>

City of Tallapoosa, Georgia
Management's Discussion and Analysis
August 31, 2013

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 \$1,177,024. The total ending fund balances of governmental funds show an decrease of \$67,458 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 \$422,045 to \$403,702. 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 \$2,299,884. Amendments were made to the budget during the year to total \$2,267,167.

Capital Asset and Debt Administration

Capital assets

At the end of fiscal year 2013, the City had \$13,840,795 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 2013, the City had long-term debt of \$2,426,782. 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, 2013

Next Year's Budget

The general fund budget for the year ending August 31, 2014 reflects expenditures of \$2,299,884. This is an approximate 1% increase over the final budget for the year ended August 31, 2013.

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 Position
August 31, 2013

	Primary Government			Component
				<u>Units</u>
	Governmental	Business-Type	Total	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	
Assets:				
Cash	\$ 1,097,122	\$ 1,794,892	\$ 2,892,014	\$ 839,647
Receivables, net	478,891	304,541	783,432	17,805
Inventory	00	5,873	5,873	00
Other assets	33,583	12,963	46,546	00
Capital assets, non depreciable	456,132	219,065	675,197	1,886,433
Capital assets, depreciable – net	<u>2,283,599</u>	<u>10,881,999</u>	<u>13,165,598</u>	<u>1,006,492</u>
Total assets	<u>\$ 4,349,327</u>	<u>\$ 13,219,333</u>	<u>\$ 17,568,660</u>	<u>\$ 3,750,377</u>
Liabilities:				
Accounts payable	\$ 59,851	\$ 104,491	\$ 164,342	\$ 95,914
Accrued liabilities	12,563	2,612	15,175	00
Customer deposits	00	104,125	104,125	00
Long-term liabilities:				
Due within one year	00	177,771	177,771	00
Due in more than one year	<u>00</u>	<u>2,249,011</u>	<u>2,249,011</u>	<u>00</u>
Total liabilities	<u>\$ 72,414</u>	<u>\$ 2,638,010</u>	<u>\$ 2,710,424</u>	<u>\$ 95,914</u>
Net position:				
Restricted	\$ 753,681	\$ 00	\$ 753,681	\$ 00
Net investment in capital assets	2,739,731	8,677,867	11,417,598	2,892,925
Unrestricted	<u>783,501</u>	<u>1,903,456</u>	<u>2,686,957</u>	<u>761,538</u>
Total net position	<u>\$ 4,276,913</u>	<u>\$ 10,581,323</u>	<u>\$ 14,858,236</u>	<u>\$ 3,654,463</u>

See accompanying notes to financial statements.

City of Tallapoosa, Georgia
Statement of Activities
For the Year Ended August 31, 2013

Function/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-Type Activities		
Primary government:								
Governmental activities:								
General government	\$ 379,626	\$ 60,785	\$ 00	\$ 246,242	\$ (72,599)	\$	\$	\$
Public safety	1,287,944	64,282	40,875	00	(1,182,787)			
Highways and streets	311,404	00	40,925	00	(270,479)			
Recreation and culture	485,229	63,099	00	00	(422,130)			
Total governmental activities	2,464,203	188,166	81,800	246,242	(1,947,995)			
Business-type activities:								
Water and sewer	1,407,407	1,277,492	00	52,368		(77,547)		
Gas	1,171,985	1,266,200	00	00		94,215		
Golf	579,922	334,215	00	00		(245,707)		
Sanitation	218,116	260,534	00	00		42,418		
Total business-type activities	3,377,430	3,138,441	00	52,368		(186,621)		
Total primary government	\$ 5,841,633	\$ 3,326,607	\$ 81,800	\$ 298,610	(1,947,995)	(186,621)	(2,134,616)	
Component Units:								
Development Authority	\$ 00	\$ 13,400	\$ 00	\$ 00				13,400
Downtown Development Authority	11,014	00	9,088	00				(1,926)
Recreation Authority	12,667	159,464	00	00				146,797
Total component units	\$ 23,681	\$ 172,864	\$ 9,088	\$ 00				158,271
General revenues:								
Taxes:								
Property taxes levied for general purposes					788,784	00	788,784	00
Franchise taxes					342,371	00	342,371	00
Sales taxes					545,238	00	545,238	00
Insurance premium taxes					168,250	00	168,250	00
Hotel/motel taxes					10,320	00	10,320	00
Malt beverage taxes					80,609	00	80,609	00
Interest and investment earnings					14,851	4,554	19,405	3,213
Miscellaneous					30,118	00	30,118	00
Total general revenues					1,980,541	4,554	1,985,095	3,213
Transfers					(211,566)	211,566	00	00
Total general revenues and transfers					1,768,975	216,120	1,985,095	3,213
Change in net position					(179,020)	29,499	(149,521)	161,484
Net position-beginning					4,455,933	10,551,824	15,007,757	3,492,979
Net position-ending					\$ 4,276,913	\$ 10,581,323	\$ 14,858,236	\$ 3,654,463

See accompanying notes to financial statements.

City of Tallapoosa, Georgia
Balance Sheet
Governmental Funds
August 31, 2013

	General Fund	SPLOST Fund	UDAG Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and equivalents	\$ 309,746	\$ 00	\$ 767,674	\$ 19,702	\$ 1,097,122
Receivables, net	149,433	00	00	00	149,433
Due from other funds	92,805	00	00	00	92,805
Receivables from other governments	00	78,751	00	00	78,751
Total assets	\$ 551,984	\$ 78,751	\$ 767,674	\$ 19,702	\$ 1,418,111
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts payable	\$ 42,046	\$ 00	\$ 00	\$ 00	\$ 42,046
Accrued liabilities	12,563	00	00	00	12,563
Due to other funds	00	00	92,805	00	92,805
Due to other governments	17,805	00	00	00	17,805
Total liabilities	72,414	00	92,805	00	165,219
Deferred inflows of resources	75,868	00	00	00	75,868
Fund Balances					
Unassigned	310,897	00	00	00	310,897
Nonspendable	92,805	00	00	00	92,805
Restricted	00	78,751	674,869	61	753,681
Committed	00	00	00	19,641	19,641
Total fund balance	403,702	78,751	674,869	19,702	1,177,024
Total liabilities, deferred inflows of resources and fund balances	\$ 551,984	\$ 78,751	\$ 767,674	\$ 19,702	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	2,739,731
Some receivables are not available to pay for current-period expenditures and therefore are deferred in the funds	250,707
Prepaid items are not reported in the funds	33,583
Earned revenue deferred due to availability criteria is taken into income on the accrual basis government wide statement	75,868

