CITY OF CARROLLTON, GEORGIA

Financial Statements and Supplementary Information
For the Fiscal Year Ended June 30, 2012

And

Independent Auditor's Report

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City of Carrollton, Georgia
List of Principal City Officials
June 30, 2012

Name	Office Held
Wayne Garner	Mayor
Gerald Byrd	City Council Member
Mandy Maierhofer	City Council Member
Roger Patterson	City Council Member
Jim Watters	City Council Member
Casey Coleman	City Manager
Jim Triplett	Finance Officer/City Clerk

FINANCIAL SECTION

Garrett
Thomas &
Fazio, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Ann M. Fazio	CPA	Julie M. George	CPA
Frederick G. Thomas	CPA	Amber E. Ash	CPA
Deborah W. Cooke	CPA	Kevin G. Bush	CPA
Johanna H. Tallent	CPA	Shari L. Reid	CPA

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

Independent Auditor's Report

Honorable Mayor and City Council
Carrollton, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Carrollton, Georgia, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Carrollton's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Carrollton, Georgia, as of June 30, 2012, and the respective changes in financial position and cash flows where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2013 on our consideration of City of Carrollton's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress, and budgetary comparison information on pages 6 through 13 and 58 through 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Carrollton's financial statements as a whole. The accompanying other supplementary information, as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-profit Organizations* and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 taken as a whole.

Garrett, Thomas & Yazic, P.C.

January 9, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Carrollton's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2012. Please read it in conjunction with the City's financial statements, which begin on page 14.

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (pages 14 and 15) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 16. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities

Our analysis of the City as a whole begins on page 14. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. You can think of the City's net assets – the difference between assets and liabilities – as one way to measure the City's financial health, or financial position. Over time, increases and decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors; however, such as changes in the City's property tax base and the condition of the City's infrastructure, to assess the overall health of the City.

In the statement of Net Assets and the Statement of Activities, we divide the City into three kinds of activities:

- Governmental activities – Most of the City's basic services are reported here, including the police, fire, streets, general government, and recreation departments. Property tax, franchise fees, sales tax, occupation tax, and fines and forfeitures finance most of these activities.

- Business-type activities – The City charges fees to customers to help it cover the costs of certain services it provides. The City water/sewer and sanitation operations are reported here.

- Component units – The City includes one separate legal entity in its report – Carrollton Redevelopment Authority. Although legally separate, this component unit is important because the City is financially accountable for it.

Reporting the City's Most Significant Funds

Fund Financial Statements

Our analysis of the City's major funds begins on page 16 and provides detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by State law and by bond covenants. The City's two kinds of funds - governmental and proprietary-use different accounting approaches.

- Governmental Funds - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

- Proprietary Funds - When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. These funds are the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds.

The City as a Whole

Net Assets

The City's combined net assets increased from $165,173,191 (after prior period adjustment) in 2011 to $167,638,462 in 2012, an increase of $2,465,271. Our analysis below focuses on the net assets (Table 1) of the City's governmental and business-type activities.

The net assets for governmental activities increased from $93,898,781 (after prior period adjustment) in 2011 to $94,449,281 in 2012, an increase of $550,500. Unrestricted net assets for governmental activities increased from $11,791,981 in 2011 to $12,093,561 in 2012, an increase of $301,580.

Total net assets for business-type activities increased from $71,274,410 (after prior period adjustment) in 2011 to $73,189,181 in 2012, an increase of $1,914,771. The statement of Net Assets for Business-type Activities shows unrestricted net assets of $6,993,999 for 2012, as opposed to $5,149,269 for 2011.

City of Carrollton
Table 1 - Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Current assets	$ 21,446,264	$ 22,515,458	$ 8,077,965	$ 6,614,081	$ 29,524,229	$ 29,129,539
Restricted assets	00	00	1,582,933	1,273,567	1,582,933	1,273,567
Capital assets, net	81,716,814	81,114,803	72,552,855	74,018,526	154,269,669	155,133,329
Noncurrent assets	00	00	46,293	72,599	46,293	72,599
Total assets	103,163,078	103,630,261	82,260,046	81,978,773	185,423,124	185,609,034
Current liabilities	2,471,881	1,923,903	2,408,135	2,763,759	4,880,016	4,687,662
Noncurrent liabilities	6,241,916	7,807,577	6,662,730	7,940,604	12,904,646	15,748,181
Total liabilities	8,713,797	9,731,480	9,070,865	10,704,363	17,784,662	20,435,843
Net assets:						
Invested in capital assets, net of related debt	75,657,131	73,529,223	64,612,249	64,851,574	140,269,380	138,380,797
Restricted:						
Capital projects	4,489,368	7,743,375	481,899	181,164	4,971,267	7,924,539
Debt service	251,329	333,293	1,101,034	1,092,403	1,352,363	1,425,696
Other purposes	1,957,892	500,909	00	00	1,957,892	500,909
Unrestricted	12,093,561	11,791,981	6,993,999	5,149,269	19,087,560	16,941,250
Total net assets	$ 94,446,281	$ 93,898,781	$ 73,189,181	$ 71,274,410	$ 167,638,462	$ 165,173,191

Changes in Net Assets

The City's combined change in net assets decreased from $3,177,640 in 2011 to $2,465,271 in 2012. Our analysis below focuses on the changes in net assets (Table 2) of the City's governmental and business-type activities.

Governmental Activities

Revenues for the City's governmental activities totaled $23,311,692 (excluding transfers). This total represents a decrease of $2,610,180 (10%) over the FY2011 total of $25,921,872. This decrease was primarily attributable to a decline in operating grants and contributions in the amount of $1,725,854, and a decline in capital grants and contributions in the amount of $1,136,717.

Expenses for the City's governmental activities totaled $23,635,380 (excluding transfers). This total represents a decrease of $1,594,167 (6%) over the FY2011 total of $25,229,547. This decrease was primarily attributable to the following:

- A decrease in expenses of the General Fund.
- A decrease in expenses of the 2009 SPLOST Fund.
- A decrease in expenses of the Neighborhood Stabilization Program Fund.

Business-Type Activities

Revenues for the City's business-type activities totaled $15,233,254 (excluding capital grants and contributions, interest, and miscellaneous). This represents an increase of $222,477 (1%) over the FY2011 total of $15,010,777. Operating expenses for the City's business activities totaled $12,843,648 (excluding transfers), a decrease of $6,241 (.05%) from the fiscal year 2011 total of $12,849,889.

The operating revenues are as follows:

	2012	2011
Charges for services:		
Water and sewer fees & charges	$ 11,376,626	11,126,653
Garbage and landfill fees	3,856,628	3,884,124
Total	$ 15,233,254	$ 15,010,777

The non-operating revenues (expenses) consist of the following material changes from FY2011 to FY2012:

- Capital contributions increased from $137,000 in FY2011 to $143,000 in FY2012, an increase of $6,000 (4%).

City of Carrollton
Table 2 - Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	$ 3,320,932	$ 3,442,310	$ 15,233,254	$ 15,010,777	$ 18,554,186	$ 18,453,087
Operating grants & contributions	2,853,604	4,579,458	00	00	2,853,604	4,579,458
Capital grants & contributions	4,143,561	5,280,278	143,000	137,000	4,286,561	5,417,278
General revenues:						
Property taxes	3,470,519	3,566,387	00	00	3,470,519	3,566,387
Franchise & public service taxes	3,531,983	3,411,381	00	00	3,531,983	3,411,381
Sales tax	4,221,957	3,898,782	00	00	4,221,957	3,898,782
Other taxes	903,511	891,237	00	00	903,511	891,237
Payments from component unit	00	209,493	00	00	00	209,493
Interest and investment earnings	52,340	91,986	17,553	15,312	69,893	107,298
Contributions	71,105	68,493	00	00	71,105	68,493
Miscellaneous	742,180	482,067	238,800	172,115	980,980	654,182
Total revenues	23,311,692	25,921,872	15,632,607	15,335,204	38,944,299	41,257,076
Expenses:						
Program expenses:						
General government	1,573,874	1,721,280	00	00	1,573,874	1,721,280
Public safety	11,120,040	10,866,646	00	00	11,120,040	10,866,646
Highways and streets	2,538,369	3,871,682	00	00	2,538,369	3,871,682
Landfill	70,378	69,761	00	00	70,378	69,761
Recreation and culture	6,047,436	5,905,198	00	00	6,047,436	5,905,198
Economic development	1,952,217	2,387,651	00	00	1,952,217	2,387,651
Water and sewer	00	00	9,582,118	9,417,089	9,582,118	9,417,089
Sanitation	00	00	3,261,530	3,432,800	3,261,530	3,432,800
Interest on long-term debt	333,066	407,329	00	00	333,066	407,329
Total expenses	23,635,380	25,229,547	12,843,648	12,849,889	36,479,028	38,079,436
Excess (deficiency) before transfers	(323,688)	692,325	2,788,959	2,485,315	2,465,271	3,177,640
Transfers	874,188	846,588	(874,188)	(846,588)	00	00
Change in net assets	550,500	1,538,913	1,914,771	1,638,727	2,465,271	3,177,640
Net assets, beginning of year	93,723,643	94,209,228	71,314,601	69,675,874	165,038,244	163,885,102
Prior period adjustments	175,138	(2,024,498)	(40,191)	00	134,947	(2,024,498)
Net assets, end of year	$ 94,449,281	$ 93,723,643	$ 73,189,181	$ 71,314,601	$ 167,638,462	$ 165,038,244

The City's Funds

As the City completed FY2012, its governmental funds (as presented in the balance sheet on page 16) reported a combined fund balance of $18,325,850. This represents a decrease of $1,147,862 over the combined fund balance for FY2011. The City's proprietary funds (as presented in the balance sheet on page 19) reported combined unrestricted net assets available for appropriation in the amount of $6,993,999. This represents an increase of $1,844,730 over the combined net assets available for appropriation for FY2011.

GENERAL FUND BUDGETARY HIGHLIGHTS

Revenues

General Fund budgetary highlights discussed below are shown in Table 3. Total actual revenue was over total budgeted revenue by $577,399. Of this amount, tax revenue realized on property was under budget in the amount of $62,483. Tax revenue on automobiles and mobile homes was $3,248 under budget. Sales tax revenue exceeded the budget amount by $221,957. Insurance premium tax exceeded the budgeted amount by $43,900. Beer & Wine tax was under budget in the amount of $34,038.

Revenue from licenses and permits was realized at an amount of $16,104 under budgeted amounts.

Intergovernmental revenues were realized at an amount of $127,004 over budgeted amounts. Of this amount, $18,070 was the Fire Assistance Grant used to hire personnel to staff the new Northside Fire Station, and $22,914 was the Police Grant used to hire additional patrol officers, Also, $57,060 was the Nutrition Program Grant used to fund the daily lunch program at the Senior Citizen Center. Carroll County recreation reimbursements were realized at an amount of $4,969 over budget. Carrollton Convention and Visitor's Bureau reimbursements were realized at an amount of $17,658 over budget.

Recreation Department program fee revenue was realized at an amount of $256,341 over budget projections. This result reflects higher than anticipated utilization of the City's Recreation Department programs and services.

Fines and Forfeitures were realized at an amount of $84,049 under budget

Interest on invested funds was realized at an amount of $6,942 over budget.

Table 3 – General Fund Revenues

	2012			2011		
	Budget	Actual	Variance	Budget	Actual	Variance
Taxes	$ 9,235,000	$ 9,401,088	$ 166,088	$ 9,364,430	$ 9,183,058	$ (181,372)
Licenses and permits	3,670,000	3,653,896	(16,104)	3,469,414	3,636,138	166,724
Intergovernmental	1,304,180	1,431,184	127,004	1,482,180	1,559,208	77,028
Charges for services	910,000	1,166,341	256,341	834,995	1,159,558	324,563
Fines and forfeitures	800,000	715,951	(84,049)	800,000	816,573	16,573
Interest on invested funds	40,000	46,942	6,942	75,000	89,515	14,515
Miscellaneous	235,500	330,572	95,072	263,000	218,481	(44,519)
Contributions	45,000	71,105	26,105	00	68,493	68,493
Total	$ 16,239,680	$ 16,817,079	$ 577,399	$ 16,289,019	$ 16,731,024	$ 442,005

Expenditures

General Fund expenditure highlights discussed below are shown in Table 4. The City completed FY2012 with a total of $17,367,740 in General Fund operating expenditures. The operating budget for these expenditures totaled $17,633,349 resulting in expenditures being realized at an amount of $265,609 under budget. Expenditures for General Government and Public Safety were under budget by $99,292 and $384,081 respectively. Expenditures for highways and streets were under budget by $47,447. Expenditures for Cultural and Recreation exceeded budget appropriations by $263,601. This budget overage was due to increased utilization of Recreation Programs and services by citizens. As discussed earlier, this variance is offset by Parks and Recreation revenues exceeding budgeted amounts by $256,341.

Table 4 – General Fund Operating Expenditures

	2012			2011		
	Budget	Actual	Variance	Budget	Actual	Variance
General government	$ 1,375,753	$ 1,276,461	$ 99,292	$ 1,455,266	$ 1,350,633	$ 104,633
Public safety	10,173,075	9,788,994	384,081	9,981,761	9,875,660	106,101
Highways and streets	943,976	896,529	47,447	974,051	969,929	4,122
Landfill	68,768	70,378	(1,610)	68,170	69,761	(1,591)
Cultural and recreation	5,071,777	5,335,378	(263,601)	4,872,890	5,192,182	(319,292)
Total operating expenditures	$ 17,633,349	$ 17,367,740	$ 265,609	$ 17,352,138	$ 17,458,165	$ (106,027)

CAPITAL ASSET AND DEBT ADMINISTRATION

At the end of fiscal year 2012, the City had $154,269,669 invested in a broad range of capital assets, including police and fire equipment, buildings, recreation and cultural arts facilities, and water and sewer infrastructure. Please refer to our analysis below for a breakdown of the City's capital assets and to notes to the financial statements for more information.

Table 5 – Capital Assets at June 30, 2012, Net of Depreciation

	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Land	$ 9,464,728	$ 9,029,289	$ 8,779,730	$ 8,779,730	$ 18,244,458	$ 17,809,019
Land improvements	4,887,516	3,454,376	00	00	4,887,516	3,454,376
Buildings and improvements	26,221,913	26,745,851	2,144,834	2,212,479	28,366,747	28,958,330
Equipment	3,869,162	4,195,930	717,904	985,053	4,587,066	5,180,983
Infrastructure	35,353,343	36,033,724	60,579,663	61,692,140	95,933,006	97,725,864
Construction in progress	1,920,152	1,655,633	330,724	349,124	2,250,876	2,004,757
Totals	$ 81,716,814	$ 81,114,803	$ 72,552,855	$ 74,018,526	$ 154,269,669	$ 155,133,329

DEBT

The total long-term debt of the City outstanding at June 30, 2012 was $14,000,288. The City had $1,327,077 in revenue bond debt outstanding. Amounts reported as intergovernmental debt of $6,059,683 relate to advance funding of construction costs for recreation, sidewalks, and downtown development improvements financed by the 2009 Special Purpose Local Option Sales Tax. Notes payable balances reported in the business-type activities relate to improvements to the City's water and sewer systems. Please refer to our analysis below for a breakdown of the City's outstanding debt and notes to the financial statements for more information.

