CITY OF DALLAS, GEORGIA

ANNUAL FINANCIAL REPORT

For The Fiscal Year Ended
June 30, 2012

Kendall Smith
City Manager

By Authority of
Mayor and City Council

CITY OF DALLAS, GEORGIA
ANNUAL FINANCIAL REPORT
JUNE 30, 2012

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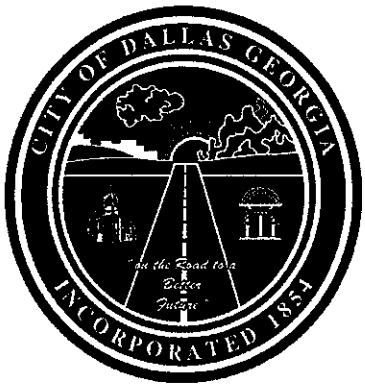
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CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

LLOYD WILLIAMSON
CHRISTIAN HATCH

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor, Members of the City Council
And the City Manager
City of Dallas, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of the City of Dallas, 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 Dallas, Georgia'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. 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 aspects, the respective financial position of the governmental activities, the business-type activities, and the aggregate remaining fund information of the City of Dallas, 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 and the respective budgetary comparison for the General Fund, the Confiscated Drug Fund, and the Hotel Motel Tax Fund.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2012 on our consideration of the City of Dallas, Georgia's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts and grants 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 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.

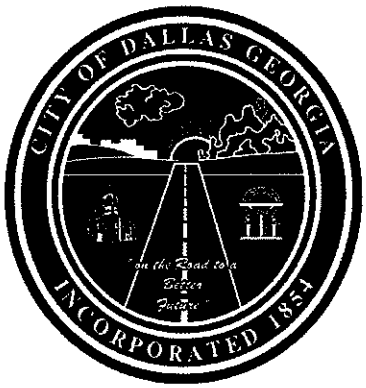
The City of Dallas, Georgia has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dallas, Georgia's financial statements as a whole. The accompanying financial information listed as schedules in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Dallas, Georgia. The Schedule of Special Purpose Local Options Sales Tax, as required by the Georgia code section OCGA §48-8-121, is presented for purposes of additional analysis and is not required part of the basic financial statements. The information in the schedule of special purpose local options sales tax expenditures has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Williamson and Company

Williamson & Co., CPA's
November 30, 2012

BASIC FINANCIAL STATEMENTS



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CITY OF DALLAS, GEORGIA
STATEMENT OF NET ASSETS
FOR THE YEAR ENDED
JUNE 30, 2012

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash	$ 1,066,298	$ 9,217	$ 1,075,515
Receivables - net	800,112	189,593	989,705
Internal Balances	803,185	(803,185)	-
Inventory	-	84,761	84,761
Restricted Assets:			
Cash	248,015	4,227,472	4,475,487
Non-Current Assets:			
Issuance Cost-Net	-	198,324	198,324
Capital Assets:			
Land and Construction in Progress	6,494,904	3,540,316	10,035,220
Other Capital Assets-Net	13,545,123	10,906,133	24,451,256
Total Capital Assets	20,040,027	14,446,449	34,486,476
Total Assets	22,957,637	18,352,631	41,310,268
LIABILITIES			
Accounts Payable	156,380	414,571	570,951
Customer Deposits	239,007	355,232	594,239
Interest Payable	-	91,465	91,465
Retainage Payable	97,145	64,694	161,839
Deferred Revenue	7,000	-	7,000
Noncurrent Liabilities:			
Due Within One Year	548,745	305,048	853,793
Due In More Than One Year	1,803,044	10,281,388	12,084,432
Total Liabilities	2,851,321	11,512,398	14,363,719
NET ASSETS			
Invested in Capital Assets, net of related debt	17,813,331	3,896,322	21,709,653
Restricted for:			
Drug Enforcement Activities	2,950	-	2,950
Capital Projects	47,210	-	47,210
Tourism	1,623	-	1,623
Debt Service	-	4,277,472	4,277,472
Unrestricted	2,241,202	(1,333,561)	907,641
Total Net Assets	$ 20,106,316	$ 6,840,233	$ 26,946,549

The accompanying notes are an integral part of this financial statement.