Net position of governmental activities \$ 4,276,913

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, 2013

	General Fund	SPLOST Fund	UDAG Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 1,954,783	\$ 00	\$ 00	\$ 10,320	\$ 1,965,103
Fees and fines	67,709	00	00	00	67,709
Licenses and permits	42,449	00	00	00	42,449
Charges for services	81,435	00	00	00	81,435
Intergovernmental	81,800	246,242	00	00	328,042
Interest	93	00	3,369	1	3,463
Miscellaneous	19,136	00	00	10,982	30,118
Total revenues	<u>2,247,405</u>	<u>246,242</u>	<u>3,369</u>	<u>21,303</u>	<u>2,518,319</u>
Expenditures					
Current operating:					
General government	308,922	00	00	4,128	313,050
Public safety	1,238,779	00	00	00	1,238,779
Highways and streets	262,199	00	00	00	262,199
Recreation and culture	434,316	00	00	4,034	438,350
Capital outlay	56,375	65,458	00	00	121,833
Total expenditures	<u>2,300,591</u>	<u>65,458</u>	<u>00</u>	<u>8,162</u>	<u>2,374,211</u>
Excess (deficit) of revenues over expenditures	<u>(53,186)</u>	<u>180,784</u>	<u>3,369</u>	<u>13,141</u>	<u>144,108</u>
Other financing sources (uses)					
Transfers in (out)	34,843	(240,217)	00	(6,192)	(211,566)
Total other financing sources (uses)	<u>34,843</u>	<u>(240,217)</u>	<u>00</u>	<u>(6,192)</u>	<u>(211,566)</u>
Net change in fund balance	(18,343)	(59,433)	3,369	6,949	(67,458)
Fund balances – beginning	<u>422,045</u>	<u>138,184</u>	<u>671,500</u>	<u>12,753</u>	<u>1,244,482</u>
Fund balances – ending	<u>\$ 403,702</u>	<u>\$ 78,751</u>	<u>\$ 674,869</u>	<u>\$ 19,702</u>	<u>\$ 1,177,024</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, 2013

Net change in fund balances – total government funds \$ (67,458)

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. (21,570)

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	\$ 121,833	
Depreciation	<u>185,071</u>	(63,238)

Expenditures in the governmental funds that benefit periods beyond
August 31, 2013 are reported as prepaid items in the statement of net
position. (26,754)

Change in net position of governmental activities. \$ (179,020)

See accompanying notes to financial statements.

City of Tallapoosa, Georgia
Statement of Net Position
Proprietary Funds
August 31, 2013

<u>Business-Type Activities</u>					
<u>Assets</u>	<u>Water and Sewer</u>	<u>Gas</u>	<u>(Non-major) Sanitation</u>	<u>Golf</u>	<u>Totals</u>
Current assets:					
Cash	\$ 1,470,269	\$ 324,423	\$ 00	\$ 200	\$ 1,794,892
Accounts receivable (net of allowance)	120,339	60,114	19,673	8,501	208,627
Inventory	5,000	873	00	00	5,873
Prepaid insurance	6,802	3,302	00	2,009	12,113
Due from Tallapoosa Recreation Authority	00	00	00	95,914	95,914
Total current assets	<u>1,602,410</u>	<u>388,712</u>	<u>19,673</u>	<u>106,624</u>	<u>2,117,419</u>
Capital assets:					
Property, plant and equipment	12,506,325	1,872,172	21,410	734,273	15,134,180
Accumulated depreciation	<u>(2,909,328)</u>	<u>(638,714)</u>	<u>(21,410)</u>	<u>(463,664)</u>	<u>(4,033,116)</u>
Total capital assets	<u>9,596,997</u>	<u>1,233,458</u>	<u>00</u>	<u>270,609</u>	<u>11,101,064</u>
Other non-current assets:					
Unamortized loan costs	850	00	00	00	850
Total non-current assets	<u>850</u>	<u>00</u>	<u>00</u>	<u>00</u>	<u>850</u>
Total assets	<u>\$ 11,200,257</u>	<u>\$ 1,622,170</u>	<u>\$ 19,673</u>	<u>\$ 377,233</u>	<u>\$ 13,219,333</u>

See accompanying notes to financial statements.

City of Tallapoosa, Georgia
Statement of Net Position
Proprietary Funds
August 31, 2013

Business-Type Activities

<u>Liabilities</u>	<u>Water and Sewer</u>	<u>Gas</u>	(Non-major) <u>Sanitation</u>	<u>Golf</u>	<u>Totals</u>
Liabilities:					
Current liabilities:					
Accounts payable	\$ 62,294	\$ 9,741	\$ 17,675	\$ 14,781	\$ 104,491
Accrued expenses	00	416	00	2,196	2,612
Customer deposits	39,105	65,020	00	00	104,125
Current portion of capital lease payable and note payable	<u>131,311</u>	<u>00</u>	<u>00</u>	<u>46,460</u>	<u>177,771</u>
Total current liabilities	<u>232,710</u>	<u>75,177</u>	<u>17,675</u>	<u>63,437</u>	<u>388,999</u>
Long-term liabilities:					
Notes payable (less current portion)	2,181,989	00	00	00	2,181,989
Capital lease payable (less current portion)	<u>00</u>	<u>00</u>	<u>00</u>	<u>67,022</u>	<u>67,022</u>
Total long-term liabilities	<u>2,181,989</u>	<u>00</u>	<u>00</u>	<u>67,022</u>	<u>2,249,011</u>
Total liabilities	<u>2,414,699</u>	<u>75,177</u>	<u>17,675</u>	<u>130,459</u>	<u>2,638,010</u>
<u>Net Position</u>					
Net investment in capital assets	7,283,697	1,233,458	00	160,712	8,677,867
Unrestricted	1,501,861	313,535	1,998	86,062	1,903,456
Total net position	<u>8,785,558</u>	<u>1,546,993</u>	<u>1,998</u>	<u>246,774</u>	<u>10,581,323</u>
Total liabilities and net position	<u>\$ 11,200,257</u>	<u>\$ 1,622,170</u>	<u>\$ 19,673</u>	<u>\$ 377,233</u>	<u>\$ 13,219,333</u>

See accompanying notes to financial statements.

City of Tallapoosa, Georgia
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended August 31, 2013

	<u>Water and Sewer</u>	<u>Gas</u>	<u>(Non-major) Sanitation</u>	<u>Golf</u>	<u>Totals</u>
Operating revenues:					
Charges for services	\$ 1,273,104	\$ 1,263,786	\$ 260,534	\$ 326,493	\$ 3,123,917
Miscellaneous	<u>4,388</u>	<u>2,414</u>	<u>00</u>	<u>7,722</u>	<u>14,524</u>
Total operating revenues	<u>1,277,492</u>	<u>1,266,200</u>	<u>260,534</u>	<u>334,215</u>	<u>3,138,441</u>
Operating expenses:					
Salaries	218,739	282,605	00	150,518	651,862
Payroll taxes	16,400	20,812	00	11,288	48,500
Group medical insurance	34,153	47,913	00	15,461	97,527
Municipal insurance	20,825	8,391	2,589	8,147	39,952
Employee retirement	38,359	46,031	00	15,344	99,734
Telephone	6,023	3,823	1,716	1,805	13,367
Utilities	132,081	4,075	00	18,233	154,389
Office supplies	8,523	5,247	4,035	6,829	24,634
Software and data processing	4,050	1,268	1,188	5,330	11,836
Water purchases	472,585	00	00	00	472,585
Natural gas purchases	00	661,298	00	00	661,298
Materials	18,880	14,103	00	1,070	34,053
Repairs and maintenance	72,578	6,532	00	24,385	103,495
Bad debts	12,957	00	00	00	12,957
Travel and training	2,760	4,477	00	325	7,562
Cathodic protection	00	5,078	00	00	5,078
Samples and testing	9,221	00	00	00	9,221
Garbage contract	00	00	206,755	00	206,755
Professional fees	4,080	13,332	1,833	1,832	21,077
Vehicle gas and oil	18,121	7,983	00	29,235	55,339
Miscellaneous	4,017	2,603	00	511	7,131
Depreciation	163,136	23,353	00	40,797	227,286
Tools and small equipment	8,103	7,797	00	2,667	18,567
Chemicals	41,369	1,944	00	00	43,313
Greens expense	00	00	00	25,785	25,785
Concessions	00	00	00	25,904	25,904
Rent - Recreation Authority	00	00	00	155,322	155,322
Contract labor – Department of Corrections	6,347	3,320	00	34,784	44,451
Planning & development	<u>107</u>	<u>00</u>	<u>00</u>	<u>00</u>	<u>107</u>
Total operating expenses	<u>1,313,414</u>	<u>1,171,985</u>	<u>218,116</u>	<u>575,572</u>	<u>3,279,087</u>
Operating income (loss)	<u>(35,922)</u>	<u>94,215</u>	<u>42,418</u>	<u>(241,357)</u>	<u>(140,646)</u>