Table 6 – Outstanding Debt at Year End

	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Revenue bonds	$ 00	$ 00	$ 1,327,077	$ 1,821,958	$ 1,327,077	$ 1,821,958
Notes payable	00	00	6,613,528	7,344,993	6,613,528	7,344,993
Intergovernmental debt	6,059,683	7,585,580	00	00	6,059,683	7,585,580
Totals	$ 6,059,683	$ 7,585,580	$ 7,940,605	$ 9,166,951	$ 14,000,288	$ 16,752,531

ECONOMIC FACTORS AND NEXT YEARS BUDGETS AND RATES

The City's elected and appointed officials considered many factors when preparing the FY2013 budget, millage rates, and user fees that will be charged for business-type activities. The change in the property tax digest, as well as the projected collection rate in property taxes is taken into account when the millage rate is approved by the Mayor and City Council. Also, growth rates in other General Fund revenue categories such as sales tax, automobile tax, utility franchise fees, and occupation tax are taken into account when preparing the General Fund budget.

The above indicators were taken into account when adopting the General Fund budget for FY2013. The fiscal year 2013 General Fund budget totals $18,061,802 an increase of $428,453 over the FY2012 budget.

The property tax digest is expected to decline approximately 2% due to the severe economic recession our country is experiencing. Other revenue categories are also expected to remain at or near current levels.

If these estimates are realized, the City's General Fund balance is expected to remain unchanged for FY2013. These results are expected to be achieved without selling capital assets or using one-time sources of funds.

As for the City's business-type activities, we expect that the FY2013 results will continue to show solid financial performance.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's financial position, and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the Finance Office at the City of Carrollton, 315 Bradley Street, Carrollton, GA. 30117.

BASIC FINANCIAL STATEMENTS

City of Carrollton, Georgia
Statement of Net Assets
June 30, 2012

	Governmental Activities	Business-Type Activities	Total	Component Unit
Assets				
Current assets:				
Cash and equivalents	$ 12,774,156	$ 6,069,147	$ 18,843,303	$ 00
Investments	4,363,225	00	4,363,225	00
Restricted cash and cash equivalents	00	1,582,933	1,582,933	00
Receivables, net	2,822,825	1,976,467	4,799,282	00
Internal balances	437,410	(437,410)	00	00
Inventory	755,862	285,003	1,040,865	00
Prepaid expenses	292,786	184,758	477,544	00
Total current assets	21,446,264	9,660,898	31,107,162	00
Non-current assets:				
Capital assets:				
Land and construction in progress	11,384,880	9,110,454	20,495,334	00
Other capital assets, net of accumulated depreciation	70,331,934	63,442,401	133,774,335	00
Deferred costs	00	46,293	46,293	00
Total non-current assets	81,716,814	72,599,148	154,315,962	00
Total assets	$ 103,163,078	$ 82,260,046	$ 185,423,124	$ 00
Liabilities				
Current liabilities:				
Accounts payable – unrestricted	$ 1,056,460	$ 580,820	$ 1,637,280	$ 00
Accounts payable – restricted	00	990	990	00
Customer and other deposits	396,000	388,110	784,110	00
Accrued expenses	555,893	160,339	716,232	00
Current portion of long-term obligations	351,663	1,277,876	1,629,539	00
Unearned revenue	111,865	00	111,865	00
Total current liabilities	2,471,881	2,408,135	4,880,016	00
Non-current liabilities:				
Noncurrent portion of long-term obligations	5,708,020	6,662,730	12,370,750	00
Net OPEB obligation	533,896	00	533,896	00
Total non-current liabilities	6,241,916	6,662,730	12,904,646	00
Total liabilities	8,713,797	9,070,865	17,784,662	00
Net assets				
Invested in capital assets, net of related debt	75,657,131	64,612,249	140,269,380	00
Restricted:				
Capital projects	4,489,368	481,899	4,971,267	00
Debt service	251,329	1,101,034	1,352,363	00
Other purposes	1,957,892	00	1,957,892	00
Unrestricted	12,093,561	6,993,999	19,087,560	00
Total net assets	94,449,281	73,189,181	167,638,462	00
Total liabilities and net assets	$ 103,163,078	$ 82,260,046	$ 185,423,124	$ 00

See accompanying notes to financial statements.

City of Carrollton, Georgia
Statement of Activities
For the Year Ended June 30, 2012

Function/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenue and Changes in Net Assets: Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Component Unit
Primary government:								
Governmental activities:								
General government	$ 1,573,874	$ 1,265,813	$ 11,805	$ 336,574	$ 40,318	$ 00	$ 40,318	
Public safety	11,120,040	904,968	1,597,604	368,667	(8,248,801)	00	(8,248,801)	
Highways and streets	2,538,369	00	00	1,250,590	(1,287,779)	00	(1,287,779)	
Public works – other	00	00	00	841,435	841,435	00	841,435	
Landfill	70,378	00	70,015	00	(363)	00	(363)	
Recreation and culture	6,047,436	1,150,151	318,029	925,578	(3,653,678)	00	(3,653,678)	
Economic development	1,952,217	00	856,151	420,717	(675,349)	00	(675,349)	
Interest on long-term debt	333,066	00	00	00	(333,066)	00	(333,066)	
Total governmental activities	23,635,380	3,320,932	2,853,604	4,143,561	(13,317,283)	00	(13,317,283)	
Business-type activities:								
Water	5,299,794	7,182,633	00	90,233	00	1,973,072	1,973,072	
Sewer	4,282,324	4,193,993	00	52,767	00	(35,564)	(35,564)	
Sanitation	3,261,530	3,856,628	00	00	00	595,098	595,098	
Total business-type activities	12,843,648	15,233,254	00	143,000	00	2,532,606	2,532,606	
Total primary government	$ 36,479,028	$ 18,554,186	$ 2,853,604	$ 4,286,561	(13,317,283)	2,532,606	(10,784,677)	
Component unit:								
Carrollton Redevelopment Authority	$ 00	$ 00	$ 00					$ 00
Total component unit	$ 00	$ 00	$ 00					00
General revenues:								
Taxes:								
Property taxes levied for general purposes					3,470,519	00	3,470,519	00
Franchise and public service taxes					3,531,983	00	3,531,983	00
Sales and hotel/motel taxes					4,221,957	00	4,221,957	00
Other taxes					903,511	00	903,511	00
Interest and investment earnings					52,340	17,553	69,893	00
Contributions					71,105	00	71,105	00
Miscellaneous					742,180	238,800	980,980	00
Transfers					874,188	(874,188)	00	00
Total general revenues and transfers					13,867,783	(617,835)	13,249,948	00
Change in net assets					550,500	1,914,771	2,465,271	00
Net assets – beginning					93,723,643	71,314,601	165,038,244	00
Prior period adjustments – Note 4.K.					175,138	(40,191)	134,947	00
Net assets – ending					$ 94,449,281	$ 73,189,181	$ 167,638,462	$ 00

See accompanying notes to financial statements.

City of Carrollton, Georgia
Balance Sheet
Governmental Funds
June 30, 2012

	General Fund	Special Purpose Local Option Sales Tax 2004	Special Purpose Local Option Sales Tax 2009	Neighborhood Stabilization Program Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and equivalents	$ 6,346,834	$ 203,943	$ 4,053,187	$ 1,605,675	$ 564,517	$ 12,774,156
Investments	4,363,225	00	00	00	00	4,363,225
Receivables, net	1,839,409	00	00	00	32,099	1,871,508
Due from other funds	1,376,434	100,000	19,761	00	00	1,496,195
Prepaid expenses	292,786	00	00	00	00	292,786
Receivables from other governments	169,777	00	662,656	00	118,884	951,317
Total assets	$ 14,388,465	$ 303,943	$ 4,735,604	$ 1,605,675	$ 715,500	$ 21,749,187
Liabilities						
Accounts payable	$ 745,637	$ 56,251	$ 128,865	$ 00	$ 48,743	$ 979,496
Accrued liabilities	491,710	00	00	00	64,183	555,893
Due to other funds	00	00	113,734	919,727	25,324	1,058,785
Due to other governments	27,796	00	00	14,252	34,916	76,964
Deferred revenue	232,334	00	00	00	12,000	244,334
Unearned revenue	111,865	00	00	00	00	111,865
Other deposits	396,000	00	00	00	00	396,000
Total liabilities	2,005,342	56,251	242,599	933,979	185,166	3,423,337
Fund balances						
Nonspendable:						
Prepaid expenses	292,786	00	00	00	00	292,786
Restricted:						
Debt service	00	00	251,329	00	00	251,329
Special revenue	00	00	00	671,696	530,334	1,202,030
Capital projects	00	247,692	4,241,676	00	00	4,489,368
Unassigned	12,090,337	00	00	00	00	12,090,337
Total fund balances	12,383,123	247,692	4,493,005	671,696	530,334	18,325,850
Total liabilities and fund balances	$ 14,388,465	$ 303,943	$ 4,735,604	$ 1,605,675	$ 715,500	

Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	81,716,814
Housing inventory used in governmental activities within the Neighborhood Stabilization Program is not reported in the funds	755,862
Some receivables are not available to pay for current-period expenditures and therefore are deferred in the funds	244,334
Notes and lease payables, are not due and payable in the current period and therefore are not reported in the funds	(6,059,683)
Other post-employment benefits payable are not accrued in the funds	(533,896)
Net assets of governmental activities	$ 94,449,281

See accompanying notes to financial statements.

City of Carrollton, Georgia
Statements of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012

	General Fund	Special Purpose Local Option Sales Tax 2004	Special Purpose Local Option Sales Tax 2009	Neighborhood Stabilization Program Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	$ 9,401,088	$ 00	$ 00	$ 00	$ 262,549	$ 9,663,637
Fees and fines	715,951	00	00	00	189,017	904,968
Licenses and permits	3,653,896	00	00	00	00	3,653,896
Intergovernmental	1,431,184	00	3,844,133	834,493	628,020	6,737,830
Charges for services	1,166,341	00	00	00	00	1,166,341
Interest	46,942	2,317	26,467	3,063	2,335	81,124
Contributions	71,105	00	238,551	00	00	309,656
Miscellaneous	330,572	00	10,075	359,616	41,917	742,180
Total revenues	16,817,079	2,317	4,119,226	1,197,172	1,123,838	23,259,632
Expenditures						
Current operating:						
General government	1,262,661	00	00	00	00	1,262,661
Public safety	9,708,937	00	00	00	688,070	10,397,007
Highways and streets	896,529	00	00	00	00	896,529
Landfill	70,378	00	00	00	00	70,378
Recreation and culture	5,316,305	00	00	00	00	5,316,305
Housing and economic development	00	00	500,000	963,123	152,627	1,615,750
Debt service:						
Principal	00	00	1,525,897	00	00	1,525,897
Interest	00	00	333,066	00	00	333,066
Capital outlay	112,930	1,342,552	1,993,959	00	414,648	3,864,089
Total expenditures	17,367,740	1,342,552	4,352,922	963,123	1,255,345	25,281,682
Excess (deficiency) of revenues over expenditures	(550,661)	(1,340,235)	(233,696)	234,049	(131,507)	(2,022,050)
Other financing sources (uses)						
Transfers in (out) – other funds	945,320	00	00	00	(71,132)	874,188
Total other financing sources (uses)	945,320	00	00	00	(71,132)	874,188
Net change in fund balance	394,659	(1,340,235)	(233,696)	234,049	(202,639)	(1,147,862)
Fund balances – beginning, as restated	11,988,464	1,587,927	4,726,701	437,647	732,973	19,473,712
Fund balances – ending	$ 12,383,123	$ 247,692	$ 4,493,005	$ 671,696	$ 530,334	$ 18,325,850

See accompanying notes to financial statements.

City of Carrollton, 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 June 30, 2012

Net change in fund balances – total government funds	$ (1,147,862)
Amounts reported for governmental activities in the Statement of Activities are different because:	
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 capital outlays of $3,864,089 exceeded depreciation expense of $3,253,618 in the current period.	610,471
Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	1,525,897
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	52,060
Purchase of homes held for sale within the Neighborhood Stabilization Program are reported as expenditures within the funds, but are recorded as inventory in governmental activities. This is the amount by which inventory decreased in the current period	(336,467)
Other post employment benefits are reported in the government-wide statement of activities, but do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(145,139)
In the Statement of Activities, the loss associated with the disposal of capital assets is reported as an expense of the general government, while in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold.	(8,460)
Change in Net Assets of Governmental Activities	$ 550,500

See accompanying notes to financial statements.

City of Carrollton, Georgia
Balance Sheet
Proprietary Funds
June 30, 2012

	Business-Type Activities		
	Water and Sewerage Fund	Sanitation Fund	Totals
Assets			
Current assets:			
Non-restricted assets:			
Cash	$ 2,862,776	$ 3,206,371	$ 6,069,147
Accounts receivable (net of allowances)	1,476,904	490,050	1,966,954
Inventory	285,003	00	285,003
Due from other funds	00	42,632	42,632
Due from other governments	9,513	00	9,513
Prepaid insurance	123,897	60,861	184,758
Total non-restricted current assets	4,758,093	3,799,914	8,558,007
Restricted assets:			
Cash	1,582,933	00	1,582,933
Total restricted current assets	1,582,933	00	1,582,933
Total current assets	6,341,026	3,799,914	10,140,940
Long-term assets:			
Capital assets:			
Property, plant, and equipment	102,336,080	1,430,918	103,766,998
Accumulated depreciation	(30,107,764)	(1,106,379)	(31,214,143)
Capital assets, net	72,228,316	324,539	72,552,855
Other non-current assets:			
Unamortized bond and loan costs	46,293	00	46,293
Total other non-current assets	46,293	00	46,293
Total assets	$ 78,615,635	$ 4,124,453	$ 82,740,088

See accompanying notes to financial statements.

City of Carrollton, Georgia
Balance Sheet
Proprietary Funds
June 30, 2012

	Business-Type Activities		
	Water and Sewerage Fund	Sanitation Fund	Totals
Liabilities			
Current liabilities payable from non-restricted current assets:			
Accounts payable	$ 413,550	$ 167,270	$ 580,820
Accrued expenses	106,047	54,292	160,339
Due to other funds	293,645	186,397	480,042
Customer and tap deposits	388,110	00	388,110
Total current liabilities payable from non-restricted current assets	1,201,352	407,959	1,609,311
Current liabilities payable from restricted current assets:			
Accounts payable	990	00	990
Bonds payable – current	523,612	00	523,612
Notes payable – current	754,264	00	754,264
Total current liabilities payable from restricted current assets	1,278,866	00	1,278,866
Total current liabilities	2,480,218	407,959	2,888,177
Long term liabilities:			
Notes payable (less current portion)	5,859,265	00	5,859,265
Bonds payable (less current portion)	803,465	00	803,465
Total long term liabilities	6,662,730	00	6,662,730
Total liabilities	9,142,948	407,959	9,550,907
Fund Net Assets			
Invested in capital assets, net of related debt	64,287,710	324,539	64,612,249
Restricted			
Capital projects	481,899	00	481,899
Debt service	1,101,034	00	1,101,034
Unrestricted	3,602,044	3,391,955	6,993,999
Total fund net assets	69,472,687	3,716,494	73,189,181
Total liabilities and fund net assets	$ 78,615,635	$ 4,124,453	$ 82,740,088

See accompanying notes to financial statements.