CITY OF DALLAS, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED
JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary government:				
Governmental activities:				
General Government	$ 1,186,242	$ 60,821	$ -	$ 425,651
Public Safety	2,076,742	271,740	-	621,096
Public Works	1,558,946	-	-	603,227
Building Inspector	80,921	12,389	-	-
Theater	360,412	136,253	-	-
Civic Center	90,028	-	-	-
Parks	247,445	81,518	-	628,417
Marshal	64,867	-	-	-
Interest on Long-term Debt	72,967	-	-	-
Total Governmental Activities	5,738,570	562,721	-	2,278,391
Business-type activities:				
Water & Sewer	3,382,904	2,623,258	-	48,941
Solid Waste	346,158	406,245	-	-
Total Business-type Activities	3,729,062	3,029,503	-	48,941
Total primary government	$ 9,467,632	$ 3,592,224	$ -	$ 2,327,332

The accompanying notes are an integral part of this financial statement.

CITY OF DALLAS, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED
JUNE 30, 2012

	Net (Expense) Revenue and Changes in Net Assets		
	Primary Government		
Functions/Programs	Governmental Activities	Business-type Activities	Totals
Primary government:			
Governmental activities:			
General Government	$ (699,770)		$ (699,770)
Public Safety	(1,183,906)		(1,183,906)
Public Works	(955,719)		(955,719)
Building Inspector	(68,532)		(68,532)
Theater	(224,159)		(224,159)
Civic Center	(90,028)		(90,028)
Parks	462,490		462,490
Marshal	(64,867)		(64,867)
Interest on Long-term Debt	(72,967)		(72,967)
Total Governmental Activities	(2,897,458)		(2,897,458)
Business-type activities:			
Water & Sewer		$ (710,705)	(710,705)
Solid Waste		60,087	60,087
Total Business-type Activities		(650,618)	(650,618)
Total primary government	(2,897,458)	(650,618)	(3,548,076)
General revenues:			
Taxes:			
Property	979,316	-	979,316
Sales Tax	1,364,028	-	1,364,028
Hotel/Motel	9,057	-	9,057
Business Occupation	68,095	-	68,095
Financial Institution Tax	32,494	-	32,494
Insurance Premium	544,887	-	544,887
Malt Beverage	196,950	-	196,950
Franchise	545,168	-	545,168
Payment from County	6,413	-	6,413
Investment Earnings	920	523	1,443
Transfers In (Out)	(288,583)	288,583	-
Miscellaneous	13,700	-	13,700
Total General Revenues and Transfers	3,472,445	289,106	3,761,551
Change in Net Assets	574,987	(361,512)	213,475
Net Assets - Beginning	19,664,106	7,271,719	26,935,825
Prior Period Adjustment	(132,777)	(69,974)	(202,751)
Net Assets - Ending	$ 20,106,316	$ 6,840,233	$ 26,946,549

The accompanying notes are an integral part of this financial statement.

CITY OF DALLAS, GEORGIA
BALANCE SHEET- GOVERNMENTAL FUNDS
FOR THE YEAR ENDED
JUNE 30, 2012

	General	Special Revenue- Confiscated Drug	Capital Projects- Splost 2005	Capital Projects- Splost 2011	Hotel Motel	Total Governmental Funds
ASSETS						
Cash	$ 1,066,298	$ -	$ -	$ -	$ -	$ 1,066,298
Receivables (Net):						
Accounts	258,130	-	-	-	-	258,130
Taxes	22,597	-	-	-	-	22,597
Intergovernmental	-	-	408,035	111,350	-	519,385
Due from Other Funds	1,482,319	1,838	46,548	-	-	1,530,705
Cash - Restricted	-	1,908	68,015	173,749	4,343	248,015
Total Assets	$ 2,829,344	$ 3,746	$ 522,598	$ 285,099	$ 4,343	$ 3,645,130
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable	$ 119,897	$ 796	$ 3,483	$ 29,484	$ 2,720	$ 156,380
Retainage Payable	97,145	-	-	-	-	97,145
Due to Other Funds	-	-	-	727,520	-	727,520
Deferred Revenue	7,000	-	-	-	-	7,000
Deposits Payable	239,007	-	-	-	-	239,007
Total Liabilities	463,049	796	3,483	757,004	2,720	1,227,052
Fund Balance:						
Reserved for:						
Drug Enforcement Activities	-	2,950	-	-	-	2,950
Capital Projects	-	-	519,115	(471,905)	-	47,210
Tourism	-	-	-	-	1,623	1,623
Unassigned	2,366,295	-	-	-	-	2,366,295
Total Fund Balances	2,366,295	2,950	519,115	(471,905)	1,623	2,418,078
Total Liabilities and Fund Balances	$ 2,829,344	$ 3,746	$ 522,598	$ 285,099	$ 4,343	$ 3,645,130

Reconciliation of the Balance Sheet to the Statement of Net Assets

Fund Balances - Total governmental funds	$ 2,418,078
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 are therefore not reported in the governmental funds.	20,040,027
Non-current liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	
Note Payable	(248,333)
Lease Payable	(1,978,363)
Compensated Absences	(53,708)
OPEB Liability	(71,385)
Net assets of governmental activities	$ 20,106,316

The accompanying notes are an integral part of this financial statement.