See accompanying notes to financial statements.

City of Tallapoosa, Georgia
Statement of Revenues, Expenses and Changes in Net Position - continued
Proprietary Funds
For the Year Ended August 31, 2013

	<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	\$ 3,118	\$ 1,436	\$ 00	\$ 00	\$ 4,554
Interest expense	(93,993)	00	00	(4,350)	(98,343)
Grant income	<u>52,368</u>	<u>00</u>	<u>00</u>	<u>00</u>	<u>52,368</u>
Total non-operating revenues (expenses)	<u>(38,507)</u>	<u>1,436</u>	<u>00</u>	<u>(4,350)</u>	<u>(41,421)</u>
Income (loss) before transfers	<u>(74,429)</u>	<u>95,651</u>	<u>42,418</u>	<u>(245,707)</u>	<u>(182,067)</u>
Transfer in	54,975	00	00	255,191	310,166
Transfer out	<u>(00)</u>	<u>(54,178)</u>	<u>(44,422)</u>	<u>(00)</u>	<u>(98,600)</u>
Total transfers in (out)	<u>54,975</u>	<u>(54,178)</u>	<u>(44,422)</u>	<u>255,191</u>	<u>211,566</u>
Change in net position	(19,454)	41,473	(2,004)	9,484	29,499
Net position beginning 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>
Net position end of year	<u>\$ 8,785,558</u>	<u>\$ 1,546,993</u>	<u>\$ 1,998</u>	<u>\$ 246,774</u>	<u>\$ 10,581,323</u>

See accompanying notes to financial statements.

City of Tallapoosa, Georgia
Statement of Cash Flows
Proprietary Funds
For the Year Ended August 31, 2013

	<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	\$ 1,289,713	\$ 1,262,221	\$ 261,578	\$ 335,175	\$ 3,148,687
Payments for suppliers	(836,635)	(749,919)	(217,156)	(340,176)	(2,143,886)
Payments to employees	(307,651)	(397,361)	00	(192,611)	(897,623)
Net cash provided (used) by operating activities	<u>145,427</u>	<u>114,941</u>	<u>44,422</u>	<u>(197,612)</u>	<u>107,178</u>
Cash flows from noncapital financing activities:					
Operating subsidies and transfers to/from other funds	(249,213)	(54,178)	(44,422)	255,191	(92,622)
Net cash provided (used) by noncapital financing activities	<u>(249,213)</u>	<u>(54,178)</u>	<u>(44,422)</u>	<u>255,191</u>	<u>(92,622)</u>
Cash flows from capital and related financing activities:					
SPLOST transfers	304,188	00	00	00	304,188
Loan proceeds	10,608	00	00	00	10,608
Capital grants	52,368	00	00	00	52,368
Purchases of capital assets	(67,072)	(60,762)	00	(5,000)	(132,834)
Principal paid on capital debt	(126,229)	00	00	(48,229)	(174,458)
Interest paid on capital debt	(93,993)	00	00	(4,350)	(98,343)
Net cash used by capital and related financing activities	<u>79,870</u>	<u>(60,762)</u>	<u>00</u>	<u>(57,579)</u>	<u>(38,471)</u>
Cash flows from investing activities:					
Interest	<u>3,118</u>	<u>1,436</u>	<u>00</u>	<u>00</u>	<u>4,554</u>
Net cash provided by investing activities	<u>3,118</u>	<u>1,436</u>	<u>00</u>	<u>00</u>	<u>4,554</u>
Net (decrease) increase in cash and cash equivalents	(20,798)	1,437	00	00	(19,361)
Balances – beginning of year	<u>1,491,067</u>	<u>322,986</u>	<u>00</u>	<u>200</u>	<u>1,814,253</u>
Balances – end of year	<u>\$ 1,470,269</u>	<u>\$ 324,423</u>	<u>\$ 00</u>	<u>\$ 200</u>	<u>\$ 1,794,892</u>
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ (35,922)	\$ 94,215	\$ 42,418	\$ (241,357)	\$ (140,646)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation expense	163,136	23,353	00	40,797	227,286
Amortization expense	851	00	00	00	851
Change in assets and liabilities:					
Receivables, net	4,561	(8,854)	1,044	960	(2,289)
Prepaid expense	115	2,669	00	2,609	5,393
Inventory	00	2,762	00	00	2,762
Customer deposits	7,660	4,875	00	00	12,535
Accounts and other payables	5,026	(4,102)	960	(329)	1,555
Accrued expenses	<u>00</u>	<u>23</u>	<u>00</u>	<u>(292)</u>	<u>(269)</u>
Net cash provided (used) by operating activities	<u>\$ 145,427</u>	<u>\$ 114,941</u>	<u>\$ 44,422</u>	<u>\$ (197,612)</u>	<u>\$ 107,178</u>

See accompanying notes to financial statements.

City of Tallapoosa, Georgia
Notes to Financial Statements
August 31, 2013

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, 2013

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 position 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, 2013

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, 2013

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, 2013

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 Position 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 position (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 position.

Basis of Accounting

In the government-wide Statement of Net Position 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, 2013

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 Position, "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 position, 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, 2013

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 position. 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, 2013

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, 2013

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 position.”

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.

Net Position Flow Assumptions - In order to report net positions as a restricted – net position and an unrestricted – net position in the government-wide and proprietary fund financial statements, the City has established a flow assumption policy. It is the City’s policy to use restricted – net position first before using unrestricted – net position.

Fund Balance Flow Assumptions - It is the City’s policy to consider restricted fund balance to have been used before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, it is the City’s policy to use fund balance in the following order:

- Committed
- Assigned
- Unassigned

City of Tallapoosa, Georgia
Notes to Financial Statements
August 31, 2013

Note 1. Summary of Significant Accounting Policies – continued

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

Equity Classifications – continued

Net Position – The net position represents the differences between assets and liabilities. The net position component, “net investment in capital assets, 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. The net position is 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. The balance of the net position is reported as unrestricted.