City of Carrollton, Georgia
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2012

	Business-Type Activities		
	Water and Sewerage Fund	Sanitation Fund	Totals
Operating revenues:			
Charges for services	$ 11,376,626	$ 3,856,628	$ 15,233,254
Total operating revenue	11,376,626	3,856,628	15,233,254
Operating expenses:			
Personnel services and benefits	3,788,911	1,621,963	5,410,874
Contractual services	231,695	18,395	250,090
Supplies and chemicals	956,667	46,650	1,003,317
Office supplies and expense	74,970	00	74,970
Utilities and telephone	1,099,344	00	1,099,344
Advertising and publicity	2,697	00	2,697
Equipment repairs	348,362	5,077	353,439
Vehicle repair and expense	154,962	263,831	418,793
Building and grounds repairs	177,443	00	177,443
Operating leases	16,901	00	16,901
General insurance	199,372	143,643	343,015
Depreciation	1,928,306	141,306	2,069,612
Other	1,824	5,087	6,911
Amortization	26,306	00	26,306
Landfill fees	224,945	1,009,977	1,234,922
Total operating expenses	9,232,705	3,255,929	12,488,634
Operating income	2,143,921	600,699	2,744,620
Non-operating revenues (expenses):			
Rents	81,460	00	81,460
Miscellaneous income (expense)	157,340	00	157,340
Interest revenue	10,029	7,524	17,553
Interest and other costs on bonded debt and notes payable	(349,413)	(5,601)	(355,014)
Total non-operating revenues (expenses)	(100,584)	1,923	(98,661)
Income before capital contributions and transfers	2,043,337	602,622	2,645,959
Capital contributions	143,000	00	143,000
Transfers in (out)	(630,228)	(243,960)	(874,188)
Change in fund net assets	1,556,109	358,662	1,914,771
Total fund net assets – beginning of year – as restated	67,916,578	3,357,832	71,274,410
Total fund net assets – end of year	$ 69,472,687	$ 3,716,494	$ 73,189,181

See accompanying notes to financial statements.

City of Carrollton, Georgia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2012

	Business-Type Activities		
	Water and Sewerage Fund	Sanitation Fund	Totals
Cash flows from operating activities:			
Receipts from customers	$ 11,569,542	$ 3,866,897	$ 15,436,439
Receipts from operating grants	18,335	00	18,335
Payments for suppliers	(3,562,306)	(1,453,299)	(5,015,605)
Payments to employees	(3,796,395)	(1,634,832)	(5,431,227)
Net cash provided by operating activities	4,229,176	778,766	5,007,942
Cash flows from noncapital financing activities:			
Operating subsidies and transfers to/from other funds	(610,466)	(243,960)	(854,426)
Other receipts	100,967	00	100,967
Net cash used by noncapital financing activities	(509,499)	(243,960)	(753,459)
Cash flows from capital and related financing activities:			
Capital contributions	143,000	00	143,000
Purchases and construction of capital assets	(603,941)	00	(603,941)
Principal paid on capital debt	(1,226,345)	00	(1,226,345)
Interest paid on capital debt	(349,413)	(5,601)	(355,014)
Net cash used by capital and related financing activities	(2,036,699)	(5,601)	(2,042,300)
Cash flows from investing activities:			
Interest	10,029	7,524	17,553
Net cash provided by investing activities	10,029	7,524	17,553
Net increase (decrease) in cash and cash equivalents	1,693,007	536,729	2,229,736
Cash – beginning of year	2,752,702	2,669,642	5,422,344
Cash – end of year	$ 4,445,709	$ 3,206,371	$ 7,652,080
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	$ 2,143,921	$ 600,699	$ 2,744,620
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	1,928,306	141,306	2,069,612
Amortization expense	26,306	00	26,306
Change in assets and liabilities:			
Receivables, net	466,856	10,269	477,125
Prepaid expenses	2,566	(1,970)	596
Inventories	(2,899)	00	(2,899)
Accounts and other payables	(72,791)	41,331	(31,460)
Customer deposits	(255,605)	00	(255,605)
Accrued expenses	(7,484)	(12,869)	(20,353)
Net cash provided by operating activities	$ 4,229,176	$ 778,766	$ 5,007,942

See accompanying notes to financial statements.

Index

Note 1. Summary of Significant Accounting Policies

A. Financial Reporting Entity
B. Basis of Presentation
C. Measurement Focus and Basis of Accounting
D. Assets, Liabilities and Equity
E. Revenues, Expenditures and Expenses
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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 Carrollton
Discretely Presented Component Unit:	Carrollton Redevelopment 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.

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. The following are blended component units:

Carrollton Swimming Association
Carrollton Area Convention and Visitors Bureau

These entities are operated under the auspices of the Carrollton Parks, Recreation and Cultural Arts Department which is included in the general fund. See Note 4.E. for further information about these entities.

Discretely Presented Component Unit

The discretely presented component unit is a separate legal entity that meets the component unit criteria described above but does not meet the criteria for blending. Separately issued financial statements are not available. See Note 4.E. for additional information regarding the Authority.

Note 1. Summary of Significant Accounting Policies - continued

1.A. Financial Reporting Entity – continued

Excluded from the reporting entity: Related Organizations

The City's officials have some responsibility for appointing the members of the boards of other organizations, but the City's accountability for these organizations does not extend beyond making the appointments. The Mayor and City Council jointly with the Carroll County Commissioners appoint the board members of the City/County Hospital Authority and also appoints three members of the West Georgia Library Board. The Mayor and City Council appoint all the members of the Carrollton Housing Authority, Historic Preservation Commission, Carrollton Planning Commission, and the Board of Development Appeals.

The Mayor and City Council appoint two members of the Carrollton Payroll Development Authority and two members of the Carroll County Health Board. The City funded the acquisition of property for future industrial development on behalf of the Carrollton Payroll Development Authority to be repaid as businesses are induced to locate and buy property there. The City collects revenue in lieu of taxes for City services provided to Housing Authority residents. The City provides annual funding to the local Chamber of Commerce and the West Georgia Regional Library.

1.B. Basis of Presentation

Government-wide Financial Statements:

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

Note 1. Summary of Significant Accounting Policies - continued

1.B. Basis of Presentation - continued

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.

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 is 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 Project Funds

The Capital Project Funds are used to account for resources restricted for the acquisition or construction of specific capital projects or items.

Note 1. Summary of Significant Accounting Policies – continued

1.B. Basis of Presentation – continued

Proprietary Funds

Enterprise Funds

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 Non-major Funds

The funds are further classified as major or non-major as follows:

Major Funds:	**Brief Description**
Governmental Funds:	
General	See above for description.
Capital Projects Fund:	
2009 Special Purpose Local Option Sales Tax Fund	Accounts for projects funded by the 2009 special one percent local option sales tax levies.
2004 Special Purpose Local Option Sales Tax Fund	Accounts for projects funded by the 2004 special one percent local option sales tax levies.
Special Revenue:	
Neighborhood Stabilization Program Fund	Accounts for grants, program income and expenditures related to grant purposes.
Business-Type Funds:	
Water and Sewer Fund Sanitation Fund	Accounts for activities in providing water, wastewater and sanitation services to the public.
Non-major 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 Seizure Fund	Accounts for revenue and expenditures legally restricted for public safety use.

Note 1. Summary of Significant Accounting Policies – continued

1.B. Basis of Presentation – continued

Major and Non-major Funds – continued

Non-major Funds:	Brief Description
West Metro Regional Drug Enforcement Fund	Accounts for grants, income and expenditures related for grant purposes.
Regional Hazardous Material Team Fund	Accounts for revenues and expenditures restricted for use by the Hazardous Material Team.
Capital Project Funds:	
1994 Special Purpose Local Option Sales Tax Fund	Accounts for projects funded by the 1994 special one percent local option sales tax levies. (Closed FYE June 30, 2012)

1.C. Measurement Focus and Basis of Accounting

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

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-type 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.

Note 1. Summary of Significant Accounting Policies – continued

Measurement Focus – continued

1.C. Measurement Focus and Basis of Accounting - continued

b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. At the fund reporting level, governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, the phrase "available for exchange transactions" means expected to be received within twelve months of year-end.

Non-exchange transactions in which the City receives value without directly giving equal value in return, include sales tax, property taxes, franchise taxes, grants, and donations. On an accrual basis, revenue from sales tax is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions also must be available (i.e., collected within 60 days) before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be susceptible to accrual: property tax, sales tax, interest and federal and state grants.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. On the modified accrual basis, expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

Note 1. Summary of Significant Accounting Policies – continued

Basis of Accounting – continued

1.C. Measurement Focus and Basis of Accounting - continued

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.

1.D. Assets, Liabilities and Equity

Cash and Investments

For the purpose of the Statement of Net Assets, "cash, including time deposits" includes all demand, savings accounts, and certificates of deposits with maturity of three months or less 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.

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. Certificates of deposits with maturities greater than three months are also included in investments. Additional cash and investment disclosures are presented in Note 3.A.

Interfund Receivable and Payables

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

Receivables

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

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

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

Note 1. Summary of Significant Accounting Policies – continued

1.D. Assets, Liabilities and Equity – continued

Inventories

The water and sewer funds maintain an inventory of supplies. Inventories maintained in the water department are recorded at cost on a first-in, first-out basis.

Inventory in governmental activities in the statement of net assets consists of homes purchased through the Neighborhood Stabilization Program and held as available for sale at June 30, 2012, and are recorded at cost.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2012, are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

Capital Assets

The accounting treatment over 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

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining lives of the related fixed assets, as applicable. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The City has fully implemented the retroactive reporting of infrastructure.

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

- Buildings	25-50 years
- Improvements	10-50 years
- Machinery and Equipment	3-20 years
- Utility System	25-50 years
- Infrastructure	25-50 years

Note 1. Summary of Significant Accounting Policies – continued

1.D. Assets, Liabilities and Equity - continued

Capital Assets – 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 consist of cash included in the City's Water and Sewerage System which reflect restrictions for future construction of facilities, retainages, Revenue Bond and note payable retirement.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are 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 funds 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

Government-wide Statements

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

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

- **Nonspendable** – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.

- **Restricted** – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

- **Committed** – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the Mayor and City Council through the adoption of a resolution or motion. The Mayor and 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 or motion, the Mayor and City Council has authorized the City's Finance Officer to assign fund balances.

- **Unassigned** – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds.

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

- Committed
- Assigned
- Unassigned

Note 1. Summary of Significant Accounting Policies – continued

1.E. Revenues, Expenditures and Expenses

Property Tax

Property taxes attach as an enforceable lien on property as of January 1. Taxes were levied on October 1, 2011, and were due and payable on or before December 1, 2011. All unpaid taxes became delinquent December 2, 2011. The Carroll County tax commissioner bills and collects the City's property taxes. The 2011 property taxes levied for the City operations only were $3,140,189. The millage rate is 4.69 mills for 2011 for city operations only. In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within 60 days of year-end. For any additional property taxes receivable after the 60-day period, an additional accrual is made in the government-wide financial statements. No liens were placed on delinquent properties, but penalties and interest accrue and are recorded when they are actually paid.

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.

Operating 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. Nonoperating revenues and expenses include all revenue and expenses related to capital and related financing, miscellaneous or investing activities.

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 (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.

Note 1. Summary of Significant Accounting Policies – continued

1.F. Accounting Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States, require 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. Stewardship, Compliance and Accountability

By its nature as a local government unit, the City and its component units are subject to various federal, state, and local laws and contractual regulations. An analysis of the City's compliance with significant laws and regulations and demonstration of its stewardship over City resources follows.

2.A. Fund Accounting Requirements

The City complies with all state and local laws and regulations requiring the use of separate funds.

2.B. Deposits and Investments Laws and Regulations

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Georgia debt obligations, or surety bonds. As required, all financial institutions pledging collateral to the City must have a written collateral agreement approved by the board of directors or loan committee. As of June 30, 2012, $91,667 of the City's bank balances of $20,615,905 was uninsured and uncollateralized.

2.C. Revenue Restrictions

The City has various restrictions placed over certain revenue sources from state or local requirements.

For the year ended June 30, 2012, the City complied, in all material respects, with these revenue restrictions.

2.D. Debt Restrictions and Covenants

General Obligation Debt

The City has complied with its restrictions which limits the amount of outstanding general obligation bonded debt of the municipality.

2.E. Material Budget Violations

The following department's expenditures exceeded its budgeted appropriations by more than three percent.

Main Street	$ 6,611
Parks and Recreation	267,422
Legal	11,005
Garage	7,449

Note 2. Stewardship, Compliance and Accountability - continued

2.E. Material Budget Violations - continued

Budget violations also occurred in the West Metro Regional Drug Enforcement Fund ($185,181), Drug Seizure Fund ($60,072), Regional Hazardous Material Fund ($10,742), and Hotel/Motel Fund ($14,327).

General fund revenue exceeded budgeted revenue by $577,399, West Metro Regional Drug Enforcement Fund Revenue exceeded budgeted revenue by $205,092 and Regional Hazardous Material Fund revenue exceeded budgeted revenue by $14,172, and Hotel/Motel Tax Fund revenue exceeded budgeted revenue by $36,125.

In the future, actual expenditures will be compared to budgeted expenditures and budget amendments will be made when appropriate.

Note 3. Detail Notes on Transaction Classes/Accounts

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3.A. Cash and Investments

Custodial Credit Risk Related to Deposits

At June 30, 2012 the carrying amount of the City's deposits was $20,426,236 and the bank balances were $20,615,905. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be covered. The state requires that all deposits with financial institutions be collateralized in an amount equal to 110% of uninsured deposits. The government does not have a deposit policy for custodial credit risk.

Insured	$ 1,109,587
Collateral held by pledging bank's trust department in the City's name	19,414,651
Uncollateralized	91,667
Total	$ 20,615,905

Investments

State statutes authorize the City to invest only in obligations of the United States and of its agencies and instrumentalities, or bonds or certificates of indebtedness of the State of Georgia and of its agencies and instrumentalities, or certificates of deposit of banks and savings and loan associations which have deposits insured by the FDIC or FSLIC with any uninsured amounts collateralized by direct obligations of the United States or State of Georgia.

The City's investments are categorized to give an indication of the level of risk assumed by the City at June 30, 2012. The categories are described as follows:

Category 1. Insured, registered, or securities held by the City or its agent in the City's name.
Category 2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.
Category 3. Uninsured and unregistered, with securities held by the counterparty, or its trust department or agent, but not in the City's name.

