

CITY OF TALLAPOOSA, GEORGIA
Financial Statements and Supplementary Information
For the Year Ended August 31, 2014

and

Independent Auditor's Report

City of Tallapoosa, Georgia
Annual Financial Report
For the Year Ended August 31, 2014

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City of Tallapoosa, Georgia
List of Principal Officials
August 31, 2014

<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
Natalie Wade	Finance Officer



Garrett
Thomas &
Fazio, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Ann M. Fazio	CPA	Julie M. George	CPA
Frederick G. Thomas	CPA	Kevin G. Bush	CPA
Deborah W. Cooke	CPA	Shari L. Reid	CPA
Johanna H. Tallent	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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Tallapoosa, Georgia, as of and for the year ended August 31, 2014, 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund of the City of Tallapoosa, Georgia, as of August 31, 2014, 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 December 1, 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.

Dunnett, Thomas & Fazio, P.C.

December 1, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Tallapoosa, Georgia
Management's Discussion and Analysis
August 31, 2014

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, 2014. 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, 2014

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, 2014

Financial Analysis of the City as a Whole

The City's net position at fiscal year-end is \$15,194,275. This is a \$336,039 increase from last year's adjusted net position of \$14,858,236.

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

Summary of Net Position

	Governmental Activities		Business-Type Activities		Total	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Cash	\$ 1,199,948	\$ 1,097,122	\$ 1,930,840	\$ 1,794,892	\$ 3,130,788	\$ 2,892,014
Capital assets	2,732,034	2,739,731	11,734,371	11,101,064	14,466,405	13,840,795
Other assets	<u>612,821</u>	<u>512,474</u>	<u>379,608</u>	<u>323,377</u>	<u>992,429</u>	<u>835,851</u>
Total assets	<u>\$ 4,544,803</u>	<u>\$ 4,349,327</u>	<u>\$ 14,044,819</u>	<u>\$ 13,219,333</u>	<u>\$ 18,589,622</u>	<u>\$ 17,568,660</u>
Current liabilities	\$ 57,845	\$ 72,414	\$ 429,011	\$ 388,999	\$ 486,856	\$ 461,413
Long-term liabilities	<u>00</u>	<u>00</u>	<u>2,908,491</u>	<u>2,249,011</u>	<u>2,908,491</u>	<u>2,249,011</u>
Total liabilities	<u>\$ 57,845</u>	<u>\$ 72,414</u>	<u>\$ 3,337,502</u>	<u>\$ 2,638,010</u>	<u>\$ 3,395,347</u>	<u>\$ 2,710,424</u>
Net position:						
Net investment in capital assets	\$ 2,732,034	\$ 2,739,731	\$ 8,647,411	\$ 8,677,867	\$ 11,379,445	\$ 11,417,598
Unrestricted and restricted	<u>1,754,924</u>	<u>1,537,182</u>	<u>2,059,906</u>	<u>1,903,456</u>	<u>3,814,830</u>	<u>3,440,638</u>
Total net position	<u>\$ 4,486,958</u>	<u>\$ 4,276,913</u>	<u>\$ 10,707,317</u>	<u>\$ 10,581,323</u>	<u>\$ 15,194,275</u>	<u>\$ 14,858,236</u>

City of Tallapoosa, Georgia
Management's Discussion and Analysis
August 31, 2014

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

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
	Revenues:					
Program revenues:						
Charges for service	\$ 198,329	\$ 188,166	\$ 3,307,031	\$ 3,138,441	\$ 3,505,360	\$ 3,326,607
Operating grants and contributions	103,826	81,800	00	00	103,826	81,800
Capital grants and contributions	376,034	246,242	51,833	52,368	427,867	298,610
General revenues:						
Sales tax	557,843	545,238	00	00	557,843	545,238
Property taxes	837,915	788,784	00	00	837,915	788,784
Other taxes and misc.	<u>639,239</u>	<u>646,519</u>	<u>8,763</u>	<u>4,554</u>	<u>648,002</u>	<u>651,073</u>
Total revenues	<u>2,713,186</u>	<u>2,496,749</u>	<u>3,367,627</u>	<u>3,195,363</u>	<u>6,080,813</u>	<u>5,692,112</u>
Expenses:						
General government	409,300	379,626			409,300	379,626
Public safety	1,232,970	1,287,944			1,232,970	1,287,944
Highways and streets	336,461	311,404			336,461	311,404
Culture and recreation	<u>501,393</u>	<u>485,229</u>			501,393	485,229
Total	<u>2,480,124</u>	<u>2,464,203</u>				
Water and sewer			1,460,874	1,407,407	1,460,874	1,407,407
Sanitation			230,213	218,116	230,213	218,116
Gas			1,071,340	1,171,985	1,071,340	1,171,985
Golf			<u>502,223</u>	<u>579,922</u>	<u>502,223</u>	<u>579,922</u>
Total			<u>3,264,650</u>	<u>3,377,430</u>		
Total expenses					<u>5,744,774</u>	<u>5,841,633</u>
Change in net position before transfers	233,062	32,546	102,977	(182,067)	336,039	(149,521)
Transfers	<u>(23,017)</u>	<u>(211,566)</u>	<u>23,017</u>	<u>211,566</u>	<u>00</u>	<u>00</u>
Change in net position	210,045	(179,020)	125,994	29,499	336,039	(149,521)
Beginning 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>
Ending net position	<u>\$ 4,486,958</u>	<u>\$ 4,276,913</u>	<u>\$ 10,707,317</u>	<u>\$ 10,581,323</u>	<u>\$ 15,194,275</u>	<u>\$ 14,858,236</u>

City of Tallapoosa, Georgia
Management's Discussion and Analysis
August 31, 2014

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 \$1,375,808. The total ending fund balances of governmental funds show an increase of \$198,784 over the prior year adjusted balance.

The Major Governmental Fund

The General Fund is the City's primary operating fund. The fund balance of the General Fund increased from \$403,702 to \$497,243. Key factors contributing to this increase were revenues exceeding projections.

Proprietary funds

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

The Major Proprietary Funds

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

General Fund Budgetary Highlights

The budget was approved by the Council with expenditures totaling \$2,299,884. Amendments were not made to the budget during the year.

Capital Asset and Debt Administration

Capital assets

At the end of fiscal year 2014, the City had \$14,466,405 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 2014, the City had long-term debt of \$3,086,880. 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, 2014

Next Year's Budget

The general fund budget for the year ending August 31, 2015 reflects expenditures of \$2,197,950. This is an approximate 5% decrease over the final budget for the year ended August 31, 2014.

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, 2014

	Primary Government			Component <u>Units</u>
	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>	
Assets:				
Cash	\$ 1,199,948	\$ 1,930,840	\$ 3,130,788	\$ 920,215
Receivables, net	548,895	309,666	858,561	17,805
Inventory	00	48,201	48,201	00
Other assets	63,926	21,741	85,667	00
Capital assets, non depreciable	456,132	1,066,762	1,522,894	1,886,433
Capital assets, depreciable – net	<u>2,275,902</u>	<u>10,667,609</u>	<u>12,943,511</u>	<u>972,942</u>
Total assets	<u>\$ 4,544,803</u>	<u>\$ 14,044,819</u>	<u>\$ 18,589,622</u>	<u>\$ 3,797,395</u>
Liabilities:				
Accounts payable	\$ 54,753	\$ 130,307	\$ 185,060	\$ 95,914
Accrued liabilities	3,092	6,820	9,912	00
Customer deposits	00	113,415	113,415	00
Long-term liabilities:				
Due within one year	00	178,469	178,469	00
Due in more than one year	<u>00</u>	<u>2,908,491</u>	<u>2,908,491</u>	<u>00</u>
Total liabilities	<u>\$ 57,845</u>	<u>\$ 3,337,502</u>	<u>\$ 3,395,347</u>	<u>\$ 95,914</u>
Net position:				
Net investment in capital assets	\$ 2,732,034	\$ 8,647,411	\$ 11,379,445	\$ 2,859,375
Restricted:				
Capital Projects	183,491	00	183,491	00
Economic Development	675,721	00	675,721	00
Public Safety	61	00	61	00
Unrestricted	<u>895,651</u>	<u>2,059,906</u>	<u>2,955,557</u>	<u>842,106</u>
Total net position	<u>\$ 4,486,958</u>	<u>\$ 10,707,317</u>	<u>\$ 15,194,275</u>	<u>\$ 3,701,481</u>

See accompanying notes to financial statements.