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.

City of Tallapoosa, Georgia
Notes to Financial Statements
August 31, 2013

Note 1. Summary of Significant Accounting Policies – continued

1.F. Estimates

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

Note 2. Custodial Credit Risk Related to Deposits

At August 31, 2013, the carrying amount of the City's deposits was \$2,892,014 and the bank balances were \$2,996,138. 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 September 10, 2012, and payable on December 31, 2012. The assessed value at January 1, 2012, upon which the 2012 levy was based, was \$103,170,787 (Estimated market value of \$104,081,416). The rate was 7.365 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>General Fund</u>	<u>Water Fund</u>	<u>Gas Fund</u>	<u>Golf Fund</u>	<u>Sanitation Fund</u>	<u>SPLOST Fund</u>	<u>Hotel/ Motel</u>
Transfers in (out)	\$ 34,843	\$ 54,975	\$ (54,178)	\$ 255,191	\$ (44,422)	\$ (240,217)	\$ (6,192)
Water	\$ 253,012	\$ 00	\$ (3,798)	\$ (67,770)	\$ 00	\$ (240,217)	\$ 00
Golf	(329,934)	67,770	10,772	00	00	00	00
Hotel-Motel							
Tax Fund	6,192	00	00	00	00	00	00
Sanitation Fund	34,840	00	9,581	00	00	00	00
Gas Fund	70,733	00	00	(6,973)	(9,581)	00	00
SPLOST Fund	00	240,217	00	00	00	00	00
General Fund	00	(253,012)	(70,733)	329,934	(34,841)	00	(6,192)
	<u>\$ 34,843</u>	<u>\$ 54,975</u>	<u>\$ (54,178)</u>	<u>\$ 255,191</u>	<u>\$ (44,422)</u>	<u>\$ (240,217)</u>	<u>\$ (6,192)</u>

City of Tallapoosa, Georgia
Notes to Financial Statements
August 31, 2013

Note 4. Interfund Transfers and Balances – continued

Interfund balances at August 31, 2013, 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.

	<u>Payable From:</u>
	UDAG
Payable to:	<u>Fund</u>
General Fund	<u>\$ 92,805</u>

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>674,869</u>
	<u>\$ 674,930</u>

Capital Projects Fund:	
Special Purpose Local Option Sales Tax Fund	
(SPLOST) – used to account for capital projects	
financed with SPLOST.	<u>\$ 78,751</u>

Total restricted	<u>\$ 753,681</u>
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- ***Committed*** – The following fund balances are committed to:

Special Revenue Funds:	
Museum	\$ 18,207
Planning committee	<u>1,434</u>
	<u>\$ 19,641</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, 2013

Note 5. Capital Assets

Capital assets activity for the year ended August 31, 2013 was as follows:

	Balance at September 1, 2012	Additions	Transfers/ Disposals	Balance at August 31, 2013
Governmental activities:				
Non-depreciable:				
Land	\$ 456,132	\$ 00	\$ 00	\$ 456,132
Depreciable:				
Buildings and improvements	\$ 2,511,761	\$ 22,730	\$ (39,200)	\$ 2,495,291
Machinery and equipment	815,418	28,758	39,200	883,376
Vehicles	515,567	53,599	00	569,166
Infrastructure	1,076,132	16,746	00	1,092,878
Totals at historical cost	<u>4,918,878</u>	<u>121,833</u>	<u>00</u>	<u>5,040,711</u>
Less accumulated depreciation:				
Buildings and improvements	1,080,010	69,769	00	1,149,779
Machinery and equipment	736,493	43,421	00	779,914
Vehicles	477,864	25,928	00	503,792
Infrastructure	277,674	45,953	00	323,627
Total accumulated depreciation	<u>2,572,041</u>	<u>185,071</u>	<u>00</u>	<u>2,757,112</u>
Governmental activities capital assets (depreciable), net	<u>\$ 2,346,837</u>	<u>\$ (63,238)</u>	<u>\$ 00</u>	<u>\$ 2,283,599</u>
Business-type activities:				
Non-depreciable:				
Land	\$ 142,816	\$ 00	\$ 00	\$ 142,816
Construction in progress	553,281	00	(477,032)	76,249
	<u>\$ 696,097</u>	<u>\$ 00</u>	<u>\$ (477,032)</u>	<u>\$ 219,065</u>
Depreciable:				
Land improvements	\$ 15,656	\$ 00	\$ 00	\$ 15,656
Water and sewer distribution system	11,775,519	67,072	477,032	12,319,623
Gas distribution system	1,575,609	60,762	00	1,636,371
Buildings	205,008	00	00	205,008
Vehicles, machinery & equipment	733,458	5,000	00	738,458
Totals at historical costs	<u>14,305,250</u>	<u>132,834</u>	<u>477,032</u>	<u>14,915,116</u>
Less accumulated depreciation:				
Land improvements	15,657	00	00	15,657
Water and sewer distribution system	2,635,740	163,136	00	2,798,876
Gas distribution system	388,233	21,497	00	409,730
Buildings	199,584	493	00	200,077
Vehicles, machinery & equipment	566,617	42,160	00	608,777
	<u>3,805,831</u>	<u>227,286</u>	<u>00</u>	<u>4,033,117</u>
Business-type capital assets (depreciable), net	<u>\$ 10,499,419</u>	<u>\$ (94,452)</u>	<u>\$ 477,032</u>	<u>\$ 10,881,999</u>

City of Tallapoosa, Georgia
Notes to Financial Statements
August 31, 2013

Note 5. Capital Assets - continued

Depreciation was charged to governmental activities as follows:

General government	\$ 55,317
Public safety	47,023
Highways and streets	46,951
Recreation and culture	<u>35,780</u>
Total	<u>\$ 185,071</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, 2013:

	<u>Balance Sept. 1, 2012</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance Aug. 31, 2013</u>	<u>Amount Due Within One Year</u>
GEFA Loan #DW10-029	\$ 276,640*	\$ 10,610	\$ 00	\$ 287,250	\$ 00
GEFA Loan #92-025	72,039	00	25,287	46,752	26,315
GEFA Loan #2000-L58-WJ	303,234	00	30,298	272,936	31,327
GEFA Loan #2005-L30-WJ	1,573,459	00	63,925	1,509,534	66,661
GEFA Loan #2005-L30-WJA	203,548	00	6,719	196,829	7,008
Bank Loan – Mower	22,326	00	12,596	9,730	9,730
Capital lease – golf carts	<u>139,385</u>	<u>00</u>	<u>35,633</u>	<u>103,752</u>	<u>36,730</u>
	<u>\$ 2,590,631</u>	<u>\$ 10,610</u>	<u>\$ 174,458</u>	<u>\$ 2,426,783</u>	<u>\$ 177,771</u>

The following is a schedule of principal and interest requirements:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 177,771	\$ 83,451	\$ 261,222
2015	167,528	76,882	244,410
2016	142,728	70,978	213,706
2017	118,282	65,857	184,139
2018	122,989	61,150	184,139
2019 to 2023	599,983	230,225	830,208
2024 to 2028	610,249	109,390	719,639
2029 to 2032	<u>200,003</u>	<u>8,362</u>	<u>208,365</u>
	<u>\$ 2,139,533</u>	<u>\$ 706,295</u>	<u>\$ 2,845,828</u>

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

City of Tallapoosa, Georgia
Notes to Financial Statements
August 31, 2013

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

Interest expensed in the current year was \$98,343.