CITY OF DALLAS, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED
JUNE 30, 2012

	General	Special Revenue- Confiscated Drug	Capital Projects- Splost 2005	Capital Projects- Splost 2011	Hotel / Motel	Total Governmental Funds
REVENUES						
Taxes	$ 3,730,938	$ -	$ -	$ -	$ 9,057	$ 3,739,995
Licenses and Permits	71,811	-	-	-	-	71,811
Intergovernmental	6,413		648,677	1,074,830	-	1,729,920
Fines and Forfeitures	247,085	710	-	-	-	247,795
Services	219,170	-	-	-	-	219,170
Grants	425,651	-	-	-	-	425,651
Sale of confiscated property	-	1,985	-	-	-	1,985
Miscellaneous	13,700	-	-	-	-	13,700
Interest Income	920	-	546	87	-	1,553
Total Revenues	4,715,688	2,695	649,223	1,074,917	9,057	6,451,580
EXPENDITURES						
Current:						
General Government	1,554,065	-	-	-	9,082	1,563,147
Public Safety	1,812,718	9,336	91,082	64,431	-	1,977,567
Public Works	824,761	-	1,514,368	222,498	-	2,561,627
Building Inspector	81,340	-	-	-	-	81,340
Theater	346,649	-	-	-	-	346,649
Civic Center	56,735	-	-	-	-	56,735
Parks	330,784	-	102,287	21,633	-	454,704
Marshal	58,399	-	8,853	-	-	67,252
Debt Service:						
Principal	227,498	-	-	248,333	-	475,831
Interest	72,967	-	-	-	-	72,967
Total Expenditures	5,365,916	9,336	1,716,590	556,895	9,082	7,657,819
Excess (Deficiency) of Revenues Over (Under) Expenditures	(650,228)	(6,641)	(1,067,367)	518,022	(25)	(1,206,239)
OTHER FINANCING SOURCES (USES)						
Transfers - Out	(288,583)	-	-	-	-	(288,583)
Capital Contribution	128,600	-	-	-	-	128,600
Proceeds From Disposal of Capital Assets	21,960	-	-	-	-	21,960
Total Other Financing Sources (Uses)	(138,023)	-	-	-	-	(138,023)
Net Change in Fund Balances	(788,251)	(6,641)	(1,067,367)	518,022	(25)	(1,344,262)
Fund Balance (Deficit) - Beginning of Year	3,263,810	9,591	1,586,482	(989,927)	1,648	3,871,604
Prior Period Adjustment	(109,264)	-	-	-	-	(109,264)
Fund Balance - End of Year	$ 2,366,295	$ 2,950	$ 519,115	$ (471,905)	$ 1,623	$ 2,418,078

The accompanying notes are an integral part of this financial statement.

CITY OF DALLAS, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO STATEMENT OF ACTIVITIES
JUNE 30, 2012

Net Change in Fund Balances - Total Governmental Funds		$ (1,344,262)
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 exceeded depreciation in the current period.		
Gain(Loss) on Disposal of Capital Assets	(50,696)	
Expenditures for capital assets	2,354,715	
Less current year depreciation	(806,644)	1,497,375
In the Statement of Activities, the lease proceeds are shown as a source of funds, these are net capital assets and not reflected financial resources. Repayment of principal of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		
Add Repayment of Principal		475,831
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Net change in long-term compensated absences		(6,034)
OPEB Liability-Long Term		(47,923)
Change in Net Assets of Governmental Activities		$ 574,987

The accompanying notes are an integral part of this financial statement.