City of Tallapoosa, Georgia
Statement of Activities
For the Year Ended August 31, 2014

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			
					Governmental Activities	Business-Type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 409,300	\$ 72,472	\$ 00	\$ 376,034	\$ 39,206	\$	\$	\$
Public safety	1,232,970	59,877	52,022	00	(1,121,071)			
Highways and streets	336,461	00	51,804	00	(284,657)			
Recreation and culture	<u>501,393</u>	<u>65,980</u>	<u>00</u>	<u>00</u>	<u>(435,413)</u>			
Total governmental activities	<u>2,480,124</u>	<u>198,329</u>	<u>103,826</u>	<u>376,034</u>	<u>(1,801,935)</u>			
Business-type activities:								
Water and sewer	1,460,874	1,329,058	00	51,833				
Gas	1,071,340	1,410,082	00	00				
Golf	502,223	297,017	00	00				
Sanitation	<u>230,213</u>	<u>270,874</u>	<u>00</u>	<u>00</u>				
Total business-type activities	<u>3,264,650</u>	<u>3,307,031</u>	<u>00</u>	<u>51,833</u>		<u>94,214</u>		
Total primary government	<u>\$ 5,744,774</u>	<u>\$ 3,505,360</u>	<u>\$ 103,826</u>	<u>\$ 427,867</u>	<u>(1,801,935)</u>	<u>94,214</u>	<u>(1,707,721)</u>	
Component Units:								
Development Authority	\$ 33,550	\$ 11,400	\$ 00	\$ 00				(22,150)
Downtown Development Authority	7,180	00	4,085	00				(3,095)
Recreation Authority	<u>00</u>	<u>71,604</u>	<u>00</u>	<u>00</u>				<u>71,604</u>
Total component units	<u>\$ 40,730</u>	<u>\$ 83,004</u>	<u>\$ 4,085</u>	<u>\$ 00</u>				<u>46,359</u>
General revenues:								
Taxes:								
Property taxes levied for general purposes					837,915	00	837,915	00
Franchise taxes					328,922	00	328,922	00
Sales taxes					557,843	00	557,843	00
Insurance premium taxes					173,401	00	173,401	00
Hotel/motel taxes					22,211	00	22,211	00
Malt beverage taxes					78,673	00	78,673	00
Interest and investment earnings					14,855	8,763	23,618	659
Miscellaneous					<u>21,177</u>	<u>00</u>	<u>21,177</u>	<u>00</u>
Total general revenues					<u>2,034,997</u>	<u>8,763</u>	<u>2,043,760</u>	<u>659</u>
Transfers					<u>(23,017)</u>	<u>23,017</u>	<u>00</u>	<u>00</u>
Total general revenues and transfers					<u>2,011,980</u>	<u>31,780</u>	<u>2,043,760</u>	<u>659</u>
Change in net position					210,045	125,994	336,039	47,018
Net position-beginning					<u>4,276,913</u>	<u>10,581,323</u>	<u>14,858,236</u>	<u>3,654,463</u>
Net position-ending					<u>\$ 4,486,958</u>	<u>\$ 10,707,317</u>	<u>\$ 15,194,275</u>	<u>\$ 3,701,481</u>

See accompanying notes to financial statements.

City of Tallapoosa, Georgia
Balance Sheet
Governmental Funds
August 31, 2014

	<u>General Fund</u>	<u>SPLOST Fund</u>	<u>UDAG Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and equivalents	\$ 412,069	\$ 00	\$ 768,526	\$ 19,353	\$ 1,199,948
Receivables, net	126,082	00	00	00	126,082
Due from other funds	92,805	00	00	00	92,805
Receivables from other governments	<u>00</u>	<u>183,491</u>	<u>00</u>	<u>00</u>	<u>183,491</u>
Total assets	<u>\$ 630,956</u>	<u>\$ 183,491</u>	<u>\$ 768,526</u>	<u>\$ 19,353</u>	<u>\$ 1,602,326</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts payable	\$ 36,948	\$ 00	\$ 00	\$ 00	\$ 36,948
Accrued liabilities	3,092	00	00	00	3,092
Due to other funds	00	00	92,805	00	92,805
Due to other governments	<u>17,805</u>	<u>00</u>	<u>00</u>	<u>00</u>	<u>17,805</u>
Total liabilities	<u>57,845</u>	<u>00</u>	<u>92,805</u>	<u>00</u>	<u>150,650</u>
Deferred inflows of resources	<u>75,868</u>	<u>00</u>	<u>00</u>	<u>00</u>	<u>75,868</u>
Fund Balances					
Unassigned	405,158	00	00	00	405,158
Nonspendable	92,085	00	00	00	92,085
Restricted	00	183,491	675,721	61	859,273
Committed	<u>00</u>	<u>00</u>	<u>00</u>	<u>19,292</u>	<u>19,292</u>
Total fund balance	<u>497,243</u>	<u>183,491</u>	<u>675,721</u>	<u>19,353</u>	<u>1,375,808</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 630,956</u>	<u>\$ 183,491</u>	<u>\$ 768,526</u>	<u>\$ 19,353</u>	

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	2,732,034
Some receivables are not available to pay for current-period expenditures and therefore are deferred in the funds	239,322
Prepaid items are not reported in the funds	63,926
Earned revenue deferred due to availability criteria is taken into income on the accrual basis government wide statement	<u>75,868</u>
Net position of governmental activities	<u>\$ 4,486,958</u>

See accompanying notes to financial statements.

City of Tallapoosa, Georgia
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended August 31, 2014

	General Fund	SPLOST Fund	UDAG Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 1,990,720	\$. - 00	\$ 00	\$ 22,211	\$ 2,012,931
Fees and fines	71,262	00	00	00	71,262
Licenses and permits	57,324	00	00	00	57,324
Charges for services	81,128	00	00	00	81,128
Intergovernmental	103,826	376,034	00	00	479,860
Interest	36	00	852	1	889
Miscellaneous	<u>12,377</u>	<u>00</u>	<u>00</u>	<u>8,800</u>	<u>21,177</u>
Total revenues	<u>2,316,673</u>	<u>376,034</u>	<u>852</u>	<u>31,012</u>	<u>2,724,571</u>
Expenditures					
Current operating:					
General government	355,242	00	00	9,483	364,725
Public safety	1,215,108	00	00	00	1,215,108
Highways and streets	289,016	00	00	00	289,016
Recreation and culture	468,741	00	00	9,150	477,891
Capital outlay	<u>91,272</u>	<u>64,758</u>	<u>00</u>	<u>00</u>	<u>156,030</u>
Total expenditures	<u>2,419,379</u>	<u>64,758</u>	<u>00</u>	<u>18,633</u>	<u>2,502,770</u>
Excess (deficit) of revenues over expenditures	(102,706)	311,276	852	12,379	221,801
Other financing sources (uses)					
Transfers in (out)	<u>196,247</u>	<u>(206,536)</u>	<u>00</u>	<u>(12,728)</u>	<u>(23,017)</u>
Net change in fund balance	93,541	104,740	852	(349)	198,784
Fund balances – beginning	<u>403,702</u>	<u>78,751</u>	<u>674,869</u>	<u>19,702</u>	<u>1,177,024</u>
Fund balances – ending	<u>\$ 497,243</u>	<u>\$ 183,491</u>	<u>\$ 675,721</u>	<u>\$ 19,353</u>	<u>\$ 1,375,808</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, 2014

Net change in fund balances – total government funds	\$ 198,784
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.	(11,385)
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	\$ 156,030
Depreciation	<u>163,727</u>
	(7,697))
Expenditures in the governmental funds that benefit periods beyond August 31, 2014 are reported as prepaid items in the statement of net position.	<u>30,343</u>
Change in net position of governmental activities.	<u>\$ 210,045</u>

See accompanying notes to financial statements.