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:

<u>Year Ending</u> <u>August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 26,315	\$ 1,479	\$ 27,794
2015	<u>20,437</u>	<u>412</u>	<u>20,849</u>
	<u>\$ 46,752</u>	<u>\$ 1,891</u>	<u>\$ 48,643</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:

<u>Year Ending</u> <u>August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	35,870	4,341	40,211
2019 to 2021	<u>105,134</u>	<u>5,435</u>	<u>110,569</u>
	<u>\$ 272,936</u>	<u>\$ 38,688</u>	<u>\$ 311,624</u>

City of Tallapoosa, Georgia
Notes to Financial Statements
August 31, 2013

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, 2013 the City had borrowed \$1,740,632 under the loan agreement which is being amortized as indicated below.

Year Ending <u>August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	78,832	49,955	128,787
2019 to 2023	447,773	196,161	643,934
2024 to 2028	552,193	91,741	643,934
2029 to 2030	<u>146,478</u>	<u>3,847</u>	<u>150,325</u>
	<u>\$ 1,509,534</u>	<u>\$ 572,594</u>	<u>\$ 2,082,128</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, 2013 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, 2013, the following is a schedule of debt service requirements for the next five years and to maturity.

Year Ending <u>August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	8,287	6,854	15,141
2019 to 2023	47,076	28,629	75,705
2024 to 2028	58,056	17,649	75,705
2029 to 2032	<u>53,524</u>	<u>4,516</u>	<u>58,040</u>
	<u>\$ 196,828</u>	<u>\$ 88,327</u>	<u>\$ 285,155</u>

City of Tallapoosa, Georgia
Notes to Financial Statements
August 31, 2013

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

Capital Lease Obligations

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

Year Ending August 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 103,752</u>	<u>\$ 4,659</u>	<u>\$ 108,411</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 term of the loan.

Year Ending August 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	<u>\$ 9,730</u>	<u>\$ 137</u>	<u>\$ 9,867</u>

Note 8. Budget Violations/Deficit Fund Balances

The general fund expenditures were more than budgeted appropriations by \$33,424. 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, 2013

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, 2013, was \$1,451,664; the City's total payroll for the year ended August 31, 2012, was \$1,654,237.

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	18
Terminated plan members entitled to, but not yet receiving benefits	10
Active plan members	<u>32</u>
Total	60

City of Tallapoosa, Georgia
Notes to Financial Statements
August 31, 2013

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, 2013.

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, 2013.

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 2013 of \$240,818 are made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of August 31, 2013. Contributions consist of (a) \$115,772 normal cost and (b) \$113,356 payment on unfunded actuarial accrued liabilities and (c) \$11,690 adjustment to fiscal year. The City contributes the entire amount (16.21 percent of covered payroll).

City of Tallapoosa, Georgia
Notes to Financial Statements
August 31, 2013

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]
01/01/13	\$ 2,899,672	\$ 3,698,206	\$ 798,534	78.4%	\$ 1,451,664	55.0%
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%

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
8/31/13	\$ 240,818	100%	0
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

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, 2013

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.

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, 2013

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, 2013

Note 14. Component Unit Disclosures – continued

Tallapoosa Development Authority - continued

Capital Assets

Capital assets activity for the year ended August 31, 2013, was as follows:

	Balance <u>9-01-12</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>8-31-13</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, 2013

Note 14. Component Unit Disclosures- continued

Tallapoosa Recreation Authority – continued

Capital Assets

Capital assets activity for the year ended August 31, 2013, was as follows:

	Balance <u>9-01-12</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>8-31-13</u>
Land – non depreciable	\$ 1,733,846	\$ 00	\$ 00	\$ 1,733,846

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, 2013:

	Balance <u>9-01-12</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>8-31-13</u>	Amount Due Within <u>One Year</u>
Bonds payable	\$ 175,000	\$ 00	\$ (175,000)	\$ 00	\$ 00

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, 2013, 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.

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, 2013 follows:

Hotel/Motel tax collected	\$ 10,320
Disbursements and transfers	10,320

City of Tallapoosa, Georgia
Notes to Financial Statements
August 31, 2013

Note 17. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position may report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. Property taxes are reported as deferred inflows of resources since they are recognized as receivables before the period for which the taxes are levied. These amounts also are reported on the government-wide of net position.

Note 18. Implementation of GASB Statement No. 63 and GASB No. 65

In fiscal year 2013, the City implemented *GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and *GASB Statement No. 65, Items Previously Reported as Assets and Liabilities*. As a result, there was no need for a prior period adjustment. However, there are numerous terminology changes throughout the financial section of this report.

REQUIRED SUPPLEMENTARY INFORMATION

City of Tallapoosa, Georgia
 Budgetary Comparison Schedule - General Fund
 For the Year Ended August 31, 2013

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Taxes:				
Property	\$ 759,853	\$ 696,956	\$ 709,988	\$ 13,032
Mobile home	500	7,494	511	(6,983)
Vehicle	57,720	83,082	90,065	6,983
Intangible	4,705	4,122	4,122	00
P.I.L.O.T. (Housing Authority)	14,054	00	00	00
Franchise	356,478	342,371	342,371	00
Local option sales	666,775	551,265	545,238	(6,027)
Railroad equipment and energy	1,512	2,241	2,241	00
Malt beverage	86,476	80,609	80,609	00
Insurance premium tax	158,806	168,250	168,250	00
Interest and penalties	11,143	11,319	11,388	69
	<u>2,118,022</u>	<u>1,947,709</u>	<u>1,954,783</u>	<u>7,074</u>
Licenses and permits:				
Business licenses	28,195	24,500	25,190	690
Insurance licenses	1,760	698	698	00
Alcoholic and beverage licenses	10,400	10,825	10,825	00
Building permits	2,703	5,736	5,736	00
	<u>43,058</u>	<u>41,759</u>	<u>42,449</u>	<u>690</u>
Charges for services:				
Recreation programs	88,416	53,579	63,099	9,520
Transportation trips – GA DHR	14,040	16,250	17,288	1,038
Cemetery sales and fees	00	1,048	1,048	00
	<u>102,456</u>	<u>70,877</u>	<u>81,435</u>	<u>10,558</u>
Grant Income – State	<u>00</u>	<u>81,800</u>	<u>81,800</u>	<u>00</u>
Fines and forfeitures	<u>76,214</u>	<u>62,972</u>	<u>67,709</u>	<u>4,737</u>
Interest	<u>4,886</u>	<u>92</u>	<u>93</u>	<u>1</u>
Other:				
Miscellaneous	<u>19,667</u>	<u>26,243</u>	<u>19,136</u>	<u>(7,107)</u>
Total revenues	<u>\$ 2,364,303</u>	<u>\$ 2,231,452</u>	<u>\$ 2,247,405</u>	<u>\$ 15,953</u>

See accompanying notes to budgetary comparison schedule.