Note 3. Detail Notes on Transaction Classes/Accounts – continued

3.A. Cash and Investments – continued

Investments - continued

Investments, categorized by level of risk, are:

Types of Investment	Category 1	Category 2	Category 3	Fair Value/ Carrying Amount	Cost
Primary Government					
Certificates of deposit	$ 4,363,225	$ 00	$ 00	$ 4,363,225	$ 4,363,225
	$ 4,363,225	$ 00	$ 00	$ 4,363,225	$ 4,363,225

3.B. Accounts and Other Receivables

	Receivable	Allowance	Net
Governmental Activities:			
Ad valorem tax	$ 288,519	$ (27,345)	$ 261,174
Sales tax	350,110	00	350,110
Beer and wine tax	61,669	00	61,669
Franchise tax	782,831	00	782,831
Police fines	941,004	(632,335)	308,669
Occupation tax	32,760	00	32,760
Other	74,295	00	74,295
Other governments	951,317	00	951,317
	$ 3,482,505	$ (659,680)	$ 2,822,825
Business-Type Activities:			
Receivable from customers	$ 2,170,281	$ (221,385)	$ 1,948,896
Miscellaneous	18,058	00	18,058
Other governments	9,513	00	9,513
	$ 2,197,852	$ (221,385)	$ 1,976,467

Note 3. Detail Notes on Transaction Classes/Accounts – continued

3.C. Capital Assets

Capital assets activity for the year ended June 30, 2012 was as follows:

	Balance at July 1, 2011	Additions	Disposals, Transfers and Adjustments	Balance at June 30, 2012
Governmental activities:				
Non-depreciable:				
Land	$ 9,029,289	$ 435,439	$ 00	$ 9,464,728
Construction in progress	1,655,633	1,043,057	(778,538)	1,920,152
Total non-depreciable	$ 10,684,922	$ 1,478,496	$ (778,538)	$ 11,384,880
Depreciable:				
Land improvements	$ 4,726,778	$ 1,373,867	$ 259,167	$ 6,359,812
Buildings and improvements	32,548,176	132,996	(2,857)	32,678,315
Furnishings, vehicles, machinery and equipment	12,469,543	560,728	(121,513)	12,908,758
Infrastructure	59,273,162	318,002	519,372	60,110,536
Totals at historical cost	109,017,659	2,385,593	654,169	112,057,421
Less accumulated depreciation:				
Land improvements	1,272,402	199,894	00	1,472,296
Buildings and improvements	5,802,325	654,648	(571)	6,456,402
Furnishings, vehicles, machinery and equipment	8,273,613	881,321	(115,338)	9,039,596
Infrastructure	23,239,438	1,517,755	00	24,757,193
Total accumulated depreciation	38,587,778	3,253,618	(115,909)	41,725,487
Governmental activities capital assets (depreciable), net	$ 70,429,881	$ (868,025)	$ 770,078	$ 70,331,934
Business-type activities:				
Non-depreciable:				
Land	$ 8,779,730	$ 00	$ 00	$ 8,779,730
Construction in progress	349,124	13,310	(31,710)	330,724
Total non-depreciable	$ 9,128,854	$ 13,310	$ (31,710)	$ 9,110,454
Depreciable:				
Buildings and improvements	$ 5,766,209	$ 49,181	$ 00	$ 5,815,390
Water and sewer distribution system	83,763,319	541,451	00	84,304,770
Vehicles, machinery and equipment	4,544,017	00	(7,633)	4,536,384
Totals at historical cost	94,073,545	590,632	(7,633)	94,656,544
Less accumulated depreciation:				
Buildings and improvements	3,553,730	116,826	00	3,670,556
Water and sewer distribution system	22,071,179	1,653,928	00	23,725,107
Vehicles, machinery and equipment	3,558,964	298,858	(39,342)	3,818,480
Total accumulated depreciation	29,183,873	2,069,612	(39,342)	31,214,143
Business-type capital assets (depreciable), net	$ 64,889,672	$ (1,478,980)	$ 31,709	$ 63,442,401

Note 3. Detail Notes on Transaction Classes/Accounts – continued

3.C. Capital Assets – continued

Depreciation was charged to governmental activities as follows:

General government	$ 157,614
Public safety	723,033
Highways and streets	1,641,840
Recreation and culture	731,131
	$ 3,253,618

3.D. Long-Term Debt

The following is a summary of the changes in long-term debt of the City for the fiscal year ended June 30, 2012:

Activity Type		Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012	Amounts Due Within One Year
Governmental	Intergovernmental Debt - Carroll County	$ 7,585,580	$ 00	$ 1,525,897	$ 6,059,683	$ 351,663
Business-Type	Series 1993 Water and Sewer Bonds	700,000	00	340,000	360,000	360,000
Business-Type	Series 1997 Water and Sewer Bonds	1,121,958	00	154,881	967,077	163,612
Business-Type	Georgia Environmental Facilities Authority Note payable SRF 13090801	990,129	00	390,168	599,961	398,084
Business-Type	Georgia Environmental Facilities Authority Note payable SRF 93-015WS	672,007	00	124,162	547,845	130,342
Business-Type	Georgia Environmental Facilities Authority Note payable Project 2008-L03 WJ	5,216,190	00	192,135	5,024,055	200,838
Business-Type	Georgia Environmental Facilities Authority Note payable DWSRF 08-001	466,667	00	25,000	441,667	25,000
	Total primary government	$ 16,752,531	$ 00	$ 2,752,243	$ 14,000,288	$ 1,629,539

Note 3. Detail Notes on Transaction Classes/Accounts - continued

3.D. Long-Term Debt - continued

Intergovernmental Debt – Carroll County

During the year ended June 30, 2009, Carroll County, Georgia issued $40,500,000 of General Obligation Sales Tax Bonds, Series 2008. The proceeds from the bonds are to be used to fund a portion of the 2009 SPLOST Carroll County projects and City of Carrollton projects.

The City of Carrollton received $10,619,420 from the bond proceeds. This amount is reflected as a payable to Carroll County because the bonds issued are a general obligation of the County. Therefore, the full amount of bonds payable is reflected in the County's liabilities. The City of Carrollton will pay 26% of the bond interest and principal each year. Interest paid by the City will be recognized as interest expense on the payable, and the County will recognize the full amount of interest expense on the bonds. The City's portion of bond principal paid will decrease the payable to the County, while the County will use the proceeds to pay down its bonds payable balance.

The City's debt service requirements to maturity, including interest varying from 3.5% to 5.0%, is as follows:

Fiscal year ending June 30,	Principal	Interest	Total
2013	$ 351,663	$ 251,329	$ 602,992
2014	1,791,400	171,150	1,962,550
2015	1,873,300	87,854	1,961,154
2016	2,043,320	00	2,043,320
	$ 6,059,683	$ 510,333	$ 6,570,016

Business-Type Activity

Water and Sewerage Revenue Bond Series 1993

In December 1993, the City issued Water and Sewerage Revenue Bonds Series 1993 totaling $4,850,000 to pay the costs of certain improvements to the City's water and sewer system. The bonds are secured by a pledge of the net revenues derived from the operation of the water system. The bonds are payable over a period of twenty years at 4.8% interest payable semiannually January 1 and July 1. The principal is due annually on July 1. Bond issuance costs of $232,818 were incurred relative to the sale which includes surety bond insurance expense of $103,000. Total issuance cost will be amortized over the life of the bonds.

The following is a schedule of principal and interest requirements to maturity on 1993 Bonds:

	Principal	Interest	Total
FYE 2013	$ 360,000	$ 18,000	$ 378,000

Note 3. Detail Notes on Transaction Classes/Accounts - continued

3.D. Long-Term Debt - continued

Water and Sewerage Revenue Bond Series 1997

In November 1997, the City issued Water and Sewerage Revenue Bonds Series 1997 totaling $2,600,000 to pay the costs of certain improvements to the City's water and sewer system. The bonds are secured by a pledge of the net revenues derived from the operation of the water system. The bonds are payable over a period of twenty years at 5.35% interest. Quarterly payments of principal and interest are due January 1, April 1, July 1, and October 1. Bond issuance costs of $53,300 were incurred relative to the sale which includes surety bond insurance expense of $11,000. Total issuance cost will be amortized over the life of the bonds.

The following is a schedule of principal and interest requirements to maturity on 1997 Bonds:

	Principal	Interest	Total
FYE 2013	$ 163,612	$ 49,139	$ 212,751
FYE 2014	172,669	40,082	212,751
FYE 2015	182,228	30,523	212,751
FYE 2016	192,262	20,489	212,751
FYE 2017	202,958	9,793	212,751
FYE 2018	53,348	717	54,065
	$ 967,077	$ 150,743	$ 1,117,820

Other Fund Requirements:

Sinking Funds

The ordinance authorizing the issuance of the Series 1993 and 1997 revenue bonds requires that a sinking fund be established for the purpose of making payments of principal and interest. Monthly transfers into the sinking fund from the water revenue account are required to provide sufficient funds to pay all outstanding bonds at their respective maturities and the interest payable thereon. This account reflected a balance of $6,016 on June 30, 2012.

Debt Service Reserve and Surety Bonds

After satisfying sinking fund conditions, the 1993 bond ordinance specifies that a Debt Service Reserve Fund be established and amounts deposited equal to the Debt Service requirement. The bond document states that this requirement was fulfilled by depositing into the debt service fund an irrevocable surety bond of $33,420 at the date of bond issuance.

Note 3. Detail Notes on Transaction Classes/Accounts – continued

3.D. Long-Term Debt – continued

Renewal and Extension Fund

The 1993 bond ordinance requires that after paying debt service funds, all monies remaining in the Revenue Fund in excess of reasonable operating needs, shall be transferred to a special account designated as a "Renewal and Extension Fund" until the balance in the fund reaches $200,000. The purpose of the fund is to be available for water system emergencies and for normal replacements.

Georgia Environmental Facilities Authority Note Payable - Water Fund - SRF 13090801

On May 19, 1989, the City signed an agreement with the Georgia Department of Natural Resources Environmental Protection Division and with the Georgia Environmental Facilities Authority to obtain a promissory note for $6,240,000 to finance one phase of the City's environmental facilities project. The amount actually financed was $6,696,253. The interest rate is 2% per annum with principal and interest being repaid in 80 quarterly payments of $101,763 which began on March 1, 1994. The payment agreement changed from quarterly to monthly during fiscal year ended June 30, 2005. The principal balance payable at June 30, 2012 was $599,961.

The following is a summary of the debt service requirements for the next three years.

	Principal	Interest	Total
FYE 2013	$ 398,084	$ 8,353	$ 406,437
FYE 2014	201,877	1,185	203,062
	$ 599,961	$ 9,538	$ 609,499

Georgia Environmental Facilities Authority Note Payable - Water Fund - SRF 93-015WS

On October 26, 1993, the City signed an agreement with the Georgia Environmental Facilities Authority to obtain a promissory note for $2,000,000 of which $1,973,340 was used to finance another phase of the City's environmental facilities project. The interest rate on this permanent financing is 4.8%. Principal and interest will be repaid in 78 quarterly payments of $38,555 which commenced February, 1997. The payment period changed from quarterly to monthly during the fiscal year ended June 30, 2005.

Note 3. Detail Notes on Transaction Classes/Accounts – continued

3.D. Long-Term Debt – continued

Georgia Environmental Facilities Authority Note Payable - Water Fund - SRF 93-015WS - continued

The following is a summary of the current debt service requirements:

	Principal	Interest	Total
FYE 2013	$ 130,342	$ 23,420	$ 153,762
FYE 2014	136,077	17,685	153,762
FYE 2015	142,728	11,493	154,221
FYE 2016	138,698	4,518	143,216
	$ 547,845	$ 57,116	$ 604,961

Georgia Environmental Facilities Authority Note Payable - Water Fund - 2008-LO3WJ

On May 19, 2008, the City signed an agreement with the Georgia Environmental Facilities Authority to obtain a promissory note to be disbursed in periodic advances to finance a portion of the environmental facilities project which includes water plant rehabilitation and expansion and the construction of sewers in the Lake Carroll area. The amount advanced at June 30, 2010, was $5,202,144. The interest rate is 4.1% compounded monthly with principal and interest payable in 239 monthly installments. Interest of $288,691 was capitalized to the construction projects and added to the loan for a final loan.

The following is a summary of the debt service requirements for the next five years and years thereafter.

	Principal	Interest	Total
FYE 2013	$ 200,838	$ 201,923	$ 402,761
FYE 2014	208,893	193,868	402,761
FYE 2015	217,620	185,141	402,761
FYE 2016	226,429	176,332	402,761
FYE 2017	236,450	166,311	402,761
FYE 2018 to 2022	1,337,417	676,388	2,013,805
FYE 2023 to 2027	1,641,139	372,666	2,013,805
FYE 2028 to 2030	955,269	51,467	1,006,736
	$ 5,024,055	$ 2,024,096	$ 7,048,151

Georgia Environmental Facilities Authority notes payable – Water Fund – DWSRF 08-001 and DW 08-001

On November 4, 2009, the City signed an agreement with the Georgia Environmental Facilities Authority to obtain a promissory note for $500,000, to procure four membrane filtration units. The note will be repaid in 240 monthly installments of $2,083 with an interest rate of 0.0%, beginning March 2010. Closing cost of $10,000 was financed through a second note with 0.0% interest to be paid in twelve installment payments of $833 beginning January 1, 2010 and paid off December 1, 2010.

Note 3. Detail Notes on Transaction Classes/Accounts – continued

3.D. Long-Term Debt – continued

The following is a summary of the current debt service requirements:

	Principal DWSRF 08-001
FYE 2013	$ 25,000
FYE 2014	25,000
FYE 2015	25,000
FYE 2016	25,000
FYE 2017	25,000
FYE 2018 to 2022	125,000
FYE 2023 to 2027	125,000
FYE 2028 to 2029	66,667
	$ 441,667

GMA Lease Payable – Governmental and Business Types

1998 Series

The City began leasing equipment under a second GMA lease agreement in fiscal year ended June, 1999. It executed a Master Lease Agreement with the Trust for $2,644,000 for the period June 1, 1998 to June 1, 2028, and supplemental lease agreements for each purchase of equipment handled under this lease. The principal balance payable was paid off at June 30, 2011.

Other components of the agreement include certificates of participation, swap providers, OID and a rebate fund which involve several financial institutions and generate interest income which reduces net interest expense similar to the previous series.

The City has no operating leases at this time.

Note 3. Detail Notes on Transaction Classes/Accounts – continued

3.E. Interfund Transactions and Balances

Transfers and payments within the reporting entity are substantially for the purpose of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis. Resources are accumulated in a fund or component unit to support and simplify the administration of various projects or programs.