CITY OF DALLAS GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GENERAL FUND BUDGET AND ACTUAL
FOR THE YEAR ENDED
JUNE 30, 2012

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
REVENUES				
Taxes	$ 3,272,434	$ 3,790,589	$ 3,730,938	$ 59,651
Licenses and Permits	61,540	71,200	71,811	611
Intergovernmental	5,700	5,700	6,413	713
Fines and Forfeitures	278,705	278,705	247,085	(31,620)
Services	234,193	234,193	219,170	(15,023)
Grants	1,082,500	482,500	425,651	(56,849)
Miscellaneous Income	15,752	56,211	13,700	(42,511)
Interest Income	2,860	2,860	920	(1,940)
Total Revenues	4,953,684	4,921,958	4,715,688	(86,968)
EXPENDITURES				
Current:				
General Government	1,616,062	1,554,350	1,554,065	285
Public Safety	2,049,875	1,869,950	1,812,718	57,232
Public Works	768,456	825,350	824,761	589
Building Inspector	96,191	96,191	81,340	14,851
Theater	363,859	363,859	346,649	17,210
Civic Center	52,700	56,800	56,735	65
Parks	966,000	332,000	330,784	1,216
Marshal	84,542	84,542	58,399	26,143
Debt Service:				
Principal	227,450	227,500	227,498	2
Interest	73,025	73,025	72,967	58
Total Expenditures	6,298,160	5,483,567	5,365,916	117,651
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,344,476)	(561,609)	(650,228)	30,683
OTHER FINANCING SOURCES (USES)				
Transfers - Out	(500,000)	(291,000)	(288,583)	2,417
Capital Contribution	128,600	128,600	128,600	-
Proceeds From Disposal of Capital Assets	9,000	33,000	21,960	266
Total Other Financing Sources (Uses)	(362,400)	(129,400)	(138,023)	2,683
Net Change in Fund Balance	(1,706,876)	(691,009)	(788,251)	33,366
Fund Balance (Deficit) - Beginning of Year	1,706,876	691,009	3,263,810	-
Prior Period Adjustment	-	-	(109,264)	-
Fund Balance (Deficit) - End of Year	$ -	$ -	$ 2,366,295	$ 33,366

The accompanying notes are an integral part of this financial statement.

CITY OF DALLAS, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
CONFISCATED DRUG SPECIAL REVENUE FUND
BUDGET AND ACTUAL FOR THE YEAR ENDED
JUNE 30, 2012

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
REVENUES				
Confiscations	$ 1,800	$ 1,800	$ 1,985	$ 185
Fines and Forfeitures	2,000	2,000	710	(1,290)
Total Revenues	3,800	3,800	2,695	(1,105)
EXPENDITURES				
Current:				
Public Safety	3,800	3,800	9,336	(5,536)
Total Expenditures	3,800	3,800	9,336	(5,536)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(6,641)	(6,641)
OTHER FINANCING SOURCES (USES)				
Transfers - in (out)	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	-	-	(6,641)	(6,641)
Fund Balance (Deficit) - Beginning of Year	-	-	9,591	9,591
Fund Balance (Deficit) - End of Year	$ -	$ -	$ 2,950	$ 2,950

The accompanying notes are an integral part of this financial statement.

CITY OF DALLAS, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
HOTEL/MOTEL TAX SPECIAL REVENUE FUND
BUDGET AND ACTUAL FOR THE YEAR ENDED
JUNE 30, 2012

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	$ 7,500	$ 7,500	$ 9,057	$ (1,557)
Total Revenues	7,500	7,500	9,057	(1,557)
EXPENDITURES				
Current:				
General Government	7,500	7,500	9,082	(1,582)
Total Expenditures	7,500	7,500	9,082	(1,582)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(25)	(3,139)
OTHER FINANCING SOURCES (USES)				
Transfers - in (out)	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	-	-	(25)	(3,139)
Fund Balance (Deficit) - Beginning of Year	-	1,648	1,648	-
Fund Balance (Deficit) - End of Year	$ -	$ 1,648	$ 1,623	$ (3,139)

The accompanying notes are an integral part of this financial statement.

CITY OF DALLAS, GEORGIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

	Water and Sewer	Solid Waste	Total
Assets			
Current Assets:			
Cash and Cash Equivalents	$ 9,217	$ -	$ 9,217
Accounts Receivable - net	166,018	7,928	173,946
Due From Other Governments	15,647	-	15,647
Due From Other Funds	-	631,882	631,882
Inventory	84,761	-	84,761
Cash- Restricted	4,227,472	-	4,227,472
Total Current Assets	4,503,115	639,810	5,142,925
Non-Current Assets:			
Issuance Cost-Net	198,324	-	198,324
Capital Assets:			
Buildings	245,915	-	245,915
Machinery & Equipment	1,352,493	-	1,352,493
Utility System - Water	4,934,987	-	4,934,987
Utility System - Sewer	11,102,308	-	11,102,308
Less Accumulated Depreciation	(6,729,570)	-	(6,729,570)
Construction in Progress	2,984,605	-	2,984,605
Land	555,711	-	555,711
Total Capital Assets	14,446,449	-	14,446,449
Total Non-Current Assets	14,644,773	-	14,644,773
Total Assets	$ 19,147,888	$ 639,810	$ 19,787,698

(Continued)

The accompanying notes are an integral part of this financial statement.