City of Tallapoosa, Georgia
Budgetary Comparison Schedule - General Fund
For the Year Ended August 31, 2013

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
General Government:				
Administration:				
Salaries	\$ 126,816	\$ 122,138	\$ 124,490	\$ (2,352)
Payroll taxes	10,556	10,308	10,626	(318)
Group medical insurance	23,185	24,489	24,482	7
Employee retirement	16,849	18,753	18,753	00
Travel	3,000	2,189	2,189	00
Training	1,000	335	335	00
Supplies	7,163	7,936	7,723	213
Public announcements	2,000	854	1,169	(315)
Insurance	7,900	4,599	4,599	00
Special events	1,000	00	00	00
Legal services	8,500	2,281	3,007	(726)
Audit	2,000	2,008	1,780	228
Planning and development	3,000	1,309	1,774	(465)
Repairs and maintenance	4,500	3,819	3,915	(96)
Vehicle gas and oil	800	763	763	00
Data processing and software	2,400	1,496	1,496	00
Rent	200	200	200	00
Membership fees	2,642	2,446	2,446	00
Professional fees	600	00	00	00
Telephone	2,000	1,931	1,662	269
Utilities - gas and water	6,300	7,762	7,992	(230)
Utilities - electricity	12,837	13,965	14,685	(720)
Miscellaneous	51	206	22	184
Contract labor	3,292	3,623	00	3,623
Capital outlay	<u>6,500</u>	<u>00</u>	<u>00</u>	<u>00</u>
	<u>255,091</u>	<u>233,410</u>	<u>234,108</u>	<u>(698)</u>
Mayor and Council:				
Salaries and fees	22,800	22,800	22,800	00
Insurance	6,837	2,576	2,576	00
Special events	5,966	5,272	5,647	(375)
Public announcements	1,449	189	819	(630)
Legal services	00	77	77	00
Audit	1,686	1,783	1,783	00
Election	3,135	00	00	00
Planning and development	243	00	00	00
Membership fees	200	164	164	00
Payroll taxes	1,744	1,744	1,744	00
Travel and training	<u>14,363</u>	<u>12,364</u>	<u>12,364</u>	<u>00</u>
	<u>58,423</u>	<u>46,969</u>	<u>47,974</u>	<u>(1,005)</u>

See accompanying notes to budgetary comparison schedule.

City of Tallapoosa, Georgia
 Budgetary Comparison Schedule - General Fund
 For the Year Ended August 31, 2013

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
General Government - continued:				
Other:				
Salary – janitor	\$ 15,324	\$ 14,505	\$ 14,791	\$ (286)
Payroll taxes - janitor	1,172	1,110	1,132	(22)
Cemetery maintenance	1,000	363	363	00
Utilities – gas, water, electricity	400	857	925	(68)
Membership fees	00	00	00	00
Contract labor	3,292	3,622	3,922	(300)
Insurance	13,420	5,687	5,687	00
Equipment repair	500	20	20	00
Capital outlay	00	00	00	00
	<u>35,108</u>	<u>26,164</u>	<u>26,840</u>	<u>(676)</u>
Total general government	<u>348,622</u>	<u>306,543</u>	<u>308,922</u>	<u>(2,379)</u>
Public Safety:				
Police Department:				
Salaries	598,077	576,357	586,667	(10,310)
Payroll taxes	44,314	42,514	43,279	(765)
Group medical insurance	92,773	96,287	96,029	258
Employee retirement	84,244	94,619	94,619	00
Travel	500	1,348	1,348	00
Training	1,794	1,934	1,828	106
Supplies	6,360	6,060	7,723	(1,663)
Miscellaneous	768	480	480	00
Insurance	28,648	56,022	56,022	00
Legal services	18,468	13,952	13,585	367
Audit	1,686	1,783	1,783	00
Repairs and maintenance	30,673	19,310	24,338	(5,028)
Vehicle gas and oil	49,242	44,163	43,154	1,009
Data processing and software	4,000	8,514	8,514	00
Planning and development	243	00	00	00
Uniforms	2,879	2,150	2,140	10
Service contracts	2,000	6,755	7,224	(469)
Contract labor	3,292	4,413	4,712	(299)
Witness fees	00	00	00	00
Membership fees	138	414	414	00
Telephone	5,000	3,720	3,608	112
Utilities - gas and water	2,015	1,891	1,990	(99)
Utilities - electricity	8,437	8,098	8,986	(888)
Capital outlay	00	00	00	00
	<u>985,551</u>	<u>990,784</u>	<u>1,008,443</u>	<u>(17,659)</u>

See accompanying notes to budgetary comparison schedule.

City of Tallapoosa, Georgia
 Budgetary Comparison Schedule - General Fund
 For the Year Ended August 31, 2013

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Public Safety - continued:				
Fire Department:				
Salaries	\$ 161,500	\$ 140,694	\$ 143,421	\$ (2,727)
Payroll taxes	12,000	10,329	10,528	(199)
Group medical insurance	23,292	18,113	18,027	86
Employee retirement	26,477	17,901	17,901	00
Travel and training	00	00	00	00
Public announcements	00	126	126	00
Supplies	2,055	2,033	2,102	(69)
Municipal insurance	10,966	11,777	11,777	00
Audit and legal	1,686	1,860	1,860	00
Repairs and maintenance	4,000	9,686	9,686	00
Vehicle gas and oil	7,000	7,555	8,363	(808)
Uniforms	500	00	00	00
Service contracts	189	189	71	118
Telephone	1,720	1,753	1,828	(75)
Utilities - gas and water	2,500	2,509	2,541	(32)
Utilities - electricity	600	408	408	00
Software and data processing	955	1,188	1,188	00
Miscellaneous	1,638	509	509	00
Planning and development	243	00	00	00
Capital outlay	00	40,675	40,675	00
	<u>257,321</u>	<u>267,305</u>	<u>271,011</u>	<u>(3,706)</u>
Total public safety	<u>1,242,872</u>	<u>1,258,089</u>	<u>1,279,454</u>	<u>(21,365)</u>
Highways and Streets:				
Salaries	61,543	54,697	55,701	(1,004)
Contract labor - Department of Corrections	3,292	3,623	3,922	(299)
Payroll taxes	4,400	3,863	3,933	(70)
Group medical insurance	16,977	19,567	19,488	79
Employee retirement	7,221	10,229	10,229	00
Supplies	2,711	2,485	2,569	(84)
Insurance	12,538	12,716	12,716	00
Audit and legal	1,686	1,905	1,905	00
Repairs and maintenance	5,280	5,438	5,742	(304)
Street maintenance	25,000	30,034	32,814	(2,780)
Lawn maintenance	00	167	167	00
Park beautification	500	329	329	00
Vehicle gas and oil	8,955	8,639	9,853	(1,214)
Paving and resurfacing	00	2,935	2,935	00
Signs and signals	2,000	2,110	2,110	00
Chemicals	6,000	1,425	1,425	00

See accompanying notes to budgetary comparison schedule.