Transfers	Transfers In	Transfers Out
General Fund:		
Nonmajor governmental	$ 105,019	$ 33,887
Water and sewer	630,228	00
Sanitation	243,960	00
	$ 979,207	$ 33,887
Nonmajor Funds:		
General fund	$ 33,887	$ 105,019
Business-type:		
Water and sewer fund		
General fund	$ 00	$ 630,228
Sanitation fund		
General fund	00	243,960
	$ 00	$ 874,188
Totals	$ 1,013,094	$ 1,013,094

Note 3. Detail Notes on Transaction Classes/Accounts – continued

3.E. Interfund Transactions and Balances - continued

Interfund balances at June 30, 2012, consisted of the following amounts and represent charges for services or reimbursable expenses. These remaining balances resulted from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting period, and (3) payments between funds are made. The City expects to repay all interfund balances within one year.

Interfund balances reported in the fund financial statements are as follows:

	Interfund Receivables	Interfund Payables
Major Governmental Funds:		
General Fund:		
West Metro Regional Drug Enforcement Fund	$ 13,709	$ 00
Hotel/Motel Fund	11,615	00
Neighborhood Stabilization Fund	919,727	00
Water Fund	231,252	00
Sanitation Fund	186,397	00
2009 SPLOST Fund	13,734	00
	1,376,434	00
2004 SPLOST Fund:		
2009 SPLOST Fund	100,000	00
	100,000	00
2009 SPLOST Fund:		
2004 SPLOST Fund	00	100,000
General Fund	00	13,734
Water Fund	19,761	00
	19,761	113,734
Neighborhood Stabilization Fund:		
General Fund	00	919,727
Total Major Funds	1,496,195	1,033,461
Non-Major Governmental Funds:		
Hotel/Motel Fund:		
General Fund	00	11,615
West Metro Drug Enforcement Fund:		
General Fund	00	13,709
Total Non-Major Governmental Funds	00	25,324
Grand Total – Governmental Funds	$ 1,496,195	$ 1,058,785
Net of receivables over payables		$ 437,410

Note 3. Detail Notes on Transaction Classes/Accounts – continued

3.E. Interfund Transactions and Balances – continued

Business-Type Funds:	Interfund Receivables	Interfund Payables
Water and Sewer Fund:		
General Fund	$ 00	$ 231,252
Sanitation Fund	00	42,632
2009 SPLOST	00	19,761
	00	293,645
Sanitation Fund:		
General Fund	00	186,397
Water Fund	42,632	00
	42,632	186,397
Total Business – Type Funds	$ 42,632	$ 480,042
Net of payables over receivables		$ (437,410)

3.F. Deferred Costs and Unearned Revenues

Enterprise Fund

Deferred Cost

Loan closing cost of $240,000 on the note from the State revolving loan is being amortized over the loan repayment period in the City's Water and Sewerage System Enterprise Fund and the net unamortized value is $17,000. Bond issuance costs of $232,818 and $53,300 were incurred on the 1993 and 1997 Water and Sewerage Revenue Bonds, respectively as reflected in Note 3.D. These are being amortized over the bond repayment period. The net unamortized balances are $14,858 and $14,435 respectively. Loan closing cost of $10,000 on the Georgia Environmental Facility Authority note DWSRF08-001 has been amortized over the repayment period of the closing cost loan and has a net unamortized balance of $0.

Governmental Funds

Unearned Revenue

The City's recreation department collects payments for facility rentals and senior trips that will occur in subsequent fiscal periods. Unearned revenue at June 30, 2012 was $111,865.

3.G. Pensions

The City's provisions for cost of retirement and OPEB are recorded on the accrual basis in the governmental wide statements.

3.H. Accumulated Unpaid Vacation and Sick Pay

Accumulated unpaid vacation has been accrued in the various funds where applicable. Sick pay is not paid upon termination and therefore has not been accrued in the various funds.

Note 3. Detail Notes on Transaction Classes/Accounts – continued

3.I. Enterprise and Capital Project Fund Interest

Enterprise and capital project fund interest is charged to expense as incurred except for interest related to borrowings used for construction projects net of earnings which is capitalized until such time when construction is substantially complete.

3.J. Fund Equity

Fund balances – Governmental funds:

Nonspendable – The following fund balances are nonspendable because they are allocated to:	
General Fund:	
Prepaid expenses	$ 292,786
Restricted – The following fund balances are restricted for:	
Debt service:	
2009 Special Purpose Local Option Sales Tax fund – resources restricted for intergovernmental debt service	$ 251,329
Special revenue funds:	
Other governmental funds:	
Hotel/Motel tax fund	$ 31,203
Drug seizure fund	61,521
Regional hazardous material team fund	46,916
West Metro Regional Drug Enforcement fund	390,694
Neighborhood Stabilization Program fund	671,696
Total Special revenue funds	$ 1,202,030
Capital projects:	
2004 Special Purpose Local Option Sales Tax fund	$ 247,692
2009 Special Purpose Local Option Sales Tax fund	4,241,676
Total Capital projects funds	4,489,368
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	$ 12,090,337

Note 4. Other Notes

4.A. Retirement Plan and Post Employment Benefits

Plan Description of the City of Carrollton Retirement Plan

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. The City's payroll for employees covered by the system for the year ended January 1, 2012, was $11,178,728, and total wages were $12,433,074.

Note 4. Other Notes - continued

4.A. Retirement Plan and Post Employment Benefits – continued

All full-time City employees with one year of service are eligible to participate in the system. Benefits vest after 10 years of credited service. City employees can retire at or after age 65 with five years of credited service or after age 55 with 10 years of credited service. There is no maximum employee entry age. The benefit formula ranges from 1.0% to 1.75% of annual salary based on year of birth of the employee. An extra credit is earned for years of service. The system also provides death and disability benefits. These benefit provisions and all other requirements are established by the Georgia Municipal Employees Benefit System and the adoption agreement executed by the City.

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

As of January 1, 2012, the current plan membership includes the following categories of Participants:

Retirees and beneficiaries currently receiving benefits	107
Terminated employees entitled to benefits but not yet receiving them	67
Current active employees:	
Vested	144
Nonvested	137
Total membership in the plan	455

Plan Asset Matters and Accounting Policies

Asset Data: The Georgia Municipal Employees Benefit System has supplied all asset data used in the valuation. The actuarial value of assets is based on the roll forward of prior year's actuarial value, with contributions, disbursements, and expected return on investments plus 10% of investment gains (losses) during ten prior years.

The GMEBS Board of Trustees adopted changes in the actuarial assumptions and funding policy for the GMEBS Retirement Fund effective January 1, 2010.

The change in assumptions was a result of an actuarial study to review recent experience and trends of the fund compared against current actuarial assumptions. The goal of the study was to identify those assumptions which needed to be updated based on the experience of the fund.

Note 4. Other Notes - continued

4.A. Retirement Plan and Post Employment Benefits – continued

Plan Asset Matters and Accounting Policies – continued

The GMEBS Board also temporarily changed the funding policy to stabilize future employer contribution rates in light of the recent economic downturn, but at the same time, ensured that all plan liabilities are appropriately funded. The temporary change made in the funding policy does not forgive the adverse impact of the declines in the investment markets on future contribution rates, but spreads the impact over a longer period of time, allowing members to make budget adjustments and for the investment markets to stabilize. This change should result in more normal contribution patterns for most members of the fund assuming that the actual experience of the member is consistent with the assumptions and the member has not made significant plan changes.

Participant Data: The primary source of participant data for the current valuation is a census of all participants which was prepared as of January 1, 2012, supplied 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.

Report

This plan has a stand alone financial report which may be obtained by writing Georgia Municipal Association, Inc. at 201 Pryor Street, S.W., Atlanta, Georgia 30303.

Funding Status and Progress

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

The "actuarial accrued liability" was computed as part of an actuarial valuation performed as of January 1, 2012. Significant actuarial assumptions used in the valuation include (a) rate of return on the investment of present and future assets of 7.75% a year, (b) projected salary increases of 11% for the first year of service, 7% for the second year of service, 6.5% for the third year of service, 6.25% for the fourth year of service, and 6% for the fifth year of service, and (c) Inflation rate assumption of 3.5%

Note 4. Other Notes - continued

4.A. Retirement Plan and Post Employment Benefits – continued

Funding Status and Progress – continued

Required Supplementary Information
Schedule of Pension Plan Funding Progress
As of June 30, 2012
(Unaudited)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL/ (Funding Excess) (b - a)	Funded Ratio (a / b)	Annual Covered Payroll (prior year) (c)	Unfunded AAL/ (Funding Excess) as Percentage of Covered Payroll ((b - a) / c)
5/1/2003	$ 11,307,091	$ 11,661,677	$ 354,586	97%	$ 8,417,491	4.2%
5/1/2004	11,793,503	13,410,891	1,617,389	88%	8,804,537	18.3%
5/1/2005	12,418,646	14,336,504	1,917,858	87%	9,113,333	21.0%
5/1/2006	13,197,901	14,517,915	1,320,014	91%	8,829,755	14.9%
5/1/2007	13,971,149	15,501,567	1,530,418	90%	9,357,443	16.4%
5/1/2008	14,689,299	16,789,002	2,099,703	87%	9,973,562	21.1%
5/1/2009	10,138,698	17,584,324	7,445,626	58%	10,987,492	67.8%
1/1/2010	13,129,159	18,588,848	5,459,689	71%	11,048,517	49.0%
1/1/2011	14,409,539	19,389,656	4,980,117	74%	10,698,399	46.5%
1/1/2012	15,519,871	20,628,402	5,108,531	75%	11,178,728	45.7%

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 initial unfunded actuarial accrued liability is 30 years from 1981 and current changes in the unfunded actuarial 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.

The significant actuarial assumptions used to compute the actuarially determined contribution requirements are the same as those used to compute the pension benefit obligation as described previously.

Contributions totaling $1,327,792 were made in accordance with actuarially determined contribution requirements determined by an actuarial valuation performed as of January 1, 2012, for the plan year. These contributions consist of (a) $553,968 of normal cost, (b) $725,182 of amortization of the unfunded actuarial accrued liability, and (c) $48,642 in interest. The employer contribution represents 11.68% of payroll.

Note 4. Other Notes - continued

4.A. Retirement Plan and Post Employment Benefits – continued

Trend Information

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

Schedule of Employer Contribution
Ten-Year Trend Information
As of June 30, 2012
(Unaudited)

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-03	$ 452,321	100%	0
6-30-04	625,798	100%	0
6-30-05	695,628	100%	0
6-30-06	639,732	100%	0
6-30-07	695,693	100%	0
6-30-08	808,700	100%	0
6-30-09	1,475,145	100%	0
6-30-10	1,358,794	100%	0
6-30-11	1,295,675	100%	0
6-30-12	1,327,792	100%	0

Post Employment Benefits

The City contributes to the Georgia Municipal Employees Benefit System ("System"), an agent multi-employer public employee post retirement health care plan system that acts as a common investment and administrative agent for cities in the state of Georgia. All of the City's employees may become eligible if they retire on or after age 62 (age 60 if a public safety employee (police or fire)) with 20 years of service and receiving a pension from the Georgia Municipal Employee Benefit System. The City pays 100% of the retiree's portion of medical insurance premiums until the employee qualifies for Medicare. As of January 1, 2011, there were 25 retirees eligible for post-retirement health care benefits and 295 active participants. The benefit provisions and all other requirements are established by the System and the Adoption Agreement executed by the City. The City has the authority to establish and amend benefit provisions.

At the fund level, expenditures for post-retirement health care benefits are currently recognized as incurred. In the government-wide statements, expenses for other post-employment benefits are recorded and a liability accrued. See below for more details.

Note 4. Other Notes - continued

4.A. Retirement Plan and Post Employment Benefits – continued

Contributions

The annual required contribution amount is determined using actuarial methods and assumptions approved by the Council. The Council establishes and may amend the funding policy for the OPEB Health Care Plan. The City contributed $29,942 to the OPEB Health Care Plan in fiscal year 2012.

The City's actuarially required contribution, OPEB cost, and increase in net OPEB obligation for the year ended June 30, 2012, were computed as follows:

Actuarially required contribution for FYE June 30, 2012	$ 181,150
Interest on net OPEB obligation	9,822
Adjustment to annual required contribution	(15,891)
Annual OPEB cost	175,081
Contributions made	(29,942)
Increase in net OPEB obligation	145,139
Net OPEB obligation, June 30, 2011	525,798
Adjustment to beginning net OPEB obligation	(137,041)
Net OPEB obligation, June 30, 2012	$ 533,896

Fiscal Year Ended June 30,	Annual OPEB Cost	Actual OPEB Contribution	Percentage of OPEB Cost Contributed	(NOO) Net OPEB Obligation
2012	$ 175,081	$ (29,942)	17.10%	$ 533,896
2011	175,081	(31,863)	18.20	388,757
2010	169,486	(46,958)	27.71	245,539

As of the most recent valuation date, January 1, 2011, the funded status of the OPEB Health Care Plan was as follows:

Actuarial Value of Asset	00
Actuarial Accrued Liability (AAL)	(1,465,181)
Unfunded Actuarial Accrued Liability (UAAL)	(1,465,181)
Funded Ratio	0%
Covered Payroll	$ 10,805,482
Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll	13.56%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future and actuarially determined amounts are subject to continued revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective and the methods and assumptions use techniques designed to reduce short term volatility in accrued liabilities and the actuarial value of assets, if any. Calculations are based on the plan in effect at January 1, 2011.

Note 4. Other Notes - continued

4.A. Retirement Plan and Post Employment Benefits – continued

The assumptions used in the January 1, 2011 actuarial valuation are as follows:

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Dollar, Closed, 25 Years
Remaining Amortization Period	22 Years as of July 1, 2011
Asset Valuation Method	Market Value of Assets
Investment Rate of Return (Includes inflation at 3.00%)	8.00% prefunded or 4.00% pay-as-you-go
Medical and Drug Cost Trend Rate	9.00% graded to 5.00% over 8 years

The Georgia Municipal Employee Benefit System issues a publicly available financial report. That report may be obtained by writing to Georgia Municipal Association, Risk Management and Employee Benefit Service, 201 Pryor Street, SW., Atlanta, Georgia 30303.

4.B. Risk Management

The City is exposed to various risks of losses related to torts, thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries commercial insurance. The City purchased commercial insurance to cover property and professional liability claims. The City has joined together with other municipalities in the state as part of the Georgia Municipal Association Group Self-Insurance Workers Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for member local governments.

As part of these risks, 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 funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds 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 funds.

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member government contract and in accordance with the worker's compensation law of Georgia. The funds are to pay all cost 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.

Settled claims in the last three years have not exceeded insurance coverage.

4.C. Litigations and Contingent Liabilities

The City is involved in various cases which are active. The City intends to vigorously defend its positions on these matters. Should any of these cases be settled unfavorably, the City has set aside the funds to cover the settlements. Therefore, these cases should not have an adverse effect on the City's financial condition.