City of Tallapoosa, Georgia
Statement of Net Position
Proprietary Funds
August 31, 2014

<u>Assets</u>	<u>Business-Type Activities</u>				
	<u>Water and Sewer</u>	<u>Gas</u>	<u>(Non-major) Sanitation</u>	<u>Golf</u>	<u>Totals</u>
Current assets:					
Cash	\$ 1,605,212	\$ 325,428	\$ 00	\$ 200	\$ 1,930,840
Accounts receivable (net of allowance)	143,582	19,520	31,465	19,185	213,752
Inventory	5,000	43,201	00	00	48,201
Prepaid insurance	11,935	3,760	2,287	3,759	21,741
Due from Tallapoosa Recreation Authority	<u>00</u>	<u>00</u>	<u>00</u>	<u>95,914</u>	<u>95,914</u>
Total current assets	<u>1,765,729</u>	<u>391,909</u>	<u>33,752</u>	<u>119,058</u>	<u>2,310,448</u>
Capital assets:					
Property, plant and equipment	13,354,022	1,898,876	21,410	734,273	16,008,581
Accumulated depreciation	<u>3,072,464</u>	<u>675,876</u>	<u>21,410</u>	<u>504,460</u>	<u>4,274,210</u>
Total capital assets	<u>10,281,558</u>	<u>1,223,000</u>	<u>00</u>	<u>229,813</u>	<u>11,734,371</u>
Total assets	<u>\$ 12,047,287</u>	<u>\$ 1,614,909</u>	<u>\$ 33,752</u>	<u>\$ 348,871</u>	<u>\$ 14,044,819</u>

See accompanying notes to financial statements.

City of Tallapoosa, Georgia
Statement of Net Position
Proprietary Funds
August 31, 2014

Business-Type Activities

<u>Liabilities</u>	<u>Water and Sewer</u>	<u>Gas</u>	<u>(Non-major) Sanitation</u>	<u>Golf</u>	<u>Totals</u>
Liabilities:					
Current liabilities:					
Accounts payable	\$ 68,447	\$ 30,505	\$ 18,507	\$ 12,848	\$ 130,307
Accrued expenses	00	5,870	00	950	6,820
Customer deposits	46,745	66,670	00	00	113,415
Current portion of capital lease payable and note payable	<u>140,608</u>	<u>00</u>	<u>00</u>	<u>37,861</u>	<u>178,469</u>
Total current liabilities	<u>255,800</u>	<u>103,045</u>	<u>18,507</u>	<u>51,659</u>	<u>429,011</u>
Long-term liabilities:					
Notes payable (less current portion)	2,879,331	00	00	00	2,879,331
Capital lease payable (less current portion)	<u>00</u>	<u>00</u>	<u>00</u>	<u>29,160</u>	<u>29,160</u>
Total long-term liabilities	<u>2,879,331</u>	<u>00</u>	<u>00</u>	<u>29,160</u>	<u>2,908,491</u>
Total liabilities	<u>3,135,131</u>	<u>103,045</u>	<u>18,507</u>	<u>80,819</u>	<u>3,337,502</u>
 <u>Net Position</u>					
Net investment in capital assets	7,261,619	1,223,000	00	162,792	8,647,411
Unrestricted	<u>1,650,537</u>	<u>288,864</u>	<u>15,245</u>	<u>105,260</u>	<u>2,059,906</u>
Total net position	<u>8,912,156</u>	<u>1,511,864</u>	<u>15,245</u>	<u>268,052</u>	<u>10,707,317</u>
 Total liabilities and net position	<u>\$ 12,047,287</u>	<u>\$ 1,614,909</u>	<u>\$ 33,752</u>	<u>\$ 348,871</u>	<u>\$ 14,044,819</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, 2014

	<u>Water and Sewer</u>	<u>Gas</u>	<u>(Non-major) Sanitation</u>	<u>Golf</u>	<u>Totals</u>
Operating revenues:					
Charges for services	\$ 1,321,455	\$ 1,408,197	\$ 270,874	\$ 290,406	\$ 3,290,932
Miscellaneous	<u>7,603</u>	<u>1,885</u>	<u>00</u>	<u>6,611</u>	<u>16,099</u>
Total operating revenues	<u>1,329,058</u>	<u>1,410,082</u>	<u>270,874</u>	<u>297,017</u>	<u>3,307,031</u>
Operating expenses:					
Salaries	164,672	281,974	00	153,557	600,203
Payroll taxes	12,427	21,010	00	11,461	44,898
Group medical insurance	29,211	50,452	00	21,640	101,303
Municipal insurance	26,285	10,943	6,241	9,642	53,111
Employee retirement	33,715	45,755	00	14,449	93,919
Telephone	3,963	4,100	1,662	1,969	11,694
Utilities	122,279	4,162	00	23,621	150,062
Office supplies	8,566	6,137	4,032	7,339	26,074
Software and data processing	4,827	1,628	1,558	6,185	14,198
Water purchases	482,461	00	00	00	482,461
Natural gas purchases	00	533,442	00	00	533,442
Materials	13,944	17,765	00	00	31,709
Repairs and maintenance	141,744	15,043	00	20,482	177,269
Bad debts	6,961	00	00	00	6,961
Travel and training	302	2,310	00	624	3,236
Cathodic protection	00	6,378	00	00	6,378
Samples and testing	9,288	00	00	00	9,288
Garbage contract	00	00	214,848	00	214,848
Professional fees	5,550	13,156	1,872	2,860	23,438
Vehicle gas and oil	17,140	10,548	00	24,059	51,747
Miscellaneous	8,773	3,065	00	2,647	14,485
Depreciation	163,136	37,162	00	40,797	241,095
Tools and small equipment	2,548	2,720	00	240	5,508
Chemicals	38,333	8	00	00	38,341
Greens expense	00	00	00	29,897	29,897
Concessions	00	00	00	22,963	22,963
Rent - Recreation Authority	00	00	00	71,604	71,604
Contract labor – Department of Corrections	67,398	3,366	00	36,187	106,951
Planning & development	<u>180</u>	<u>216</u>	<u>00</u>	<u>00</u>	<u>396</u>
Total operating expenses	<u>1,363,703</u>	<u>1,071,340</u>	<u>230,213</u>	<u>502,223</u>	<u>3,167,479</u>
Operating income (loss)	<u>(34,645)</u>	<u>338,742</u>	<u>40,661</u>	<u>(205,206)</u>	<u>139,552</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, 2014

	<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	\$ 8,619	\$ 00	\$ 00	\$ 144	\$ 8,763
Interest expense	(94,343)	00	00	(2,829)	(97,172)
Grant income	<u>51,833</u>	<u>00</u>	<u>00</u>	<u>00</u>	<u>51,833</u>
 Total non-operating revenues (expenses)	 <u>(33,891)</u>	 <u>00</u>	 <u>00</u>	 <u>(2,685)</u>	 <u>(36,576)</u>
 Income (loss) before transfers	 <u>(68,536)</u>	 <u>338,742</u>	 <u>40,661</u>	 <u>(207,891)</u>	 <u>102,976</u>
 Transfer in	 206,536	 00	 00	 229,169	 435,705
Transfer out	<u>(11,402)</u>	<u>(373,871)</u>	<u>(27,414)</u>	<u>00</u>	<u>(412,687)</u>
 Total transfers in (out)	 <u>195,134</u>	 <u>(373,871)</u>	 <u>(27,414)</u>	 <u>229,169</u>	 <u>23,018</u>
 Change in net position	 126,598	 (35,129)	 13,247	 21,278	 125,994
 Net position beginning 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>
 Net position end of year	 <u>\$ 8,912,156</u>	 <u>\$ 1,511,864</u>	 <u>\$ 15,245</u>	 <u>\$ 268,052</u>	 <u>\$ 10,707,317</u>

See accompanying notes to financial statements.