City of Tallapoosa, Georgia
 Budgetary Comparison Schedule - General Fund
 For the Year Ended August 31, 2013

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Highways and Streets -- continued:				
Software and data processing	\$ 955	\$ 1,188	\$ 1,188	\$ 00
Telephone	1,803	2,269	1,908	361
Utilities - electricity and gas	98,867	97,743	92,637	5,106
Uniforms	100	18	18	00
Miscellaneous	138	612	610	2
Capital outlays	<u>6,000</u>	<u>15,700</u>	<u>15,700</u>	<u>00</u>
Total highways and streets	<u>266,066</u>	<u>277,692</u>	<u>277,899</u>	<u>(207)</u>
Culture and Recreation:				
Library:				
Salaries	60,061	57,888	58,970	(1,082)
Payroll taxes	4,417	4,257	4,337	(80)
Group medical insurance	7,945	7,668	7,668	00
Employee retirement	7,220	7,672	7,672	00
Supplies	2,317	3,468	3,239	229
Insurance	7,600	3,098	3,098	00
Audit and legal	1,700	1,860	1,860	00
Repairs and maintenance	1,900	3,479	3,479	00
Contract labor	3,292	3,623	3,922	(299)
Telephone	5,400	4,921	4,996	(75)
Utilities - gas and water	2,100	2,741	2,792	(51)
Utilities - electricity	11,000	9,212	10,232	(1,020)
Miscellaneous	140	1,288	1,288	00
Capital outlay	<u>00</u>	<u>00</u>	<u>00</u>	<u>00</u>
	<u>115,092</u>	<u>111,175</u>	<u>113,553</u>	<u>(2,378)</u>
Museum:				
Salaries	15,600	13,296	13,558	(262)
Payroll taxes	1,066	1,017	1,037	(20)
Supplies	1,427	1,458	1,527	(69)
Insurance	8,760	6,761	6,761	00
Audit and legal	1,686	1,860	1,860	00
Repairs and maintenance	1,000	414	714	(300)
Data processing and software	800	1,188	1,188	00
Telephone	1,720	1,730	1,805	(75)
Utilities - gas and water	3,315	3,929	3,969	(40)
Utilities - electricity	9,608	9,838	10,774	(936)
Miscellaneous	381	263	263	00
Contract labor	3,292	3,623	3,922	(299)
Capital outlays	<u>00</u>	<u>00</u>	<u>00</u>	<u>00</u>
	<u>48,655</u>	<u>45,377</u>	<u>47,378</u>	<u>(2,001)</u>

See accompanying notes to budgetary comparison schedule.

City of Tallapoosa, Georgia
 Budgetary Comparison Schedule - General Fund
 For the Year Ended August 31, 2013

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Culture and Recreation - continued:				
Recreation:				
Salaries	\$ 78,578	\$ 75,872	\$ 77,146	\$ (1,274)
Payroll taxes	6,087	5,703	5,799	(96)
Group medical insurance	8,286	7,767	7,753	14
Employee retirement	6,290	5,115	5,115	00
Travel and training	2,000	3,012	3,012	00
Supplies	2,620	2,866	2,952	(86)
Public announcements	200	31	31	00
Insurance	10,422	7,634	7,634	00
Audit and legal	1,686	1,935	1,935	00
Repairs and maintenance	5,684	2,768	3,654	(886)
Field maintenance	2,086	4,062	3,999	63
Swimming pool maintenance	1,000	802	802	00
Vehicle gas and oil	4,914	5,167	5,572	(405)
Chemicals	1,422	358	358	00
Software and data processing	955	1,217	1,217	00
Uniforms - athletic	21,200	33,907	33,907	00
Umpire fees	14,000	13,075	13,075	00
Tournament fees	6,668	3,295	3,495	(200)
League fees	650	632	632	00
Membership fees	688	709	709	00
Telephone	3,056	3,144	3,257	(113)
Utilities - gas and water	9,000	6,657	6,910	(253)
Utilities - electricity	10,046	9,376	10,422	(1,046)
Concessions	14,325	10,093	9,837	256
Planning and development	243	00	00	00
Trophies	775	00	00	00
Miscellaneous	1,535	1,689	210	1,479
Contract services	3,292	3,623	3,922	(299)
Capital outlays	00	00	00	00
	<u>217,708</u>	<u>210,509</u>	<u>213,355</u>	<u>(2,846)</u>
Senior Center:				
Salaries	29,243	30,844	31,496	(652)
Payroll taxes	2,237	2,359	2,409	(50)
Supplies	1,617	1,589	1,659	(70)
Insurance	7,706	3,058	3,058	00
Repairs and maintenance	2,200	888	815	73
Vehicle gas and oil	3,439	3,384	3,708	(324)
Software and data processing	955	1,188	1,188	00
Membership fees	138	00	00	00

See accompanying notes to budgetary comparison schedule.

City of Tallapoosa, Georgia
 Budgetary Comparison Schedule - General Fund
 For the Year Ended August 31, 2013

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Culture and Recreation – continued:				
Senior Center – continued:				
Utilities – telephone	\$ 1,335	\$ 1,351	\$ 1,426	\$ (75)
Utilities - electricity	7,461	7,146	7,931	(785)
Utilities – gas and water	1,246	1,310	1,378	(68)
Miscellaneous	00	1,040	1,040	00
Contract labor	3,292	3,625	3,922	(297)
Capital outlays	<u>00</u>	<u>00</u>	<u>00</u>	<u>00</u>
	<u>60,869</u>	<u>57,782</u>	<u>60,030</u>	<u>(2,248)</u>
Total culture and recreation	<u>442,324</u>	<u>424,843</u>	<u>434,316</u>	<u>(9,473)</u>
Total expenditures	<u>2,299,884</u>	<u>2,267,167</u>	<u>2,300,591</u>	<u>(33,424)</u>
Excess of revenues over expenditures and other financing uses	64,419	(35,715)	(53,186)	(17,471)
Other financing sources (uses):				
Transfer in (out)	<u>(64,419)</u>	<u>35,715</u>	<u>34,843</u>	<u>(872)</u>
Excess of revenues and other financing sources over expenditures and other financing uses	00	00	(18,343)	(18,343)
Fund balance, beginning of year	<u>422,045</u>	<u>422,045</u>	<u>422,045</u>	<u>00</u>
Fund balance, end of year	<u>\$ 422,045</u>	<u>\$ 422,045</u>	<u>\$ 403,702</u>	<u>\$ (18,343)</u>

See accompanying notes to budgetary comparison schedule.