CITY OF DALLAS, GEORGIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

(Continued)	Water and Sewer	Solid Waste	Total
Liabilities			
Current Liabilities:			
Accounts Payable	$ 387,747	$ 26,824	$ 414,571
Due to Other Funds	1,435,067	-	1,435,067
Accrued Interest Payable	91,465	-	91,465
Retainage Payable	64,694	-	64,694
Customer Deposits	355,232	-	355,232
Notes Payable	305,048	-	305,048
Total Current Liabilities	2,639,253	26,824	2,666,077
Noncurrent Liabilities:			
Compensated Absences Payable	15,780	-	15,780
OPEB Liability	20,529	-	20,529
Bond Payable	6,445,000	-	6,445,000
Note Payable	3,800,079	-	3,800,079
Total Noncurrent Liabilities	10,281,388	-	10,281,388
Total Liabilities	12,920,641	26,824	12,947,465
Net Assets			
Invested in Capital Assets, net of related debt	3,896,322	-	3,896,322
Restricted for Debt Service	4,277,472	-	4,277,472
Unrestricted	(1,946,547)	612,986	(1,333,561)
Total Net Assets	$ 6,227,247	$ 612,986	$ 6,840,233

The accompanying notes are an integral part of this financial statement.

CITY OF DALLAS, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Water and Sewer	Solid Waste	Total
Operating Revenues			
Charges for Services	$ 2,592,696	$ 406,245	$ 2,998,941
Fees	24,274	-	24,274
Other Revenues	6,288	-	6,288
Total Operating Revenues	2,623,258	406,245	3,029,503
Operating Expenses			
Cost of Sales and Services	1,184,585	346,158	1,530,743
Salaries, Wages and Employee Benefits	577,087	-	577,087
Cost of Water Purchased	655,242	-	655,242
Amortization Expense	11,018	-	11,018
Depreciation Expense	594,404	-	594,404
Total Operating Expenses	3,022,336	346,158	3,368,494
Operating Income (Loss)	(399,078)	60,087	(338,991)
Nonoperating Revenues (Expenses)			
Federal Grants	48,941	-	48,941
Interest Revenue	523	-	523
Interest Expense	(360,568)	-	(360,568)
Total Nonoperating Revenues (Expenses)	(311,104)	-	(311,104)
Income Before Contributions, Special Items and Transfers	(710,182)	60,087	(650,095)
Transfers In (Out)	288,583	-	288,583
	288,583	-	288,583
Change in Net Assets	(421,599)	60,087	(361,512)
Net Assets - Beginning	6,718,820	552,899	7,271,719
Prior Period Adjustment	(69,974)	-	(69,974)
Net Assets - Ending	$ 6,227,247	$ 612,986	$ 6,840,233

The accompanying notes are an integral part of this financial statement.

CITY OF DALLAS, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Water and Sewer	Solid Waste	Total
Cash Flows From Operations			
Receipts from Customers and Users	$ 2,901,658	$ 429,126	$ 3,330,784
Payments to Suppliers	(1,160,307)	(319,334)	(1,479,641)
Payments to/for Employees	(977,201)	-	(977,201)
Net Cash Provided by (Used by) Operating Activities	764,150	109,792	873,942
Cash Flows from Noncapital Financing Activities			
Payments from Other Funds	186,142	1,878,486	2,064,628
Payments to Other Funds	(127,133)	(1,988,278)	(2,115,411)
Net Cash from Noncapital Financing Activities	59,009	(109,792)	(50,783)
Cash Flows from Capital and Related Financing Activities			
Principal Payments -Notes	(338,969)	-	(338,969)
Proceeds from Grants	48,941	-	48,941
Acquisition and Construction of Capital Assets	(1,407,439)	-	(1,407,439)
Interest Paid	(360,568)	-	(360,568)
Net Cash from Capital and Related Financing Activities	(2,058,035)	-	(2,058,035)
Cash Flows from Investing Activities			
Interest Received	523	-	523
Net Increase(Decrease) in Cash	(1,234,353)	-	(1,234,353)
Cash (Overdraft) - July 1	5,471,042	-	5,471,042
Cash (Overdraft) - June 30	$ 4,236,689	$ -	$ 4,236,689
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Operating Income (Loss)	$ (399,078)	$ 60,087	$ (338,991)
Adjustments to Reconcile from Operating Income to Net Cash Provided (Used) by Operating Activities			
Depreciation	594,404	-	594,404
Amortization	11,018	-	11,018
(Increase) Decrease in Assets:			
Accounts Receivable	265,901	22,881	288,782
Inventory	12,499	-	12,499
Increase (Decrease) in Liabilities:			
Accounts Payable	203,161	26,824	229,985
Accrued Payroll	20,483	-	20,483
Accrued Interest	(1,838)	-	(1,838)
Retainage Payable	46,501	-	46,501
Customer Deposits	11,099	-	11,099
Net Cash Provided by (Used in) Operating Activities	$ 764,150	$ 109,792	$ 873,942