City of Tallapoosa, Georgia
Statement of Cash Flows
Proprietary Funds
For the Year Ended August 31, 2014

	<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	\$ 1,305,815	\$ 1,450,676	\$ 259,082	\$ 286,333	\$ 3,301,906
Payments for suppliers	(951,032)	(649,905)	(231,668)	(265,248)	(2,097,853)
Payments to employees	<u>(240,025)</u>	<u>(399,191)</u>	<u>00</u>	<u>(201,107)</u>	<u>(840,323)</u>
Net cash provided (used) by operating activities	<u>114,758</u>	<u>401,580</u>	<u>27,414</u>	<u>(180,022)</u>	<u>363,730</u>
Cash flows from noncapital financing activities:					
Operating subsidies and transfers to/from other funds	<u>(11,402)</u>	<u>(373,871)</u>	<u>(27,414)</u>	<u>229,169</u>	<u>(183,518)</u>
Net cash provided (used) by noncapital financing activities	<u>(11,402)</u>	<u>(373,871)</u>	<u>(27,414)</u>	<u>229,169</u>	<u>(183,518)</u>
Cash flows from capital and related financing activities:					
SPLOST transfers	206,536	00	00	00	206,536
Proceeds from loans	847,697	00	00	00	847,697
Capital grants	51,833	00	00	00	51,833
Purchases of capital assets	(847,697)	(26,704)	00	00	(874,401)
Principal paid on capital debt	(141,058)	00	00	(46,462)	(187,520)
Interest paid on capital debt	<u>(94,343)</u>	<u>00</u>	<u>00</u>	<u>(2,829)</u>	<u>(97,172)</u>
Net cash used by capital and related financing activities	<u>22,968</u>	<u>(26,704)</u>	<u>00</u>	<u>(49,291)</u>	<u>(53,027)</u>
Cash flows from investing activities:					
Interest	<u>8,619</u>	<u>00</u>	<u>00</u>	<u>144</u>	<u>8,763</u>
Net cash provided by investing activities	<u>8,619</u>	<u>00</u>	<u>00</u>	<u>144</u>	<u>8,763</u>
Net (decrease) increase in cash and cash equivalents	134,943	1,005	00	00	135,948
Balances – beginning of year	<u>1,470,269</u>	<u>324,423</u>	<u>00</u>	<u>200</u>	<u>1,794,892</u>
Balances – end of year	<u>\$ 1,605,212</u>	<u>\$ 325,428</u>	<u>\$ 00</u>	<u>\$ 200</u>	<u>\$ 1,930,840</u>
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ (34,645)	\$ 338,742	\$ 40,661	\$ (205,206)	\$ 139,552
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation expense	163,136	37,162	00	40,797	241,095
Amortization expense	850	00	00	00	850
Change in assets and liabilities:					
Receivables, net	(23,243)	40,594	(11,792)	(10,684)	(5,125)
Prepaid expense	(5,133)	(458)	(2,287)	(1,750)	(9,628)
Inventory	00	(42,328)	00	00	(42,328)
Customer deposits	7,640	1,650	00	00	9,290
Accounts and other payables	6,153	20,764	832	(1,933)	25,816
Accrued expenses	<u>00</u>	<u>5,454</u>	<u>00</u>	<u>(1,246)</u>	<u>4,208</u>
Net cash provided (used) by operating activities	<u>\$ 114,758</u>	<u>\$ 401,580</u>	<u>\$ 27,414</u>	<u>\$ (180,022)</u>	<u>\$ 363,730</u>

See accompanying notes to financial statements.

City of Tallapoosa, Georgia
Notes to Financial Statements
August 31, 2014

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.

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.

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 Local Option Sales Tax.

City of Tallapoosa, Georgia
Notes to Financial Statements
August 31, 2014

Note 1. Summary of Significant Accounting Policies – continued

1.B. Basis of Presentation – continued

Urban Development Action Grant Fund (UDAG): Special revenue	Accounts for revenues and expenditures of promoting urban economic development.
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.
Proprietary Fund: Sanitation Fund	Accounts for activities in providing sanitation service to the public.

Note 1. Summary of Significant Accounting Policies – continued

1.C. Measurement Focus and Basis of Accounting

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

Measurement Focus

On the government-wide Statement of Net 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.

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.

The amounts due from UDAG to general fund and Recreation Authority to golf are not expected to be collected within one year of the date of the financial statements.

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.

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

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.

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

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, 2014

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, 2014, the carrying amount of the City's deposits was \$3,130,788 and the bank balances were \$3,198,093. Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits might not be recovered. The state requires that all deposits with financial institutions be collateralized in an account equal to 110% of uninsured deposits. The City's deposits are fully insured or collateralized by securities held in the governments' name.

Note 3. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes were levied on October 4, 2013, and payable on December 31, 2013. The assessed value at January 1, 2013, upon which the 2013 levy was based, was \$101,412,958 (Estimated market value of \$102,454,523). The rate was 7.380 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)	\$ 196,247	\$ 195,134	\$ (373,871)	\$ 229,169	\$ (27,414)	\$ (206,536)	\$ (12,729)
Water	\$ 11,402	\$ 00	\$ 00	\$ 00	\$ 00	\$ (206,536)	\$ 00
Golf	(229,169)	00	00	00	00	00	00
Hotel-Motel							
Tax Fund	12,729	00	00	00	00	00	00
Sanitation Fund	27,414	00	00	00	00	00	00
Gas Fund	373,871	00	00	00	00	00	00
SPLOST Fund	00	206,536	00	00	00	00	00
General Fund	00	(11,402)	(373,871)	229,169	(27,414)	00	(12,729)
	<u>\$ 196,247</u>	<u>\$ 195,134</u>	<u>\$ (373,871)</u>	<u>\$ 229,169</u>	<u>\$ (27,414)</u>	<u>\$ (206,536)</u>	<u>\$ (12,729)</u>

City of Tallapoosa, Georgia
Notes to Financial Statements
August 31, 2014

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>
Payable to:	UDAG
General Fund	<u>Fund</u>
	<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>675,721</u>
	<u>\$ 675,782</u>

Capital Projects Fund:	
Special Purpose Local Option Sales Tax Fund (SPLOST) – used to account for capital projects financed with SPLOST.	<u>\$ 183,491</u>
Total restricted	<u>\$ 859,273</u>

- *Committed* – The following fund balances are committed to:

Special Revenue Funds:	
Museum	\$ 17,857
Planning committee	<u>1,435</u>
	<u>\$ 19,292</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, 2014

Note 5. Capital Assets

Capital assets activity for the year ended August 31, 2014 was as follows:

	Balance at September 1, 2013	Additions	Transfers/ Disposals	Balance at August 31, 2014
Governmental activities:				
Non-depreciable:				
Land	\$ 456,132	\$ 00	\$ 00	\$ 456,132
Depreciable:				
Buildings and improvements	\$ 2,495,291	\$ 40,611	\$ 00	\$ 2,535,902
Machinery and equipment	883,376	00	00	883,376
Vehicles	569,166	24,147	00	593,313
Infrastructure	1,092,878	91,272	00	1,184,150
Totals at historical cost	<u>5,040,711</u>	<u>156,030</u>	<u>00</u>	<u>5,196,741</u>
Less accumulated depreciation:				
Buildings and improvements	1,149,782	70,784	00	1,220,566
Machinery and equipment	779,911	25,176	00	805,087
Vehicles	503,792	23,047	00	526,839
Infrastructure	323,627	44,720	00	368,347
Total accumulated depreciation	<u>2,757,112</u>	<u>163,727</u>	<u>00</u>	<u>2,920,839</u>
Governmental activities capital assets (depreciable), net	<u>\$ 2,283,599</u>	<u>\$ (7,697)</u>	<u>\$ 00</u>	<u>\$ 2,275,902</u>
Business-type activities:				
Non-depreciable:				
Land	\$ 142,816	\$ 00	\$ 00	\$ 142,816
Construction in progress	76,249	847,697	(76,249)	847,697
	<u>\$ 219,065</u>	<u>\$ 847,697</u>	<u>\$ (76,249)</u>	<u>\$ 990,513</u>
Depreciable:				
Land improvements	\$ 15,656	\$ 00	\$ 00	\$ 15,656
Water and sewer distribution system	12,319,623	00	76,249	12,395,872
Gas distribution system	1,636,371	26,704	00	1,663,075
Buildings	205,008	00	00	205,008
Vehicles, machinery & equipment	738,458	00	00	738,458
Totals at historical costs	<u>14,915,116</u>	<u>26,704</u>	<u>76,249</u>	<u>15,018,069</u>
Less accumulated depreciation:				
Land improvements	15,656	00	00	15,656
Water and sewer distribution system	2,798,876	163,136	00	2,962,012
Gas distribution system	409,730	34,783	00	444,513
Buildings	200,077	493	00	200,570
Vehicles, machinery & equipment	608,777	42,683	00	651,460
	<u>4,033,116</u>	<u>241,095</u>	<u>00</u>	<u>4,274,211</u>
Business-type capital assets (depreciable), net	<u>\$ 10,881,999</u>	<u>\$ (214,391)</u>	<u>\$ 76,249</u>	<u>\$ 10,743,857</u>

City of Tallapoosa, Georgia
Notes to Financial Statements
August 31, 2014

Note 5. Capital Assets - continued

Depreciation was charged to governmental activities as follows:

General government	\$ 51,754
Public safety	30,252
Highways and streets	50,542
Recreation and culture	<u>31,179</u>
Total	<u>\$ 163,727</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, 2014:

	<u>Balance</u> <u>Sept. 1, 2013</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>Aug. 31, 2014</u>	<u>Amount</u> <u>Due</u> <u>Within</u> <u>One Year</u>
*GEFA Loan #CWSRF-13-011	\$ 00	\$ 847,697	\$ 00	\$ 847,697	\$ 00
GEFA Loan #DW10-029	287,250	00	9,746	277,504	10,941
GEFA Loan #92-025	46,752	00	26,316	20,436	20,436
GEFA Loan #2000-L58-WJ	272,936	00	31,328	241,608	32,406
GEFA Loan #2005-L30-WJ	1,509,534	00	66,661	1,442,873	69,516
GEFA Loan #2005-L30-WJA	196,829	00	7,009	189,820	7,308
Bank Loan – Mower	9,730	00	9,730	00	00
Capital lease – golf carts	<u>103,752</u>	<u>00</u>	<u>36,730</u>	<u>67,022</u>	<u>37,862</u>
	<u>\$ 2,426,783</u>	<u>\$ 847,697</u>	<u>\$ 187,520</u>	<u>\$ 3,086,960</u>	<u>\$ 178,469</u>

The following is a schedule of principal and interest requirements:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 178,467	\$ 85,058	\$ 263,525
2016	154,002	78,821	232,823
2017	129,900	73,356	203,256
2018	134,960	68,296	203,256
2019	140,292	62,964	203,256
2020 to 2024	651,564	234,031	885,595
2025 to 2029	714,866	100,359	815,225
2030 to 2033	<u>135,137</u>	<u>6,980</u>	<u>142,117</u>
	<u>\$ 2,239,188</u>	<u>\$ 709,865</u>	<u>\$ 2,949,053</u>

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

City of Tallapoosa, Georgia
Notes to Financial Statements
August 31, 2014

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

Interest expensed in the current year was \$97,172.

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 #CWSRF-13-011

During the year, the City entered into a loan with GEFA. The original amount of the loan is \$3,100,000 of which there was \$847,697 drawn during the year. The construction rate and permanent rate is 1.4%. There will be no payments until the loan is complete. This is a loan and grant in which the total project is \$3,100,000 of which \$137,000 is forgiven as grant income. The construction completion date is estimated as December 2015.

GEFA Loan #DW10-029

The original amount of the loan is \$287,250 with a 3% interest rate. The construction rate and permanent rate is 3%. 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>
2015	\$ 10,941	\$ 8,176	\$ 19,117
2016	11,274	7,843	19,117
2017	11,618	7,499	19,117
2018	11,970	7,147	19,117
2019	12,335	6,782	19,117
2020 to 2024	67,534	28,051	95,585
2025 to 2029	78,449	17,136	95,585
2030 to 2033	<u>73,383</u>	<u>3,085</u>	<u>76,468</u>
	<u>\$ 277,504</u>	<u>\$ 85,719</u>	<u>\$ 363,223</u>

GEFA Loan #92-025

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

Year Ending <u>August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	<u>\$ 20,435</u>	<u>\$ 412</u>	<u>\$ 20,847</u>

City of Tallapoosa, Georgia
Notes to Financial Statements
August 31, 2014

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

GEFA Loan # 2000-L58-WJ

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

Year Ending <u>August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	37,106	3,105	40,211
2020 to 2021	<u>68,027</u>	<u>2,344</u>	<u>70,371</u>
	<u>\$ 241,608</u>	<u>\$ 29,818</u>	<u>\$ 271,426</u>

GEFA Loan # 2005-L30-WJ

The City has entered into a loan agreement with GEFA to finance construction of water lines and to build a storage tank. The loan allows the City to borrow up to \$2,207,000. The loan may be disbursed in one or more advances. The principal balance of the note shall bear interest at 4% until the amortization commencement date and 4.2% thereafter. After the amortization commencement date the loan shall be payable in 240 monthly installments. As of August 31, 2014 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>
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	82,208	46,579	128,787
2020 to 2024	466,912	177,022	643,934
2025 to 2029	575,876	68,058	643,934
2030	<u>21,374</u>	<u>113</u>	<u>21,487</u>
	<u>\$ 1,442,799</u>	<u>\$ 510,491</u>	<u>\$ 1,953,290</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, 2014 there had been \$203,548 drawn to date. The amortization of the loan began in June 2012 and is payable in 240 monthly installments.

City of Tallapoosa, Georgia
Notes to Financial Statements
August 31, 2014

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

GEFA Loan #2005-L30-WJA – continued

Based on the amount drawn to August 31, 2014, 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>
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	8,643	6,498	15,141
2020 to 2024	49,092	26,613	75,705
2025 to 2029	60,541	15,164	75,705
2030 to 2033	<u>40,380</u>	<u>3,782</u>	<u>44,162</u>
	<u>\$ 189,820</u>	<u>\$ 81,457</u>	<u>\$ 271,277</u>

Capital Lease Obligations

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

<u>Year Ending</u> <u>August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 37,862	\$ 1,560	\$ 39,422
2016	<u>29,160</u>	<u>407</u>	<u>29,567</u>
	<u>\$ 67,022</u>	<u>\$ 1,967</u>	<u>\$ 68,989</u>

Equipment held under the capital leases at August 31, 2014 totaled \$148,500. This amount is being depreciated over 5 years with annual amount of \$29,700 included in depreciation expense. The accumulated depreciation at August 31, 2014 is \$79,200.

The interest rate is 3%.

Note 8. Budget Violations/Deficit Fund Balances

The general fund expenditures were more than budgeted appropriations by \$119,495. There were no department's expenditures exceeding its budget appropriations by more than five percent except Highways and Streets. This excess was due to expenditure for grant obligations and offsetting unbudgeted revenues from those grants.

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, 2014

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, 2014, was \$1,370,998; the City's total payroll for the year ended August 31, 2013, was \$1,451,664.

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	2.5%
Inflation	3.5%
Membership of the plan	
Retirees and beneficiaries	19
Terminated plan members entitled to, but not yet receiving benefits	15
Active plan members	<u>33</u>
Total	<u>67</u>

City of Tallapoosa, Georgia
Notes to Financial Statements
August 31, 2014

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, 2014.

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, 2014.

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 2014 of \$204,395 are made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of January 1, 2014. Contributions consist of (a) \$88,200 normal cost and (b) \$106,273 payment on unfunded actuarial accrued liabilities and (c) \$9,922 adjustment to fiscal year. The City contributes the entire amount (14.57 percent of covered payroll).

City of Tallapoosa, Georgia
Notes to Financial Statements
August 31, 2014

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]
01/01/14	\$ 3,217,320	\$ 3,965,958	\$ 748,638	81.1%	\$ 1,370,998	54.6%
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%

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
8/31/14	\$ 204,395	100%	0
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

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, 2014

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, 2014

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.

City of Tallapoosa, Georgia
Notes to Financial Statements
August 31, 2014

Note 14. Component Unit Disclosures – continued

Tallapoosa Development Authority - continued

Capital Assets

Capital assets activity for the year ended August 31, 2014, was as follows:

	Balance <u>9-01-13</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>8-31-14</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>33,550</u>	<u>00</u>	<u>704,558</u>
	<u>\$ 1,148,575</u>	<u>\$ 33,550</u>	<u>\$ 00</u>	<u>\$ 1,115,025</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, 2014

Note 14. Component Unit Disclosures- continued

Tallapoosa Recreation Authority – continued

Capital Assets

Capital assets activity for the year ended August 31, 2014, was as follows:

	Balance <u>9-01-13</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>8-31-14</u>
Land – non depreciable	\$ 1,733,846	\$ 00	\$ 00	\$ 1,733,846

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, 2014, the City paid \$3,145 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, 2014 follows:

Hotel/Motel tax collected	\$ 22,211
Disbursements and transfers	22,211

City of Tallapoosa, Georgia
Notes to Financial Statements
August 31, 2014

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. Subsequent Events

The City has been awarded a loan and grant under the Drinking Water Program of the Environmental Protection Division known as DWSRF Loan #14-009. The total project is estimated at \$1,567,000 with loan proceeds estimated at \$1,267,000 and grant proceeds of \$300,000.