City of Tallapoosa, Georgia
 Budgetary Comparison Schedule
 UDAG Fund
 For the Year Ended August 31, 2013

	<u>Original</u> <u>Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Interest and other	\$ 00	\$ 3,369	\$ 3,369	\$ 00
Expenditures	<u> 00</u>	<u> 00</u>	<u> 00</u>	<u> 00</u>
Excess of revenues over expenditures	<u>\$ 00</u>	<u>\$ 3,369</u>	<u>\$ 3,369</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, 2013

	<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	\$ 18,207	\$ 1,434	\$ 61	\$ 00	\$ 19,702
Total assets	\$ 18,207	\$ 1,434	\$ 61	\$ 00	\$ 19,702
<u>Liabilities and Fund Balance</u>					
Liabilities	\$ 00	\$ 00	\$ 00	\$ 00	\$ 00
Fund balance					
Restricted	00	00	61	00	61
Committed	<u>18,207</u>	<u>1,434</u>	<u>00</u>	<u>00</u>	<u>19,641</u>
Total liabilities and fund balance	\$ 18,207	\$ 1,434	\$ 61	\$ 00	\$ 19,702

City of Tallapoosa, Georgia
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
August 31, 2013

	<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	\$ 10,320	\$ 10,320
Miscellaneous	10,982	00	00	00	10,982
Interest	<u>00</u>	<u>1</u>	<u>00</u>	<u>00</u>	<u>1</u>
Total revenues	<u>10,982</u>	<u>1</u>	<u>00</u>	<u>10,320</u>	<u>21,303</u>
Expenditures:					
Current					
General government	00	00	00	4,128	4,128
Public safety	00	00	00	00	00
Culture and recreation	4,034	00	00	00	4,034
Capital outlay	<u>00</u>	<u>00</u>	<u>00</u>	<u>00</u>	<u>00</u>
Total expenditures	<u>4,034</u>	<u>1</u>	<u>00</u>	<u>4,128</u>	<u>8,162</u>
Excess (deficiency) of revenues over expenditures	6,948	1	00	6,192	13,141
Other financing uses:					
Transfers out	<u>00</u>	<u>00</u>	<u>00</u>	<u>(6,192)</u>	<u>(6,192)</u>
Excess (deficiency) of revenues over expenditures and other uses	6,948	1	00	00	6,949
Fund balance, beginning of year	<u>11,259</u>	<u>1,433</u>	<u>61</u>	<u>00</u>	<u>12,753</u>
Fund balance, end of year	<u>\$ 18,207</u>	<u>\$ 1,434</u>	<u>\$ 61</u>	<u>\$ 00</u>	<u>\$ 19,702</u>

City of Tallapoosa, Georgia
Budgetary Comparison Schedule
Museum Fund
For the Year Ended August 31, 2013

	<u>Budget</u>	<u>Actual</u>
Revenue:		
Miscellaneous	\$ 10,982	\$ 10,982
Expenditures:		
Culture and recreation	<u>4,034</u>	<u>4,034</u>
Excess of revenues over expenditures	<u>\$ 6,948</u>	<u>\$ 6,948</u>

City of Tallapoosa, Georgia
Budgetary Comparison Schedule
Tallapoosa Community Planning Committee Fund
For the Year Ended August 31, 2013

	<u>Budget</u>	<u>Actual</u>
Revenue	\$ 1	\$ 1
Expenditures	<u>00</u>	<u>00</u>
Excess of revenues over expenditures	<u>\$ 1</u>	<u>\$ 1</u>

City of Tallapoosa, Georgia
Budgetary Comparison Schedule
Drug Forfeiture Fund
For the Year Ended August 31, 2013

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

City of Tallapoosa, Georgia
 Budgetary Comparison Schedule
 Hotel/Motel Tax Fund
 For the Year Ended August 31, 2013

	<u>Budget</u>	<u>Actual</u>
Revenues:		
Taxes	\$ 10,320	\$ 10,320
Expenditures:		
Haralson County Chamber of Commerce	<u>4,128</u>	<u>4,128</u>
Excess of revenues over expenditures	6,192	6,192
Other financing uses:		
Transfer to General Fund	<u>(6,192)</u>	<u>(6,192)</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 Position
August 31, 2013

	Development Authority	Recreation Authority	Downtown Development Authority	Total Component Units
<u>Assets</u>				
Cash	\$ 707,336	\$ 128,516	\$ 3,795	\$ 839,647
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>\$ 1,873,716</u>	<u>\$ 1,862,362</u>	<u>\$ 14,299</u>	<u>\$ 3,750,377</u>
<u>Liabilities</u>				
Accounts payable	\$ 00	\$ 95,914	\$ 00	\$ 95,914
Total liabilities	<u>\$ 00</u>	<u>\$ 95,914</u>	<u>\$ 00</u>	<u>\$ 95,914</u>
<u>Net position</u>				
Net investment in capital assets	\$ 1,148,575	\$ 1,733,846	\$ 10,504	\$ 2,892,925
Unrestricted	<u>725,141</u>	<u>32,602</u>	<u>3,795</u>	<u>761,538</u>
Total net position	<u>\$ 1,873,716</u>	<u>\$ 1,766,448</u>	<u>\$ 14,299</u>	<u>\$ 3,654,463</u>

City of Tallapoosa, Georgia – Component Units
Combining Statement of Activities
For the Year Ended August 31, 2013

Functions/Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net position			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	\$ 00	\$ 13,400	\$ 00	\$ 00	\$ 13,400	\$	\$	\$
Total governmental activities	00	13,400	00	00	13,400			
Recreation Authority:								
Governmental activities:								
Recreation and culture	4,892	159,464	00	00		154,572		
Interest on long-term debt	7,775	00	00	00		(7,775)		
Total governmental activities	12,667	159,464	00	00		146,797		
Downtown Development Authority:								
Governmental activities:								
General government	11,014	00	9,088	00			(1,926)	
Total governmental activities	11,014	00	9,088	00			(1,926)	
Total					13,400	146,797	(1,926)	158,271
General revenues:								
Interest and investment earnings					2,953	260	00	3,213
Total general revenues					2,953	260	00	3,213
Change in net position					16,353	147,057	(1,926)	161,484
Net position - beginning					1,857,363	1,619,391	16,225	3,492,979
Net position - ending					\$ 1,873,716	\$ 1,766,448	\$ 14,299	\$ 3,654,463

City of Tallapoosa, Georgia
Schedule of Projects Constructed with Special Purpose
Local Option Sales Tax Proceeds
For the Year Ended August 31, 2013

2010 Project Activity	Original Estimated Cost	Expenditures		Total
		Prior Years	Current Year	
Old high school – Art Center	\$ 250,000	\$ 172,345	\$ 00	\$ 172,345
Street paving, storm drainage, signs and sidewalks	100,000	19,004	00	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	291,019	10,812	301,831
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	37,490	53,601	91,091
Water and Sewer debt	780,000	556,610	220,291	776,901
Administrative buildings – Police/City Hall area	425,000	00	00	00
Recreation equipment	100,000	4,203	00	4,203
Data processing	80,000	9,699	00	9,699
Public works – vehicles	100,000	00	19,926	19,926
Equipment purchase PW (backhoe)	75,000	4,977	00	4,977
Utility expenses – water, gas and sewer	150,000	63,573	00	63,573
Grant match – TEA, ARC, CDBG	150,000	43,816	1,045	44,861
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	2,972	00	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>\$ 1,236,960</u>	<u>\$ 305,675</u>	<u>\$ 1,542,635</u>

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



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

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

Honorable Mayor and City Council
City of Tallapoosa, Georgia

We have audited, 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, 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 of City of Tallapoosa, Georgia, as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise the City of Tallapoosa, Georgia's basic financial statements and have issued our report thereon dated March 3, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Tallapoosa, Georgia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Tallapoosa, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Tallapoosa, Georgia's internal control.

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. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weakness may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

Purpose of this report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Danett, Thomas & Gazio, P.C.

March 3, 2014