The accompanying notes are an integral part of this financial statement.

CITY OF DALLAS, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Water and Sewer	Solid Waste	Total
Noncash Investing, Capital and Financing Activities			
Acquisition of Capital Assets	$ 304,928	$ -	$ 304,928
Retainage Payable	(64,694)	-	(64,694)
Accounts Payable	(240,234)	-	(240,234)
Net Cash from Noncash Activities	$ -	$ -	$ -

The accompanying notes are an integral part of this financial statement.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services. In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. As required by generally accepted accounting principles, certain potential component units are considered for inclusion in the financial report because of the significance of the City's influence over their operation or finances. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships). In accordance with the above criteria, the City does not include any component units.

Related organization: The Housing Authority of the City of Dallas is a related organization that has not been included in the reporting entity. The Authority provides low-income housing to eligible families in the City. The Authority's Board consists of six members that are appointed by the Dallas City Council. The City is not financially accountable (does not impose will or have a financial benefit or burden relationship) for the Authority.

The more significant of the government's accounting policies are described below.

B. Government-wide and Fund Financial Statements

The basic financial statements include both government-wide and fund financial statements, each of which present different views of the City. The government-wide and fund financial statements categorize primary activities as either governmental or business type.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, permits and fines, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as *general revenues*.

Fund financial statements emphasize major funds in either the governmental, proprietary and fiduciary (if any) funds. Non-major funds (if any) are reported as a separate column in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental units. The

Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City applies all relevant FASB pronouncements and APB opinions issued on or prior to December 1, 1989 to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The City does not apply FASB pronouncement and APB opinions issued after November 30, 1989.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Taxes, licenses, and interest associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the government receives the cash. In applying the susceptible to accrual concept, non-exchange transactions are recognized in accordance with GASB Statement 33.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and unrestricted as needed.

D. Fund Types and Major Funds

Major Governmental Funds:

These are the funds through which most governmental functions typically are financed. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. The funds included in this category are the:

General Fund - This fund is established to account for resources devoted to financing the general services that the City performs for its citizens. General tax revenues and other sources of revenue used to finance the fundamental operations of the City are included in this fund. The fund is charged with all costs of operating the government for which a separate fund has not been established.

Special Revenue Fund- This fund is used to account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or capital projects). The City has elected to present two special revenue funds: Confiscated Drug Fund

and Hotel/Motel Tax Fund as major funds. The Confiscated Drug Fund accounts for cash received from the confiscation or sale of capital assets acquired through confiscations. The Hotel/Motel Tax Fund accounts for tax proceeds from the hotel/motel tax.

Capital Projects Funds- These funds are used to account for major capital expenditures not financed by Enterprise Funds, Internal Service Funds, or Trust Funds. These funds are used to account for projects funded by grants and the Special Local Option Sales Tax. The City maintains a SPLOST capital project fund.

Proprietary Funds:

Proprietary funds are used to account for operations for which a fee is charged to external users for goods or services and the activity is intended to be self-supporting.

Major Proprietary Funds
The City reports the water and sewer, and sanitation funds as major funds. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. The water and sewer fund recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's proprietary funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions.

Amounts reported as program revenues include charges to customers for good, services or privileges provided, operating grants and contributions, and capital grants and contributions, including any special assessments. General revenues include all taxes. These funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting.