Note 4. Other Notes – continued

4.D. Joint Ventures

The City of Carrollton is a member of the Three Rivers Regional Commission (TRRC). The TRRC was created under the laws of the State of Georgia and cities and counties in the area served by the TRRC are required to be members. The membership dues are paid annually by the City of Carrollton. The City has no equity interest in the TRRC nor does the City materially contribute to the existence of the TRRC. The Official Code of Georgia Annotated Section 50-8-39.1 states that in the event the TRRC ceases operation, the membership can be assessed for any debt or obligation of the TRRC. Separate financial statements may be obtained from: Three Rivers Regional Commission, P.O. Box 818, Griffin, Georgia 30224.

4.E. Component Units

Blended Component Units

The activity and assets of the following two component units (Swimming Association and Area Convention and Visitors Bureau) which are functions of the Parks, Recreation, and Cultural Arts Department, were blended in the City's general fund financial statements. Component unit financial statements are available at the office of the Parks, Recreation and Cultural Arts Department, 118 S. White St., Carrollton, Georgia 30117.

Carrollton Swimming Association

This nonprofit group is the organization of parents who have children on the Carrollton Swim Team and support the activities financially, by dues and other fund raising activities. Annual costs are approximately $175,000.

Carrollton Area Convention and Visitors Bureau

This entity superseded the Carroll County Area Convention and Visitors Bureau and is funded from a portion of the tax assessed on area motel and hotel receipts. Approximately $140,600 was expended to promote tourism in the area this year.

Discretely Presented Component Units

Carrollton Redevelopment Authority

The Carrollton Redevelopment Authority, a Georgia non-profit organization, was created by the General Assembly of Georgia to provide for revenue bonds and other funding sources for construction in Carrollton, Georgia. The Authority operates under a board of nine directors, which are appointed by the Mayor and City Council of the City of Carrollton, Georgia.

In September of 2000, the Carrollton Redevelopment Authority was reactivated for the purpose of issuing revenue bonds to provide advance funding for SPLOST construction projects which would be subsequently repaid with SPLOST revenue. On December 1, 2005, the City signed an intergovernmental agreement with Carroll County to provide immediate joint funding to the two governments by issuing $15,050,000 in revenue bonds to the Carrollton Redevelopment Authority. This enabled the City and County to finance the costs of the 2004 Special Purpose Local Option Sales Tax (SPLOST) projects. The City's portion of the revenue bonds was $10,130,000, and the County's portion was $4,920,000. These bonds were paid in full in fiscal year ended June 30, 2009. The remaining cash in the fund, the City's unspent bond funds, was transferred into the 2004 SPLOST Fund in fiscal year ended June 30, 2011.

Note 4. Other Notes – continued

4.E. Component Units – continued

Carrollton Redevelopment Authority - continued

In August 2010, Carrollton Redevelopment Authority issued $8,000,000 in Series 2010 Federally Taxable Qualified School Construction Bonds – Direct Pay for the Carrollton Independent School System Project for the construction, renovation, modernization and revitalization of the Carrollton Independent School System facilities. These bonds are payable solely from the Trust Estate (bank) and the Authority has no obligation for these debts; therefore, debts are not reflected on the Authority's financial statements. The balance owed on these bonds was $8,000,000 at June 30, 2012.

4.F. Special Purpose Local Option Sales Tax

1994 SPLOST

In 1993, the voters of Carroll County approved a one percent special purpose local option sales tax (SPLOST) to finance street improvement and other capital projects in the County. On September 22, 1993, Carroll County entered into a contract with the various cities whereby the revenues for this tax would be shared with these cities to be used for street improvement and other capital projects. The City of Carrollton's allocable portion of total funds was 22.37%. The collection on this tax began April 1, 1994, through March 31, 1999. Remaining funds were expended for renovation of the train depot and the fund was closed this year.

2004 SPLOST

In 2003, the voters of Carroll County approved a one percent special purpose local option sales tax (SPLOST) to finance various capital projects in the County. On August 7, 2003, Carroll County entered into a contract with the various cities whereby the revenues for this tax would be shared with these cities to be used for various capital projects. The City of Carrollton's allocable portion of total funds is 25.10%. The collection on this tax began April 1, 2004, through March 31, 2009.

2009 SPLOST

In 2008, the voters of Carroll County approved a one percent special purpose local option sales tax (SPLOST) to finance various capital projects in the County. On July 14, 2008, Carroll County entered into a contract with the various cities whereby the revenues for this tax would be shared with these cities to be used for various capital projects. The City of Carrollton's allocable portion of total funds is 20.38%. The collection on this tax began April 1, 2009, and is to be collected for a period of no more than five years.

Activity in each SPLOST issue is accounted for in a separate capital project fund to reflect current major construction activity.

Note 4. Other Notes – continued

4.G. Hotel/Motel Lodging Tax

The City collects and disburses a hotel/motel tax in accordance with the provisions with OCGA 48-13-51. The total rate of 5% generated $262,549 in tax receipts and is allocated as follows:

2% (or 40% of tax) earned and transferred to Carrollton Convention & Visitors Bureau (a component unit of the City) – operating transfers to other funds	$ 105,019
1% (or 20% of tax) earned and remitted to the Carroll County Chamber of Commerce	$ 52,510
2% (or 40% of tax) $105,019, less $4,902 unspent at June 30, 2012, retained by the City and spent in accordance with legal provisions	100,117
Total expenditures from Hotel/Motel Tax Fund	$ 152,627

4.H. Contingent Liabilities and Commitments

State Revolving Loan Agreement

The State revolving loan agreement requires that in the event the loan cannot be repaid from water fund revenues, the City has a general obligation to collect and apply sufficient tax to repay the principal and interest on the loan as required in the loan agreement.

The following reflects future project commitments and plans.

Bradley Street Depot Renovation

The Bradley Street train depot began renovation during the summer of 2009 and will be completed in the Winter of 2012. Renovations include building structure stabilization (foundation brick veneer, windows, and roof). The estimated cost of this project is $1,500,000 and is being funded by 1993 and 2009 SPLOST.

Sanitary Sewer I & I – Phase II

Phase I of this project to reduce inflow and infiltration (I & I) was completed in 2004. Phase II of this project was started in July of 2005, which included approximately $220,000 in flow monitoring, surveying and sewer modeling; which allowed City crews to locate additional sources of I & I. The repair of known leakage points is underway. The 5-year plan for this project includes annual appropriations of $600,000 to finish the sewer study and model, and affect repairs.

Carrollton Greenbelt Project

In 2002, the City partnered with a small group of citizens to create a greenspace program for the community. The Mayor and City Council adopted the Carrollton Greenbelt plan to build a 15 – 16 mile, multi-use, hard surface trail system encircling the City, which will serve as a recreation and alternative transportation site connecting schools, neighborhoods and parks with businesses and shopping venues. In 2011, the Friends of the Carrollton Greenbelt Committee was formed to help push the project forward. The project is divided into multiple phases, with the first phase (3.2 miles) completed in August 2012. Approximately 3 miles will be completed each year thereafter, with the project expected to be completed in the summer of 2016. Total estimated cost of approximately $15 million, is expected to be funded thru grants, 2009 SPLOST revenue, and private donations.

Note 4. Other Notes – continued

4.I. Economic Dependency

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

4.K. Prior Period Adjustments

Changes were made to the beginning net assets and beginning fund balances for the reasons stated below:

	Governmental Activities	Business-type Activities
Net Assets – June 30, 2011, as previously stated	$ 93,723,643	$ 71,314,601
Intergovernmental receivable at June 30, 2011 was understated on 2009 SPLOST Fund	38,097	00
Prior period expense was understated, Water & Sewer Fund	00	(40,191)
OPEB Obligation for June 30, 2011 was overstated	137,041	00
Total prior period adjustments	175,138	(40,191)
Net Assets – June 30, 2011, as restated	$ 93,898,781	$ 71,274,410

	2009 SPLOST Fund	Water & Sewer Fund
Fund balances June 30, 2011 as previously stated	$ 4,688,604	$ 67,956,769
2009 SPLOST Fund - Intergovernmental receivable at June 30, 2011was understated	38,097	00
Water & Sewer Fund – prior period was understated	00	(40,191)
Fund balances June 30, 2011, as restated	$ 4,726,701	$ 67,916,578

REQUIRED SUPPLEMENTARY INFORMATION

City of Carrollton, Georgia
Budgetary Comparison Schedule – General Fund
For the Year Ended June 30, 2012

	Original and Final Budget	Actual	Variance
Revenues:			
Taxes	$ 9,235,000	$ 9,401,088	$ 166,088
License and permits	3,670,000	3,653,896	(16,104)
Intergovernmental	1,304,180	1,431,184	127,004
Charges for services	910,000	1,166,341	256,341
Fines and forfeitures	800,000	715,951	(84,049)
Interest on invested funds	40,000	46,942	6,942
Contributions	45,000	71,105	26,105
Miscellaneous	235,500	330,572	95,072
Total revenues	16,239,680	16,817,079	577,399
Expenditures:			
General government	1,375,753	1,276,461	99,292
Public safety	10,173,075	9,788,994	384,081
Highways and streets	943,976	896,529	47,447
Landfill	68,768	70,378	(1,610)
Recreation and culture	5,071,777	5,335,378	(263,601)
Total expenditures	17,633,349	17,367,740	265,609
Excess (deficiency) of revenues over expenditures	(1,393,669)	(550,661)	843,008
Other financing sources:			
Transfers in	1,393,669	979,207	(414,462)
Transfers out	00	(33,887)	(33,887)
Total other financing sources (uses)	1,393,669	945,320	(448,349)
Excess of revenues over expenditures and other financing sources (uses)	00	394,659	394,659
Fund balance at beginning of year, as restated	11,988,464	11,988,464	00
Fund balance at end of year	$ 11,988,464	$ 12,383,123	$ 394,659

See accompanying notes to required supplementary information.

City of Carrollton, Georgia
Budgetary Comparison Schedule – Major Neighborhood Stabilization Program Fund - NSP 1
Project Budget and Actual, Project to Date
For the Year Ended June 30, 2012

NSP 1	Activity Number	Project Budget	Prior Project to Date Total	Current Year	Project to Date Total	Variance
Revenue						
Grant income	N/A	$ 3,406,991	$ 2,973,517	$ 00	$ 2,973,517	$ (433,474)
Program income	N/A	00	2,040,435	754,874	2,795,309	2,795,309
Other	N/A	00	63,082	308	63,390	63,390
Interest income	N/A	00	1,172	2,896	4,068	4,068
		3,406,991	5,078,206	758,078	5,836,284	2,429,293
Expenses						
Acquisition	5050-001-B-H	785,749	901,000	144,170	1,045,170	(259,421)
Acquisition	5050-001-B-I	1,519,156	2,136,630	145,961	2,282,591	(763,435)
House Rehabilitation	5050-14A-B-H	83,432	258,810	43,606	302,416	(218,984)
House Rehabilitation	5050-14A-B-I	199,011	446,484	8,009	454,493	(255,482)
Downpayment and closing cost	5050-013-A-H	30,637	51,400	17,755	69,155	(38,518)
Downpayment and closing cost	5050-013-A-I	71,485	140,352	74,603	214,955	(143,470)
Clearance	5050-004-D-I	513,102	322,330	55	322,385	190,717
Administration	5050-21A-X	204,419	181,740	41,746	223,486	(19,067)
Other		00	9,000	00	9,000	(9,000)
Selling costs paid by seller		00	192,813	77,771	270,584	(270,584)
Total expenses		3,406,991	4,640,559	553,676	5,194,235	(1,787,244)
Excess of revenue over expenditure – NSP 1		$ 00	$ 437,647	$ 204,402	$ 642,049	$ 642,049

See accompanying notes to required supplementary information.

City of Carrollton, Georgia
Budgetary Comparison Schedule – Major Neighborhood Stabilization Program Fund - NSP 3
Project Budget and Actual, Project to Date
For the Year Ended June 30, 2012

NSP 3	Activity Number	Project Budget	Prior Project to Date Total	Current Year	Project to Date Total	Variance
Revenue						
Grant income	N/A	$ 1,190,390	$ 00	$ 219,748	$ 219,748	$ (970,642)
Program income	N/A	00	00	218,439	218,439	218,439
Other	N/A	00	00	740	740	740
Interest income	N/A	00	00	167	167	167
		1,190,390	00	439,094	439,094	(751,296)
Expenses						
Acquisition	6012-001-B-H	215,872	00	114,535	114,535	101,337
Acquisition	6012-001-B-I	631,744	00	226,564	226,564	405,180
House Rehabilitation	6012-14A-B-H	82,599	00	19,015	19,015	63,584
House Rehabilitation	6012-14A-B-I	128,752	00	1,368	1,368	127,384
Downpayment and closing cost	6012-013-A-H	15,000	00	00	00	15,000
Downpayment and closing cost	6012-013-A-I	45,000	00	17,800	17,800	27,200
Administration	6012-21A-X	71,423	00	13,615	13,615	57,808
Other		00	00	1,000	1,000	(1,000)
Selling costs paid by seller		00	00	15,550	15,550	(15,550)
Total expenses		1,190,390	00	409,447	409,447	780,943
Excess of revenue over expenditure NSP 3		$ 00	$ 00	$ 29,647	$ 29,647	$ 29,647

See accompanying notes to required supplementary information.

Budgets are prepared for all governmental funds based on requests made by various department heads. The budgets include proposed expenditures and the means of financing them. Prior to budgets being legally enacted through passage of an ordinance, public hearings are held to obtain taxpayer comments. The budgets are prepared on the modified accrual basis of accounting. The City does not use an encumbrance system which records commitments related to unperformed contracts for goods and services. Although special revenue funds are required to adopt annual budgets, the Neighborhood Stabilization Program Fund grant budgets were set up on a project length basis, as reflected on pages 59 and 60. Annual budgets will be adopted for all subsequent years for this fund.

The following General Fund department's expenditures exceeded its budgeted appropriations by more than three percent.

Main Street	$ 6,611
Parks and Recreation	267,422
Legal	11,005
Garage	7,449

General fund revenue exceeded budgeted revenue by $577,399.

In the future, actual expenditures will be compared to budgeted expenditures and budget amendments will be made when appropriate.

City of Carrollton, Georgia
Schedule of Funding Progress
June 30, 2012

Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued (Liability) Excess	Funded Ratio	Annual Covered Payroll	Actuarial Accrued (Liability) Excess as a Percentage of Covered Payroll
May 1, 2007	$ 13,971,149	$ 15,501,567	$ (1,530,418)	90.13%	$ 9,357,443	(16.36%)
May 1, 2008	14,689,299	16,789,002	(2,099,703)	87.49%	9,973,562	(21.05%)
May 1, 2009	10,138,698	17,584,324	(7,445,626)	57.66%	10,987,492	(67.76%)
January 1, 2010	13,129,159	18,588,848	(5,459,689)	70.63%	11,048,517	(49.42%)
January 1, 2011	14,409,539	19,389,656	(4,980,117)	74.32%	10,698,399	(46.55%)
January 1, 2012	15,519,871	20,628,402	(5,108,531)	75.24%	11,178,728	(45.70%)

Actuarial assumption used in the calculation of above amounts are disclosed in the notes to the financial statements.