REQUIRED SUPPLEMENTARY INFORMATION

City of Tallapoosa, Georgia
 Budgetary Comparison Schedule - General Fund
 For the Year Ended August 31, 2014

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Taxes:				
Property	\$ 759,853	\$ 759,853	\$ 678,035	\$ (81,818)
Mobile home	500	500	8,746	8,246
Vehicle	57,720	57,720	130,894	73,174
Intangible	4,705	4,705	3,390	(1,315)
P.I.L.O.T. (Housing Authority)	14,054	14,054	14,054	00
Franchise	356,478	356,478	328,922	(27,556)
Local option sales	666,775	666,775	557,843	(108,932)
Railroad equipment and energy	1,512	1,512	2,796	1,284
Malt beverage	86,476	86,476	78,673	(7,803)
Insurance premium tax	158,806	158,806	173,401	14,595
Interest and penalties	<u>11,143</u>	<u>11,143</u>	<u>13,966</u>	<u>2,823</u>
	<u>2,118,022</u>	<u>2,118,022</u>	<u>1,990,720</u>	<u>(127,302)</u>
Licenses and permits:				
Business licenses	28,195	28,195	27,585	(610)
Insurance licenses	1,760	1,760	1,200	(560)
Alcoholic and beverage licenses	10,400	10,400	8,550	(1,850)
Building permits	<u>2,703</u>	<u>2,703</u>	<u>19,989</u>	<u>17,286</u>
	<u>43,058</u>	<u>43,058</u>	<u>57,324</u>	<u>14,266</u>
Charges for services:				
Recreation programs	88,416	88,416	65,980	(22,436)
Transportation trips – GA DHR	14,040	14,040	13,948	(92)
Cemetery sales and fees	<u>00</u>	<u>00</u>	<u>1,200</u>	<u>1,200</u>
	<u>102,456</u>	<u>102,456</u>	<u>81,128</u>	<u>(21,328)</u>
Grant Income – State	<u>00</u>	<u>00</u>	<u>103,826</u>	<u>103,826</u>
Fines and forfeitures	<u>76,214</u>	<u>76,214</u>	<u>71,262</u>	<u>(4,952)</u>
Interest	<u>4,886</u>	<u>4,886</u>	<u>36</u>	<u>(4,850)</u>
Other:				
Miscellaneous	<u>19,667</u>	<u>19,667</u>	<u>12,377</u>	<u>(7,290)</u>
Total revenues	<u>\$ 2,364,303</u>	<u>\$ 2,364,303</u>	<u>\$ 2,316,673</u>	<u>\$ (47,630)</u>

See accompanying notes to budgetary comparison schedule.

City of Tallapoosa, Georgia
 Budgetary Comparison Schedule - General Fund
 For the Year Ended August 31, 2014

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
General Government:				
Administration:				
Salaries	\$ 126,816	\$ 126,816	\$ 130,308	\$ (3,492)
Payroll taxes	10,556	10,556	11,232	(676)
Group medical insurance	23,185	23,185	21,666	1,519
Employee retirement	16,849	16,849	21,674	(4,825)
Travel	3,000	3,000	2,357	643
Training	1,000	1,000	1,170	(170)
Supplies	7,163	7,163	6,378	785
Public announcements	2,000	2,000	1,635	365
Insurance	7,900	7,900	10,454	(2,554)
Special events	1,000	1,000	00	1,000
Legal services	8,500	8,500	14,128	(5,628)
Audit	2,000	2,000	1,796	204
Planning and development	3,000	3,000	3,581	(581)
Repairs and maintenance	4,500	4,500	6,671	(2,171)
Vehicle gas and oil	800	800	1,066	(266)
Data processing and software	2,400	2,400	3,067	(667)
Rent	200	200	200	00
Membership fees	2,642	2,642	2,646	(4)
Professional fees	600	600	283	317
Telephone	2,000	2,000	1,903	97
Utilities - gas and water	6,300	6,300	3,554	2,746
Utilities - electricity	12,837	12,837	7,871	4,966
Miscellaneous	51	51	3,807	(3,756)
Contract labor	3,292	3,292	3,366	(74)
Capital outlay	<u>6,500</u>	<u>6,500</u>	<u>00</u>	<u>6,500</u>
	<u>255,091</u>	<u>255,091</u>	<u>260,813</u>	<u>(5,722)</u>
Mayor and Council:				
Salaries and fees	22,800	22,800	22,800	00
Insurance	6,837	6,837	8,529	(1,692)
Special events	5,966	5,966	8,113	(2,147)
Public announcements	1,449	1,449	882	567
Legal services	00	00	77	(77)
Audit	1,686	1,686	1,796	(110)
Election	3,135	3,135	00	3,135
Planning and development	243	243	00	243
Membership fees	200	200	188	12
Payroll taxes	1,744	1,744	1,744	00
Travel and training	<u>14,363</u>	<u>14,363</u>	<u>11,780</u>	<u>2,583</u>
	<u>58,423</u>	<u>58,423</u>	<u>55,909</u>	<u>2,514</u>

See accompanying notes to budgetary comparison schedule.

City of Tallapoosa, Georgia
 Budgetary Comparison Schedule - General Fund
 For the Year Ended August 31, 2014

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
General Government - continued:				
Other:				
Salary – janitor	\$ 15,324	\$ 15,324	\$ 14,639	\$ 685
Payroll taxes - janitor	1,172	1,172	1,120	52
Cemetery maintenance	1,000	1,000	342	658
Utilities – gas, water, electricity	400	400	808	(408)
Membership fees	00	00	707	(707)
Contract labor	3,292	3,292	3,367	(75)
Insurance	13,420	13,420	17,537	(4,117)
Equipment repair	500	500	00	500
Capital outlay	<u>00</u>	<u>00</u>	<u>00</u>	<u>00</u>
	<u>35,108</u>	<u>35,108</u>	<u>38,520</u>	<u>(3,412)</u>
 Total general government	 <u>348,622</u>	 <u>348,622</u>	 <u>355,242</u>	 <u>(6,620)</u>
 Public Safety:				
Police Department:				
Salaries	598,077	598,077	588,803	9,274
Payroll taxes	44,314	44,314	43,279	1,035
Group medical insurance	92,773	92,773	97,008	(4,235)
Employee retirement	84,244	84,244	86,694	(2,450)
Travel	500	500	1,633	(1,133)
Training	1,794	1,794	3,177	(1,383)
Supplies	6,360	6,360	5,953	407
Miscellaneous	768	768	00	768
Insurance	28,648	28,648	58,310	(29,662)
Legal services	18,468	18,468	12,908	5,560
Audit	1,686	1,686	1,796	(110)
Repairs and maintenance	30,673	30,673	29,790	883
Vehicle gas and oil	49,242	49,242	47,413	1,829
Data processing and software	4,000	4,000	6,503	(2,503)
Planning and development	243	243	00	243
Uniforms	2,879	2,879	6,175	(3,296)
Service contracts	2,000	2,000	4,359	(2,359)
Contract labor	3,292	3,292	3,367	(75)
Membership fees	138	138	807	(669)
Telephone	5,000	5,000	3,474	1,526
Utilities - gas and water	2,015	2,015	2,890	(875)
Utilities - electricity	8,437	8,437	8,396	41
Capital outlay	<u>00</u>	<u>00</u>	<u>00</u>	<u>00</u>
	<u>985,551</u>	<u>985,551</u>	<u>1,012,735</u>	<u>(27,184)</u>

See accompanying notes to budgetary comparison schedule.

City of Tallapoosa, Georgia
 Budgetary Comparison Schedule - General Fund
 For the Year Ended August 31, 2014

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Public Safety - continued:				
Fire Department:				
Salaries	\$ 161,500	\$ 161,500	\$ 120,254	\$ 41,246
Payroll taxes	12,000	12,000	9,077	2,923
Group medical insurance	23,292	23,292	10,905	12,387
Employee retirement	26,477	26,477	16,857	9,620
Public announcements	00	00	354	(354)
Supplies	2,055	2,055	1,445	610
Municipal insurance	10,966	10,966	17,146	(6,180)
Audit and legal	1,686	1,686	1,873	(187)
Repairs and maintenance	4,000	4,000	9,102	(5,102)
Vehicle gas and oil	7,000	7,000	6,688	312
Uniforms	500	500	306	194
Service contracts	189	189	189	00
Telephone	1,720	1,720	1,662	58
Utilities - gas and water	2,500	2,500	2,961	(461)
Utilities - electricity	600	600	968	(368)
Software and data processing	955	955	1,559	(604)
Miscellaneous	1,638	1,638	965	673
Planning and development	243	243	62	181
Capital outlay	<u>00</u>	<u>00</u>	<u>00</u>	<u>00</u>
	<u>257,321</u>	<u>257,321</u>	<u>202,373</u>	<u>54,948</u>
Total public safety	<u>1,242,872</u>	<u>1,242,872</u>	<u>1,215,108</u>	<u>27,764</u>
Highways and Streets:				
Salaries	61,543	61,543	55,303	6,240
Contract labor - Department of Corrections	3,292	3,292	3,367	(75)
Payroll taxes	4,400	4,400	3,776	624
Group medical insurance	16,977	16,977	21,726	(4,749)
Employee retirement	7,221	7,221	9,633	(2,412)
Supplies	2,711	2,711	1,991	720
Insurance	12,538	12,538	18,102	(5,564)
Audit and legal	1,686	1,686	1,872	(186)
Repairs and maintenance	5,280	5,280	6,693	(1,413)
Street maintenance	25,000	25,000	39,823	(14,823)
Lawn maintenance	00	00	104	(104)
Park beautification	500	500	546	(46)
Vehicle gas and oil	8,955	8,955	9,040	(85)
Signs and signals	2,000	2,000	1,643	357
Chemicals	6,000	6,000	2,874	3,126

See accompanying notes to budgetary comparison schedule.