E. Stewardship, Compliance, and Accountability

Budgetary Data:

Formal budgetary accounting is employed as a management control for all funds of the City. Annual operating budgets are adopted each fiscal year through passage of annual budget ordinance and amended as required and the same basis of accounting is used to reflect actual revenues and expenditures/expenses recognized on a generally accepted accounting principles basis. Budgetary control is exercised at the department level and expenditures may not legally exceed appropriations at this level.

No supplemental budgetary appropriations were necessary during the current year. All unencumbered budget appropriations lapse at the end of each fiscal year.

The general and special revenue funds legally adopt an annual budget. The department heads may amend their budget, so long as the total department level budget does not change. The Capital Projects Funds adopt a project length budget.

Deposits with Financial Institutions:

State statutes require that the City's deposits be collateralized by securities held in the name of the City by the trust department of a bank that does not hold the collateralized deposits.

F. Cash

Cash consists of amounts in demand deposits that are insured or collateralized as required by law.

G. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Estimated unbilled revenues from the enterprise fund are recognized at the end of each year on a pro rata basis. The estimated amount is based on billings during the month following the close of the fiscal year.

H. Interfund Receivables and Payables / Internal balances

Due To and Due From Other Funds - Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

I. Inventories

Inventories for all governmental funds are recorded as expenditures when purchased; however, material amounts, if any, of inventories are reported as assets of the respective fund. Inventories of the enterprise fund, if any, are valued at the lower of cost (first-in, first-out) or market.

J. Other Assets

Other assets held are recorded and accounted for at cost.

K. Restricted Assets

The enterprise fund, based on certain bond covenants, is required to establish and maintain prescribed amounts of resources that can be used only to service outstanding debt.

L. Capital Assets

The City's property, buildings, equipment and infrastructure (streets, bridges, curbs, sidewalks, drainage systems, lighting system, etc) with useful lives of more than one year and a cost greater than a thousand dollars are capitalized and depreciated. The assets are reported in the applicable government or business-type activity columns in the government-wide financial statements.

Property, plant, and equipment are stated at cost. When cost could not be determined from the available records, estimated historical cost was used to record the estimated value of the

assets. Assets acquired by gift or bequest are recorded at their fair market value at the date of transfer.

Depreciation of exhaustible capital assets used by enterprise funds is charged as an expense against operations, and accumulated depreciation is reported on its balance sheet. Depreciation has been provided over the estimated useful lives using the straight-line method of depreciation.

The City's infrastructures are acquisitions of general infrastructure assets made after the implementation of GASB 34 on June 15, 2003.

M. Long-Term Debt and Bond Issuance Cost

Long-term obligations of the City are reported as a liability in the government-wide and proprietary fund financial statements. Bond issuance cost for proprietary funds are capitalized and amortized over the term of the respective bonds using a method that approximates the effective interest method. Outstanding debt and other obligations are reported as a liability in the government-wide and proprietary financial statements. Bond discounts/premiums and issuance costs for proprietary funds are capitalized and amortized over the term of the respective bonds using a method that approximates the effective interest method. Bond discounts are presented as a reduction of the face amount of bonds payable; premiums are presented as an increase of the face amount of bonds payable whereas issuance costs are recorded as deferred charges. In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

N. Compensated Absences

Full-time, permanent employees are granted vacation and sick leave benefits. Vested or accumulated vacation leave is accrued in the government-wide and proprietary financial statements and governmental funds only report the portion expected to be liquidated within the current year. Governmental funds report compensated absences only when employees are no longer employed with the City. Vacation leave is calculated based on an employee's anniversary date. For governmental activities, compensated absences are liquated by the general fund. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

O. Pensions

The provision for pension cost is recorded on the accrual basis, and the City's policy is to fund pension costs as they accrue.

P. Fund Equity/ Net Assets

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

Fund Balance - represents the difference between current assets and current liabilities. In the fund financial statements, governmental funds report fund balance classifications based

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 (for example, items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.

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

- *Committed* – fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through the adoption of a resolution. Only the City Council 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. Intent would be expressed by the City Council itself or the Council would delegate the authority to assign fund balance to management.

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

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 fund balance, it is the City's policy to use fund balance in the following order: committed, assigned and unassigned.

Net Assets – represents the different between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any unspent borrowings for the acquisition, construction of capital assets. Net assets may be reported as restricted or unrestricted.

Q. Property Taxes

Property taxes are levied when the digest is received from the county (usually in October), based on the assessed value of property, which is 40% of estimated (appraised) market value. A re-valuation of all real property must be made if state criteria are not met regarding recent sales and assessed values. The City bills and collects its own property taxes.