OPEB Health Care Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued (Liability) Excess	Funded Ratio	Annual Covered Payroll	Actuarial Accrued (Liability) Excess as a Percentage of Covered Payroll
May 1, 2008	$ 00	$ 1,448,245	$ (1,448,245)	00.00%	$ 11,187,895	(12.95%)
January 1, 2011	00	1,465,181	(1,465,181)	00.00%	10,805,482	(13.56%)

Actuarial assumption used in the calculation of above amounts are disclosed in the notes to the financial statements.

OTHER SUPPLEMENTARY INFORMATION

City of Carrollton
Capital Projects Fund
2004 Special Purpose Local Option Sales Tax
Schedule of Revenues and Expenditures
Budgetary Comparison Schedule - Major Capital Projects Fund
Project Budget and Actual, Project to Date
For the Period Ended June 30, 2012

	Project Budget	Project to Date Total	Variance
Revenues:			
Carroll County SPLOST tax	$ 21,335,000	$ 19,896,885	$ (1,438,115)
Grant revenue	00	134,497	134,497
Interest	00	13,240	13,240
Citizen donation	00	100,000	100,000
Total	21,335,000	20,144,622	(1,190,378)
Expenditures:			
Downtown Development Improvements	6,400,000	10,687,403	(4,287,403)
New Northeast Fire Substation	1,025,000	1,946,082	(921,082)
Recreation/Cultural Arts Improvements	4,275,000	3,345,023	929,977
Greenspace Acquisition	535,000	360,341	174,659
Lake Carroll Improvement/Reservoir	2,150,000	51,926	2,098,074
West Carrollton Revitalization	800,000	359,623	440,377
Economic Development	3,200,000	1,657,595	1,542,405
Sidewalk & Street Improvements	2,150,000	1,015,645	1,134,355
Public Utilities Improvements	800,000	483,427	316,573
	21,335,000	19,907,065	1,427,935
Excess of revenues over expenditures	00	237,557	237,557
Other sources and uses:			
Transfers to other funds	00	(11,269,938)	(11,269,938)
Transfers from other funds	00	11,280,073	11,280,073
Total other sources and uses	00	10,135	10,135
Excess of revenues and other sources over expenditures and other uses	$ 00	$ 247,692	$ 247,692

Water Fund projects funded from 2004 SPLOST are excluded.

City of Carrollton
Capital Projects Fund
2009 Special Purpose Local Option Sales Tax
Schedule of Revenues and Expenditures
Budgetary Comparison Schedule - Major Capital Projects Fund
Project Budget and Actual, Project to Date
For the Period Ended June 30, 2012

	Project Budget	Project to Date Total	Variance
Revenues:			
Intergovernmental revenue	$ 21,026,585	$ 13,232,046	$ (7,794,539)
Other revenue	00	3,233,040	3,233,040
Interest	00	184,004	184,004
Total	21,026,585	16,649,090	(4,377,495)
Expenditures:			
Sidewalk and Street Improvements	5,485,197	7,216,181	(1,730,984)
Water Impoundment Development and Improvements	4,570,997	00	4,570,997
Recreation/Cultural Arts Improvements	2,742,599	391,126	2,351,473
Economic Development	2,285,498	2,298,461	(12,963)
Greenspace Acquisition and Improvement	2,285,498	4,535,514	(2,250,016)
Public Safety Facilities and Equipment	1,828,398	2,222,101	(393,703)
Historic Train Depot Restoration	1,371,299	165,308	1,205,991
Telecommunications Facilities and Equipment	457,099	62,361	394,738
	21,026,585	16,891,052	4,135,533
Excess of expenditures over revenues	00	(241,962)	(241,962)
Other sources and uses:			
Proceeds from intergovernmental debt	00	10,619,420	10,619,420
Transfers to other funds	00	(106,562)	(106,562)
Debt service principal payments	00	(4,726,497)	(4,726,497)
Debt service interest payments	00	(1,253,371)	(1,253,371)
Total other sources and uses	00	4,532,990	4,532,990
Excess of revenues and other sources Over expenditures and other uses	$ 00	$ 4,291,028	$ 4,291,028

City of Carrollton, Georgia
Non-major Governmental Funds
Combining Balance Sheet
June 30, 2012

Assets

	Hotel/Motel Tax Fund	Drug Seizure Fund	Regional Hazardous Material Team Fund	West Metro Regional Drug Enforcement Fund	1994 Special Purpose Local Option Sales Tax Fund	Total
Cash in bank	$ 61,856	$ 59,670	$ 35,916	$ 407,075	$ 00	$ 564,517
Receivable	23,827	9,843	11,000	106,313	00	150,983
Total assets	$ 85,683	$ 69,513	$ 46,916	$ 513,388	$ 00	$ 715,500

Liabilities and Fund Balance

Liabilities						
Accounts and accrued payable	$ 37,500	$ 2,319	$ 00	$ 8,924	$ 00	$ 48,743
Deferred revenue	00	00	00	12,000	00	12,000
Due to other governments	5,365	00	00	29,551	00	34,916
Due to other funds	11,615	00	00	13,709	00	25,324
Seized funds awaiting disposition	00	5,673	00	58,510	00	64,183
Total liabilities	54,480	7,992	00	122,694	00	185,166
Fund balance – restricted						
Total liabilities and fund balance	31,203	61,521	46,916	390,694	00	530,334
	$ 85,683	$ 69,513	$ 46,916	$ 513,388	$ 00	$ 715,500

City of Carrollton, Georgia
Non-major Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2012

	Special Revenue Funds				Capital Projects Fund	
	Hotel/Motel Tax Fund	Drug Seizure Fund	Regional Hazardous Material Team Fund	West Metro Regional Drug Enforcement Fund	1994 Special Purpose Local Option Sales Tax Fund	Total
Revenues:						
Forfeitures	$ 00	$ 36,163	$ 00	$ 152,854	$ 00	$ 189,017
Taxes	262,549	00	00	00	00	262,549
Interest	76	127	111	1,716	305	2,335
Intergovernmental	4,000	00	11,000	613,020	00	628,020
Other	00	7,500	6,561	27,856	00	41,917
Total revenues	266,625	43,790	17,672	795,446	305	1,123,838
Expenditures	152,627	80,572	14,242	775,535	232,369	1,255,345
Excess (deficiency) of revenues over expenditures	113,998	(36,782)	3,430	19,911	(232,064)	(131,507)
Other financing sources (uses):						
Transfer in (out) – other funds	(105,019)	00	00	33,887	00	(71,132)
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	8,979	(36,782)	3,430	53,798	(232,064)	(202,639)
Fund balance at beginning of year	22,224	98,303	43,486	336,896	232,064	732,973
Fund balance at end of year	$ 31,203	$ 61,521	$ 46,916	$ 390,694	$ 00	$ 530,334

City of Carrollton, Georgia
Schedule of Revenues, Expenditures and
Changes in Fund Balances – Budget and Actual (Budgetary Basis)
Non-major Special Revenue Funds
For the Year Ended June 30, 2012

	HOTEL/MOTEL TAX		
	Budget	Actual	Variance
Revenues:			
Taxes	$ 230,000	$ 262,549	$ 32,549
Grant	00	4,000	4,000
Interest	500	76	(424)
Total revenues	230,500	266,625	36,125
Expenditures:			
Appropriations to other agencies	138,300	152,627	(14,327)
Total expenditures	138,300	152,627	(14,327)
Excess (deficiency) of revenues over expenditures	92,200	113,998	21,798
Transfers out	(92,200)	(105,019)	(12,819)
Fund balances at beginning of year	22,224	22,224	00
Fund balances at end of year	$ 22,224	$ 31,203	$ 8,979

	DRUG SEIZURE FUND		
	Budget	Actual	Variance
Revenues:			
Seized funds - forfeitures	$ 20,000	$ 36,163	$ 16,163
Interest	500	127	(373)
Other	00	7,500	7,500
Total revenues	20,500	43,790	23,290
Expenditures:			
Public Safety	20,500	8,199	12,301
Capital outlay	00	72,373	(72,373)
Total expenditures	20,500	80,572	(60,072)
Excess (deficiency) of revenues over expenditures	00	(36,782)	(36,782)
Fund balances at beginning of year	98,303	98,303	00
Fund balances at end of year	$ 98,303	$ 61,521	$ (36,782)

City of Carrollton, Georgia
Schedule of Revenues, Expenditures and
Changes in Fund Balances – Budget and Actual (Budgetary Basis)
Non-major Special Revenue Funds
For the Year Ended June 30, 2012

REGIONAL HAZARDOUS MATERIAL TEAM FUND

	Budget	Actual	Variance
Revenues:			
Grant revenue	$ 00	$ 11,000	$ 11,000
Service revenue and dues	3,000	6,561	3,561
Interest	500	111	(389)
Total revenues	3,500	17,672	14,172
Expenditures:			
Maintenance and training	3,500	3,242	258
Capital expenditures	00	11,000	(11,000)
Total expenditures	3,500	14,242	(10,742)
Excess (deficiency) of revenues over expenditures	00	3,430	3,430
Fund balances at beginning of year	43,486	43,486	00
Fund balances at end of year	$ 43,486	$ 46,916	$ 3,430

WEST METRO REGIONAL DRUG ENFORCEMENT FUND

	Budget	Actual	Variance
Revenues:			
Grant	$ 442,765	$ 442,765	$ 00
Agency contributions and match	147,589	170,255	22,666
Forfeitures	00	152,854	152,854
Interest	00	1,716	1,716
Miscellaneous	00	27,856	27,856
Total revenues	590,354	795,446	205,092
Expenditures:			
Wages and benefits	416,549	419,588	(3,039)
Other operating expenditures	158,252	257,041	(98,789)
Capital expenditures	15,553	98,906	(83,353)
Total expenditures	590,354	775,535	(185,181)
Excess (deficiency) of revenues over expenditures	00	19,911	19,911
Transfers from general fund	00	33,887	33,887
Excess (deficiency) of revenues and other sources over expenditures	00	53,798	53,798
Fund balances at beginning of year	336,896	336,896	00
Fund balances at end of year	$ 336,896	$ 390,694	$ 53,798

City of Carrollton
Capital Projects Fund
1994 Special Purpose Local Option Sales Tax
Schedule of Revenues and Expenditures
Non-major Capital Projects Funds
Project Budget and Actual, Project to Date
For the Period Ended June 30, 2012

	Project Budget	Project to Date Total	Variance
Revenues:			
Carroll County SPLOST tax	$ 7,125,000	$ 10,247,993	$ 3,122,993
Intergovernmental			
Georgia Department of Transportation	00	781,717	781,717
Georgia Department of Community Affairs	00	5,350	5,350
Other governmental	00	383,023	383,023
Interest	00	182,979	182,979
Other	00	48,221	48,221
Total revenues	7,125,000	11,649,283	4,524,283
Expenditures:			
Paving, road improvements and Depot	6,400,000	11,039,130	(4,639,130)
Recreation and culture	725,000	872,932	(147,932)
Total expenditures	7,125,000	11,912,062	(4,787,062)
Excess of revenues over expenditures	00	(262,779)	(262,779)
Other sources (uses):			
Transfers to other funds	00	(32,267)	(32,267)
Transfers from other funds	00	280,663	280,663
Total other sources (uses)	00	248,396	248,396
Deficiency of revenues and other sources over expenditures and other uses	$ 00	$ (14,383)	$ (14,383)

City of Carrollton, Georgia
General Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (GAAP Basis)
Includes Capital Outlays within Departments
For the Year Ended June 30, 2012

	Original and Final Budget	Actual	Variance
Revenues:			
Taxes:			
Real, intangible and personal property	$ 3,260,000	$ 3,197,517	$ (62,483)
Auto and mobile homes	200,000	196,752	(3,248)
Sales - local option	4,000,000	4,221,957	221,957
Insurance premium tax	1,100,000	1,143,900	43,900
Beer and wine tax	675,000	640,962	(34,038)
Licenses and permits:			
Occupation tax	1,000,000	975,718	(24,282)
Building, electric and plumbing permits	75,000	83,110	8,110
Franchise fees	2,395,000	2,388,083	(6,917)
Alcoholic beverage license	200,000	206,985	6,985
Intergovernmental:			
State and federal -			
Fire Assistance Grants	131,150	149,220	18,070
Police Grants	164,700	187,614	22,914
Other Grants	9,150	13,805	4,655
Nutrition Program Grant	96,000	153,060	57,060
Carroll County –			
Recreation program	160,000	164,969	4,969
Fire department	582,180	582,180	00
Landfill personnel reimbursement	68,000	70,015	2,015
Tourism	00	17,658	17,658
Carrollton School Board	93,000	92,663	(337)
Charges for services:			
Recreation Department program fees	910,000	1,166,341	256,341
Fines and forfeitures	800,000	715,951	(84,049)
Interest on invested funds	40,000	46,942	6,942
Contributions	45,000	71,105	26,105
Miscellaneous:			
Insurance reimbursements	00	14,291	14,291
Rents	100,000	104,142	4,142
Other	135,500	212,139	76,639
Total revenues	16,239,680	16,817,079	577,399

City of Carrollton, Georgia
General Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (GAAP Basis) - continued
Includes Capital Outlays within Departments
For the Year Ended June 30, 2012

	Original and Final Budget	Actual	Variance
Expenditures:			
General government	$ 1,375,753	$ 1,276,461	$ 99,292
Public safety	10,173,075	9,788,994	384,081
Highways and streets	943,976	896,529	47,447
Landfill	68,768	70,378	(1,610)
Cultural and recreation	5,071,777	5,335,378	(263,601)
Total expenditures	17,633,349	17,367,740	265,609
Excess (deficiency) of revenues over expenditures	(1,393,669)	(550,661)	843,007
Other financing sources (uses):			
Operating transfers in	1,393,669	979,207	(414,462)
Operating transfers out	00	(33,887)	(33,887)
Total other financing sources (uses)	1,393,669	945,320	(448,349)
Excess of revenues and other sources over expenditures and other uses	00	394,659	394,659
Fund balance at beginning of year, as restated	11,988,464	11,988,464	00
Fund balance at end of year	$ 11,988,464	$ 12,383,123	$ 394,659

City of Carrollton, Georgia
General Fund
Schedule of Expenditures, Compared to Budget (GAAP Basis) – by Departments
For the Year Ended June 30, 2012