City of Tallapoosa, Georgia
 Budgetary Comparison Schedule - General Fund
 For the Year Ended August 31, 2014

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Highways and Streets – continued:				
Software and data processing	\$ 955	\$ 955	\$ 1,559	\$ (604)
Telephone	1,803	1,803	1,780	23
Utilities - electricity and gas	98,967	98,967	103,149	(4,182)
Uniforms	100	100	50	50
Miscellaneous	138	138	5,985	(5,847)
Capital outlays	<u>6,000</u>	<u>6,000</u>	<u>91,272</u>	<u>(85,272)</u>
 Total highways and streets	 <u>266,066</u>	 <u>266,066</u>	 <u>380,288</u>	 <u>(114,222)</u>
Culture and Recreation:				
Library:				
Salaries	60,061	60,061	59,085	976
Payroll taxes	4,417	4,417	4,346	71
Group medical insurance	7,945	7,945	7,896	49
Employee retirement	7,220	7,220	7,225	(5)
Supplies	2,317	2,317	3,320	(1,003)
Insurance	7,600	7,600	9,008	(1,408)
Audit and legal	1,700	1,700	1,733	(33)
Repairs and maintenance	1,900	1,900	8,830	(6,930)
Contract labor	3,292	3,292	3,366	(74)
Telephone	5,400	5,400	1,724	3,676
Utilities - gas and water	2,100	2,100	3,563	(1,463)
Utilities - electricity	11,000	11,000	10,174	826
Miscellaneous	140	140	78	62
Capital outlay	<u>00</u>	<u>00</u>	<u>00</u>	<u>00</u>
	<u>115,092</u>	<u>115,092</u>	<u>120,348</u>	<u>(5,256)</u>
Museum:				
Salaries	15,600	15,600	13,207	2,393
Payroll taxes and insurance	1,066	1,066	2,939	(1,873)
Supplies	1,427	1,427	1,170	257
Insurance	8,760	8,760	9,008	(248)
Audit and legal	1,686	1,686	1,733	(47)
Repairs and maintenance	1,000	1,000	1,017	(17)
Data processing and software	800	800	1,559	(759)
Telephone	1,720	1,720	1,907	(187)
Utilities - gas and water	3,315	3,315	4,802	(1,487)
Utilities - electricity	9,608	9,608	9,597	11
Miscellaneous	381	381	820	(439)
Contract labor	3,292	3,292	3,366	(74)
Capital outlays	<u>00</u>	<u>00</u>	<u>00</u>	<u>00</u>
	<u>48,655</u>	<u>48,655</u>	<u>51,125</u>	<u>(2,470)</u>

See accompanying notes to budgetary comparison schedule.

City of Tallapoosa, Georgia
 Budgetary Comparison Schedule - General Fund
 For the Year Ended August 31, 2014

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Culture and Recreation - continued:				
Recreation:				
Salaries	\$ 78,578	\$ 78,578	\$ 73,067	\$ 5,511
Payroll taxes	6,087	6,087	5,482	605
Group medical insurance	8,286	8,286	7,878	408
Employee retirement	6,290	6,290	4,816	1,474
Travel and training	2,000	2,000	4,063	(2,063)
Supplies	2,620	2,620	2,194	426
Public announcements	200	200	26	174
Insurance	10,422	10,422	12,358	(1,936)
Audit and legal	1,686	1,686	1,873	(187)
Repairs and maintenance	5,684	5,684	13,483	(7,799)
Field maintenance	2,086	2,086	1,681	405
Swimming pool maintenance	1,000	1,000	1,429	(429)
Vehicle gas and oil	4,914	4,914	5,394	(480)
Chemicals	1,422	1,422	331	1,091
Software and data processing	955	955	1,671	(716)
Uniforms - athletic	21,200	21,200	30,299	(9,099)
Umpire fees	14,000	14,000	12,770	1,230
Tournament fees	6,668	6,668	5,481	1,187
League fees	650	650	344	306
Membership fees	688	688	540	148
Telephone	3,056	3,056	2,157	899
Utilities - gas and water	9,000	9,000	9,597	(597)
Utilities - electricity	10,046	10,046	12,695	(2,649)
Concessions	14,325	14,325	13,284	1,041
Planning and development	243	243	00	243
Trophies	775	775	107	668
Miscellaneous	1,535	1,535	5,069	(3,534)
Contract services	3,292	3,292	3,367	(75)
Capital outlays	<u>00</u>	<u>00</u>	<u>00</u>	<u>00</u>
	<u>217,708</u>	<u>217,708</u>	<u>231,456</u>	<u>(13,748)</u>
Senior Center:				
Salaries	29,243	29,243	31,137	(1,894)
Payroll taxes	2,237	2,237	2,381	(144)
Supplies	1,617	1,617	1,171	446
Insurance	7,706	7,706	9,008	(1,302)
Repairs and maintenance	2,200	2,200	2,925	(725)
Vehicle gas and oil	3,439	3,439	2,914	525
Software and data processing	955	955	1,559	(604)
Membership fees	138	138	707	(569)

See accompanying notes to budgetary comparison schedule.

City of Tallapoosa, Georgia
 Budgetary Comparison Schedule - General Fund
 For the Year Ended August 31, 2014

	<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	\$ 1,335	\$ 1,662	\$ (327)
Utilities - electricity	7,461	7,461	6,780	681
Utilities – gas and water	1,246	1,246	1,796	(550)
Miscellaneous	00	00	405	(405)
Contract labor	3,292	3,292	3,367	(75)
Capital outlays	<u>00</u>	<u>00</u>	<u>00</u>	<u>00</u>
	<u>60,869</u>	<u>60,869</u>	<u>65,812</u>	<u>(4,943)</u>
Total culture and recreation	<u>442,324</u>	<u>442,324</u>	<u>468,741</u>	<u>(26,417)</u>
Total expenditures	<u>2,299,884</u>	<u>2,299,884</u>	<u>2,419,379</u>	<u>(119,495)</u>
Excess of revenues over (under) expenditures and other financing uses	64,419	64,419	(102,706)	(167,125)
Other financing sources (uses):				
Transfer in (out)	<u>(64,419)</u>	<u>(64,419)</u>	<u>196,247</u>	<u>260,666</u>
Excess of revenues and other financing sources over expenditures and other financing uses	00	00	93,541	93,541
Fund balance, beginning of year	<u>403,702</u>	<u>403,702</u>	<u>403,702</u>	<u>00</u>
Fund balance, end of year	<u>\$ 403,702</u>	<u>\$ 403,702</u>	<u>\$ 497,243</u>	<u>\$ 93,541</u>

See accompanying notes to budgetary comparison schedule.