	Original and Final Budget	Actual	Variance
General Government:			
Mayor and council	$ 97,260	$ 96,286	$ 974
City manager's office	97,880	84,765	13,115
General administration	678,924	633,913	45,011
Building inspections	139,067	98,231	40,836
Planning administration	54,778	55,862	(1,084)
Main Street	86,745	93,356	(6,611)
Human resources administration	100,118	83,479	16,639
Legal	56,000	67,005	(11,005)
Finance and purchasing	64,981	63,564	1,417
Total general government	1,375,753	1,276,461	99,292
Public Safety:			
Police department	5,738,581	5,621,083	117,498
Fire department	4,434,494	4,167,911	266,583
Total public safety	10,173,075	9,788,994	384,081
Highway and Streets:			
Street department	239,978	219,083	20,895
Engineering department	499,789	471,462	28,327
General maintenance	85,843	82,843	3,000
Garage	118,366	125,815	(7,449)
Shop	00	(2,674)	2,674
Total highways and streets	943,976	896,529	47,447
Landfill	68,768	70,378	(1,610)
Cultural and recreation:			
Parks and recreation	4,656,462	4,923,884	(267,422)
Visitors Bureau	144,416	140,590	3,826
West Georgia Regional Library	270,899	270,904	(5)
Total cultural and recreation	5,071,777	5,335,378	(263,601)
Total expenditures	$ 17,633,349	$ 17,367,740	$ 265,609

City of Carrollton, Georgia
Water and Sewerage System Enterprise Fund
Schedule of Revenues and Expenses
Budget and Actual (Non-GAAP Basis)
For the Year Ended June 30, 2012

	Original and Final Budget	Actual	Variance With Final Budget
Revenues:			
Operating revenues:			
Water sales and penalties	$ 6,380,000	$ 6,744,189	$ 364,189
Sewer fees and surcharges	3,650,000	3,937,597	287,597
Water and sewer tap fees	250,000	694,840	444,840
Total operating revenues	10,280,000	11,376,626	1,096,626
Expenses:			
General operations	984,921	984,647	274
Filter plant	1,992,444	1,856,624	135,820
Systems upkeep	1,305,697	1,319,405	(13,708)
Sewerage treatment plant	2,616,051	2,284,190	331,961
Water support services	479,621	481,581	(1,960)
Facilities maintenance	393,218	351,644	41,574
Total operating expenses	7,771,952	7,278,091	493,861
Excess of operating revenues over operating expenses	2,508,048	4,098,535	1,590,487
Non-operating revenues, (expenses) and other financing sources and (uses):			
Interest income	2,000	10,030	8,030
Miscellaneous	15,000	157,336	142,336
Capital contributions	00	143,000	143,000
Water projects - construction and engineering	(300,000)	(603,942)	(303,942)
Payments - State Revolving - principal and interest	(406,438)	(406,438)	00
Payments - GEFA loan - principal and interest	(153,762)	(153,762)	00
Payments – GEFA membrane loans – principal and interest	(432,740)	(427,808)	4,932
Payment - 1993 Revenue Bond - interest	(35,000)	(35,000)	00
Payment - 1993 Revenue Bond - principal	(340,000)	(340,000)	00
Payment - 1997 Revenue Bond - interest	(58,471)	(57,870)	601
Payment - 1997 Revenue Bond - principal	(154,881)	(154,881)	00
Rents	78,000	81,460	3,460
Transfer to General Fund	(721,756)	(630,228)	91,528
	(2,508,048)	(2,418,103)	89,945
Excess of revenues and other sources over expenses and other financing uses	$ 00	$ 1,680,432	$ 1,680,432

City of Carrollton, Georgia
Sanitation Enterprise Fund
Schedule of Revenues and Expenses
Budget and Actual (Non-GAAP Basis)
For the Year Ended June 30, 2012

	Original and Final Budget	Actual	Variance With Final Budget
Operating revenues:			
Garbage and landfill fees	$ 3,900,000	$ 3,856,628	$ (43,372)
Total operating revenues	3,900,000	3,856,628	(43,372)
Operating expenses	3,445,503	3,114,623	330,880
Excess of operating revenues over operating expenses	454,497	742,005	287,508
Non-operating revenues, (expenses) and other financing sources and (uses):			
Payments – GMA loan – interest	00	(5,601)	(5,601)
Interest income	6,000	7,524	1,524
Interfund transfers	(460,497)	(243,960)	216,537
	(454,497)	(242,037)	212,460
Excess of operating revenues and other sources over operating expenses and other uses	$ 00	$ 499,968	$ 499,968

City of Carrollton, Georgia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Federal Grantors' Number	Federal Expenditures
Department of Homeland Security:			
Direct Award:			
SAFER Grant	97.083	045-13492-00 (FEMA-3218-EM-GA)	$ 149,220
Passed through State Agency:			
Georgia Emergency Management Agency:		045-13492-03	
State Domestic Preparedness (Equipment Grant)	97.044	(2009-SS-T9-0047)	11,000
Hazard Mitigation Grant – Valley Circle Homes	97.039	HMGP-1858-0008	127,734
Total Department of Homeland Security			287,954
Department of Health & Human Services:			
Passed through State Agency:			
Chattahoochee Flint ADP – Nutrition services – Special Projects for Aging Title III, Part C:	93.045	427-93-90111	153,060
Total Department of Health & Human Services			153,060
Department of Justice:			
Direct Award:			
ARRA-Cops Hiring Recovery Program	16.710	2009 RKWX0265	166,521
Passed through State Agency:			
State Criminal Justice Coordinating Council:			
ARRA-Edward Byrne Justice Assistance Grant	16.803	2009-SV-B9-0003	442,765
Total Department of Justice			609,286
Department of Housing & Urban Development:			
Passed through State Agency:			
Georgia Department of Community Affairs			
HERA-Neighborhood Stabilization Program - 1	14.228	08-ns-5050	475,905
Passed through Carroll County, Georgia:			
Neighborhood Stabilization Program - 3	14.218	11-NS-6012	392,897
Total Department of Housing & Urban Development			868,802
Department of Interior:			
Passed through State Agency:			
Georgia Department of Natural Resources:			
Land & Water Conservation – Greenbelt	15.916	13-00899	86,739
Total Department of Interior			86,739
Total expenditures of federal awards			$ 2,005,841

The schedule of expenditures of federal awards includes the federal grant activity of the City of Carrollton and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 1. Significant Accounting Policies

Basis of Presentation

The Schedule of Expenditures of Federal Awards is prepared using the modified accrual basis of accounting.

Measurement Focus

The determination of when an award is expended is based on when the activity related to the award occurred.

Program Type Determination

Type A programs are defined as federal programs with federal expenditures exceeding the larger of $300,000 or three percent of the total federal expenditures. The threshold of $300,000 was used in distinguishing between Type A and Type B programs.

Method of Major Program Selection

The risk based approach was used in the selection of federal programs to be tested as major programs. The City did qualify as a low-risk auditee for the fiscal year ended June 30, 2012.

Amount Provided to Subrecipients

The City had no major programs that provide amounts to subrecipients.

City of Carrollton, Georgia
Schedule of Projects Constructed with 1994 Special Purpose
Local Option Sales Tax Proceeds
For the Year Ended June 30, 2012

	Original Estimated Cost	Expenditures and Adjustments: Prior Years	Expenditures and Adjustments: Current Year	Total
Transportation improvements and depot	$ 6,400,000	$ 10,036,662	$ 232,369	$ 10,269,031
Recreation improvements	725,000	733,705	00	733,705
	$ 7,125,000	$ 10,770,367	$ 232,369	$ 11,002,736

City of Carrollton, Georgia
Schedule of Projects Constructed with 2004 Special Purpose
Local Option Sales Tax Proceeds
For the Year Ended June 30, 2012

	Original Estimated Cost	SPLOST Expenditures		Expenditures From Other Sources		Total
		Prior Years	Current Cost	Prior Years	Current Year	
Downtown Development Improvements	$ 6,400,000	$ 8,094,400	$ 1,342,552	$ 1,250,215	$ 00	$ 10,687,167
New Northeast Fire Substation	1,025,000	1,945,735	00	00	00	1,945,735
Recreation/Cultural Arts Improvements	4,275,000	3,349,228	00	00	00	3,349,228
Greenspace Acquisition	535,000	359,994	00	00	00	359,994
Lake Carroll Improvement/Reservoir	2,150,000	1,466,735	00	00	00	1,466,735
West Carrollton Revitalization	800,000	359,276	00	00	00	359,276
Economic Development	3,200,000	1,656,361	00	00	00	1,656,361
Sidewalk & Street Improvements	2,150,000	1,015,297	00	00	00	1,015,297
Public Utilities Improvements	800,000	483,080	00	00	00	483,080
*Debt Service – Redevelopment Authority	00	2,327,600	00	00	00	2,327,600
	$ 21,335,000	$ 21,057,706	$ 1,342,552	$ 1,250,215	$ 00	$ 23,650,473

* Debt was borrowed in 2005 to fund SPLOST projects in advance, before sufficient SPLOST tax revenue was available. The debt was borrowed through the Carrollton Redevelopment Authority, a component unit of the City, and transferred to the SPLOST fund. Likewise, payments on the debt were made by the SPLOST fund annually with the final payment made in 2009. All SPLOST project expenditures have been reflected.

City of Carrollton, Georgia
Schedule of Projects Constructed with 2009 Special Purpose
Local Option Sales Tax Proceeds
For the Year Ended June 30, 2012

	Original Estimated Cost	SPLOST Expenditures		Expenditures From Other Sources		Total
		Prior Years	Current Cost	Prior Years**	Current Year	
Sidewalk and Street Improvements	$ 5,485,197	$ 3,308,728	$ 220,261	$ 3,448,641	$ 238,551	$ 7,216,181
Water Impoundment Development and Improvements	4,570,997	106,562	00	00	00	106,562
Recreation/Cultural Arts Improvements	2,742,599	235,846	153,780	00	1,500	391,126
Economic Development	2,285,498	1,798,461	500,000	00	00	2,298,461
Greenspace Acquisition and Improvements	2,285,498	1,805,650	432,190	1,651,777	645,897	4,535,514
Public Safety - Equipment	1,828,398	1,889,673	123,473	208,955	00	2,222,101
Historic Train Depot Restoration	1,371,299	00	164,895	00	413	165,308
Telecommunications Facilities and Equipment	457,099	49,362	12,999	00	00	62,361
*Debt Service – Carroll County Georgia	00	3,918,928	1,858,963	00	00	5,777,891
	$ 21,026,585	$ 13,113,210	$ 3,466,561	$ 5,309,373	$ 886,361	$ 22,775,505

* Debt was borrowed in 2008 to fund SPLOST projects in advance, before sufficient SPLOST tax revenue was available. The debt was borrowed from Carroll County and transferred to the City SPLOST fund. Likewise, payments on the debt are made by the SPLOST fund annually.

** As restated

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	Amber E. Ash	CPA
Deborah W. Cooke	CPA	Kevin G. Bush	CPA
Johanna H. Tallent	CPA	Shari L. Reid	CPA

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

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 Carrollton, Georgia

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Carrollton, Georgia, as of and for the year ended June 30, 2012, which collectively comprise the City of Carrollton, Georgia's basic financial statements, and have issued our report thereon dated January 9, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as item 2012-1, that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Carrollton, 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 one instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of Findings and Questioned Costs as item 2012-2.

We noted certain matters that we reported to management of the City of Carrollton, Georgia, in a seperate letter dated January 9, 2013.

The City of Carrollton's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City of Carrollton, Georgia's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the City Council, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Garrett, Thomas & Yazic P.C.

January 9, 2013

Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

Garrett
Thomas &
Fazio, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

Honorable Mayor and City Council
City of Carrollton, Georgia

Compliance

We have audited City of Carrollton, Georgia's, compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal program for the year ended June 30, 2012. The City of Carrollton, Georgia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Carrollton's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Carrollton, Georgia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Carrollton, Georgia's compliance with those requirements.

In our opinion, the City of Carrollton, Georgia, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the City of Carrollton, Georgia, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Carrollton, Georgia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Honorable Mayor and City Council
City of Carrollton, Georgia

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 2012-3. A *significant deficiency in internal control over compliance*, is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The City of Carrollton, Georgia's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of Carrollton, Georgia's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Garrett, Thomas & Yazid P.C.

January 9, 2013

City of Carrollton, Georgia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the City of Carrollton, Georgia.

2. One significant deficiency disclosed during the audit of the financial statements is reported in the 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*. This deficiency is not considered to be a material weakness.

3. One instance of noncompliance material to the financial statements of the City of Carrollton, Georgia is reported in the Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

4. One significant deficiency in internal control over major federal award programs is reported in the Independent Auditor's Report on Compliance with Requirements that could have a direct and material effect on each Major Program and on Internal Control Over Compliance Performed in Accordance with OMB Circular A-133. The deficiency is not considered to be a material weakness.

5. The auditor's report on compliance for the major federal award programs for the City of Carrollton, Georgia expresses an unqualified opinion on all major Federal Programs

6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.

7. The programs tested as major programs were the Department of Justice, Edward Byrne Justice Assistance Grants (CFDA# 16.803); HUD, Neighborhood Stabilization Program 1 (CFDA# 14.228); and HUD, Neighborhood Stabilization Program 3 (CFDA# 14.218).

8. The threshold for distinguishing Types A and B programs was $300,000.

9. City of Carrollton, Georgia was determined to be a low-risk auditee.

FINDINGS – FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCY:

2012 – 1 Segregation of Duties – Repeat Finding

a. Criteria – Segregation of duties is a key internal control whereby the authorization, custody, record keeping, and reconciling duties are separated among several persons.

b. Condition – There is not appropriate segregation of duties between recording, distribution, and reconciliation of cash accounts and other operational functions in certain departments and component units.

c. Effect – The possibility that errors or irregularities will occur and not be detected on a timely basis in the normal course of business.

d. Cause – The limited number of personnel to perform all of the required duties.

e. Recommendation – We suggest that segregation of duties be implemented to the extent practical and accounting records be reviewed by responsible officials on a regular basis.

2012-1 Segregation of Duties – Repeat Finding – continued

f. Management's response – We concur with the recommendation. City management will work to continually improve and implement as many procedures as possible to improve internal controls in this area.

2012-2 Deposit Collateral

a. Criteria – State law requires that all public funds be adequately collateralized.

b. Condition – Uncollateralized account totaling $91,667 was noted.

c. Context – Total City deposits were $20,615,905.

d. Effect – The uncollateralized amount would not be covered if the financial institutions became insolvent.

e. Cause – A new account was opened this year and was not coded as "Public Funds".

f. Recommendation – We recommend that the correct bank classification be requested for the bank account noted.

g. Management's response – The City concurs and has corrected it subsequent to year end.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAM AUDIT

2012-3 U.S. Department of Justice – CFDA #16.803

a. Criteria – The City of Carrollton must insure their systems and policies are properly aligned with grantor agency requirements.

b. Condition – The City of Carrollton has outstanding compliance issues related to accounting system structure and policy implementation with grantor agencies related to Edward Byrne Memorial Justice grants.

c. Effect – The failure to maintain adequate policies and procedures could place the City in violation of grant provisions and possibly affect future funding.

d. Cause – Lack of oversight of special provisions relating to grant contracts that may change from year to year.

e. Recommendation – The City should respond appropriately to satisfy any and all outstanding grantor agency requirements to maintain its compliance with grant provisions and to secure future funding.

f. Management Response – The City concurs with this finding. Every effort will be made to implement appropriate accounting system structure as well as evaluating agency policies in congruence with grantor agency standards.