City of Tallapoosa, Georgia
 Budgetary Comparison Schedule
 UDAG Fund
 For the Year Ended August 31, 2014

	<u>Original Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Interest and other	\$ 3,369	\$ 3,369	\$ 852	\$ (2,517)
Expenditures	<u>00</u>	<u>00</u>	<u>00</u>	<u>00</u>
Excess of revenues over expenditures	3,369	3,369	852	(2,517)
Fund Balance, beginning of year	<u>674,869</u>	<u>674,869</u>	<u>674,869</u>	<u>00</u>
Fund Balance, end of year	<u>\$ 678,238</u>	<u>\$ 678,238</u>	<u>\$ 675,721</u>	<u>\$ (2,517)</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, 2014

	<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	\$ 17,857	\$ 1,435	\$ 00	\$ 00	\$ 19,353
Total assets	<u>\$ 17,857</u>	<u>\$ 1,435</u>	<u>\$ 00</u>	<u>\$ 00</u>	<u>\$ 19,353</u>
 <u>Liabilities and Fund Balance</u>					
Liabilities	\$ 00	\$ 00	\$ 00	\$ 00	\$ 00
Fund balance					
Restricted	00	00	61	00	61
Committed	<u>17,857</u>	<u>1,435</u>	<u>00</u>	<u>00</u>	<u>19,292</u>
Total liabilities and fund balance	<u>\$ 17,857</u>	<u>\$ 1,435</u>	<u>\$ 61</u>	<u>\$ 00</u>	<u>\$ 19,353</u>

City of Tallapoosa, Georgia
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 August 31, 2014

	<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	\$ 22,211	\$ 22,211
Miscellaneous	8,800	00	00	00	8,800
Interest	<u>00</u>	<u>1</u>	<u>00</u>	<u>00</u>	<u>1</u>
Total revenues	<u>8,800</u>	<u>1</u>	<u>00</u>	<u>22,211</u>	<u>31,012</u>
Expenditures:					
Current					
General government	00	00	00	9,483	9,483
Public safety	00	00	00	00	00
Culture and recreation	9,150	00	00	00	9,150
Capital outlay	<u>00</u>	<u>00</u>	<u>00</u>	<u>00</u>	<u>00</u>
Total expenditures	<u>9,150</u>	<u>00</u>	<u>00</u>	<u>9,483</u>	<u>18,633</u>
Excess (deficiency) of revenues over expenditures	(350)	1	00	12,728	12,379
Other financing uses:					
Transfers out	<u>00</u>	<u>00</u>	<u>00</u>	<u>(12,728)</u>	<u>(12,728)</u>
Excess (deficiency) of revenues over expenditures and other uses	(350)	1	00	00	(349)
Fund balance, beginning of year	<u>18,207</u>	<u>1,434</u>	<u>61</u>	<u>00</u>	<u>19,702</u>
Fund balance, end of year	<u>\$ 17,857</u>	<u>\$ 1,435</u>	<u>\$ 61</u>	<u>\$ 00</u>	<u>\$ 19,353</u>

City of Tallapoosa, Georgia
Budgetary Comparison Schedule
Museum Fund
For the Year Ended August 31, 2014

	<u>Budget</u>	<u>Actual</u>
Revenue:		
Miscellaneous	\$ 10,982	\$ 8,800
Expenditures:		
Culture and recreation	<u>4,034</u>	<u>9,150</u>
Excess (deficit) of revenues over expenditures	<u>\$ 6,948</u>	<u>\$ (350)</u>

City of Tallapoosa, Georgia
Budgetary Comparison Schedule
Tallapoosa Community Planning Committee Fund
For the Year Ended August 31, 2014

	<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, 2014

	<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, 2014

	<u>Budget</u>	<u>Actual</u>
Revenues:		
Taxes	\$ 10,320	\$ 22,211
Expenditures:		
Haralson County Chamber of Commerce	<u>4,128</u>	<u>9,483</u>
Excess of revenues over expenditures	6,192	12,728
Other financing uses:		
Transfer to General Fund	<u>(6,192)</u>	<u>(12,728)</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, 2014

	<u>Development Authority</u>	<u>Recreation Authority</u>	<u>Downtown Development Authority</u>	<u>Total Component Units</u>
<u>Assets</u>				
Cash	\$ 719,395	\$ 200,120	\$ 700	\$ 920,215
Accounts receivable	17,805	00	00	17,805
Capital assets, net	<u>1,115,025</u>	<u>1,733,846</u>	<u>10,504</u>	<u>2,859,375</u>
Total assets	<u>\$ 1,852,225</u>	<u>\$ 1,933,966</u>	<u>\$ 11,204</u>	<u>\$ 3,797,395</u>
<u>Liabilities</u>				
Accounts payable	<u>\$ 00</u>	<u>\$ 95,914</u>	<u>\$ 00</u>	<u>\$ 95,914</u>
Total liabilities	<u>\$ 00</u>	<u>\$ 95,914</u>	<u>\$ 00</u>	<u>\$ 95,914</u>
<u>Net position</u>				
Investment in capital assets	\$ 1,115,025	\$ 1,733,846	\$ 10,504	\$ 2,859,375
Unrestricted	<u>737,200</u>	<u>104,206</u>	<u>700</u>	<u>842,106</u>
Total net position	<u>\$ 1,852,225</u>	<u>\$ 1,838,052</u>	<u>\$ 11,204</u>	<u>\$ 3,701,481</u>

City of Tallapoosa, Georgia – Component Units
Combining Statement of Activities
For the Year Ended August 31, 2014

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	\$ 33,550	\$ 11,400	\$ 00	\$ 00	\$ (22,150)	\$	\$	\$
Total governmental activities	<u>33,550</u>	<u>11,400</u>	<u>00</u>	<u>00</u>	<u>(22,150)</u>			
Recreation Authority:								
Governmental activities:								
Recreation and culture	00	71,604	00	00		71,604		
Interest on long-term debt	<u>00</u>	<u>00</u>	<u>00</u>	<u>00</u>		<u>00</u>		
Total governmental activities	<u>00</u>	<u>71,604</u>	<u>00</u>	<u>00</u>		<u>71,604</u>		
Downtown Development Authority:								
Governmental activities:								
General government	<u>7,180</u>	<u>00</u>	<u>4,085</u>	<u>00</u>			<u>(3,095)</u>	
Total governmental activities	<u>7,180</u>	<u>00</u>	<u>4,085</u>	<u>00</u>			<u>(3,095)</u>	
Total					<u>(22,150)</u>	<u>71,604</u>	<u>(3,095)</u>	<u>46,359</u>
General revenues:								
Interest and investment earnings					<u>659</u>	<u>00</u>	<u>00</u>	<u>659</u>
Total general revenues					<u>659</u>	<u>00</u>	<u>00</u>	<u>659</u>
Change in net position					<u>(21,491)</u>	<u>71,604</u>	<u>(3,095)</u>	<u>47,018</u>
Net position - beginning					<u>1,873,716</u>	<u>1,766,448</u>	<u>14,299</u>	<u>3,654,463</u>
Net position - ending					<u>\$ 1,852,225</u>	<u>\$ 1,838,052</u>	<u>\$ 11,204</u>	<u>\$ 3,701,481</u>

City of Tallapoosa, Georgia
 Schedule of Projects Constructed with Special Purpose
 Local Option Sales Tax Proceeds
 For the Year Ended August 31, 2014

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	301,831	8,871	310,702
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	91,091	(251)	90,840
Water and Sewer debt	780,000	776,901	206,536	983,437
Administrative buildings – Police/City Hall area	425,000	00	12,330	12,330
Recreation equipment	100,000	4,203	00	4,203
Data processing	80,000	9,699	00	9,699
Public works – vehicles	100,000	19,926	24,398	44,324
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	44,861	00	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	19,410	19,410
	<u>\$ 3,475,000</u>	<u>\$ 1,542,635</u>	<u>\$ 271,294</u>	<u>\$ 1,813,929</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
Frederick G. Thomas	CPA	Kevin G. Bush	CPA
Deborah W. Cooke	CPA	Shari L. Reid	CPA
Johanna H. Tallent	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 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, 2014, 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 December 1, 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 the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified deficiencies in internal control over compliance, as described in the accompanying schedule of findings that we consider to be significant deficiencies.

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 & Fazio, P.C.

December 1, 2014

City of Tallapoosa, Georgia
Schedule of Findings and Responses
For the Year Ended August 31, 2014

Findings:

2014-1 Segregation of Duties

The size of the City's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties.

Management Response/Corrective Action Plan:

We concur with this finding, The size of the City's accounting and administrative staff precludes certain internal controls that would be preferred if the staff were large enough to provide optimum segregation of duties. The Mayor and Council are involved in the financial affairs of the City to provide oversight and independent review functions.

2014-2 Financial Statement Reporting

The City does not currently have the means to prepare the City's financial statements and related notes in accordance with generally accepted accounting principles.

Management Response/Corrective Action Plan:

We concur with this finding, The City has not yet had time to provide an employee with the specialized training and experience necessary to perform these duties.