Property taxes are recognized as revenue when they are levied because they are considered to be both measurable and available. Proper allowances are made for estimated uncollectible accounts and delinquent accounts.

NOTE 2. CASH AND INVESTMENTS

The City's cash and investments are considered to be cash on hand, demand deposits and certificates of deposit. Investments are stated at fair value (the City has no investments other than cash.)

Primary Government:

Cash as of June 30, 2012, is classified in the financial statements as follows:

Statement of Net Assets

Cash	$ 1,075,515
Restricted Cash	4,475,487
Total Cash	$ 5,551,002

At year-end, the book balance of the City's deposits was $5,551,002 including restricted cash of $4,475,487 and the bank balance was $5,799,155. The bank balance is insured or collateralized by securities held by the City or by its agent in the City's name (category 2).

Reconciliation of enterprise fund cash per combined balance sheet to cash (and cash equivalents-investments) per combined statement of cash flows as of June 30, 2012

Statement of Cash Flows

Cash	$ 9,217
Restricted Cash	4,227,472
Total Cash	$ 4,236,689

NOTE 3. RECEIVABLES

Accounts receivable consists of amounts due from customers for charges related to providing water/sewer and sanitation services. Accounts receivable also consist of amounts due from other customers. Taxes due consist of property tax. Amounts due as of June 30, 2012, including the applicable allowances for uncollectible accounts, are as follows:

Receivables	General	Capital Projects	Water & Sewer	Sanitation	Total
Accounts	$258,130	$ -	$269,397	$ 68,837	$596,364
Taxes	43,783	519,385	-	-	563,168
Other Governments	-	-	15,647	-	15,647
Less: Allowance for Uncollectible	(21,186)	-	(103,379)	(60,909)	(185,474)
Net Total Receivables	$280,727	$519,385	$181,665	$ 7,928	$989,705

Property tax is levied upon receipt of the digest from Paulding County and based upon the assessed value at January 1. Taxes were levied September 20 and due by December 20. The billings are considered past due 60 days after the tax billing date, at which time the applicable property is subject to lien and penalties and interest begins to accrue. Generally, liens may attach to property for unpaid taxes on January 1st of the subsequent year.

Assessed values are established by the Paulding County Tax Assessor's office and are currently calculated at 40% of the market value. The gross assessed value of property at January 1, 2012 was $762,780.

Based on the 2011 millage levy of 3.681, a property owner would pay $3.68 per $1,000 of assessed valuation.

Current tax collections of $740,183 for the fiscal year ended June 30, 2012 were 97 percent of the tax levy.

All property taxes are recognized in compliance with NCGAI-3 (Revenue Recognition-Property Taxes) which states that such revenue is recorded when it becomes measurable and available. Available means due, or past due, and receivable within the current period and collected no longer than 60 days after the close of the current period.

Enterprise accounts receivable consists of billed and unbilled services to utility customers at June 30, 2012. The allowance for uncollectible accounts represents approximately 49% of total outstanding utility billings.

Capital projects taxes receivable consists of special local option sales tax collected during the month of July and August, 2012.

NOTE 4. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Outstanding balances between funds reported as "due to/from other funds" include outstanding charges by one fund to another for services, goods, short-term non-operating subsidies, and other miscellaneous transactions between funds. This activity is similar to lending/borrowing arrangements and outstanding balances at yearend are presented as "due to/from other funds". Balances between governmental or proprietary funds are netted when presented in the government-wide statements and reported as "internal balances". As of June 30, 2012, interfund transfers and payments were as follows:

Transfers and Payments:

Routine transfers and payments between funds are to subsidize operations and to fund capital projects and capital asset acquisitions. As of June 30, 2012, interfund transfers were as follows:

Source Fund	Transfer To Fund	Amount
Water/Sewer	General Fund	$ 288,583

As of June 30, 2012, interfund receivables and payables that resulted from various interfund transactions were as follows:

Receivable Fund	Payable Fund	Amount
Water/Sewer	General Fund	$ 1,099,440
General Fund	Capital Projects-2011	727,520
Capital Projects-2005	Water/Sewer	24,139
Capital Projects-2005	General Fund	22,409
Confiscated Drug	General Fund	1,838
Solid Waste	Water/Sewer	2,510,368
General Fund	Solid Waste	1,878,486

NOTE 5. CAPITAL ASSETS

The following table provides a summary of capital asset activity for governmental activities:

Governmental Activities:	Balance July 1, 2011	Additions	Transfers/ Deletions	Balance June 30, 2012
Capital Assets Not Being Depreciated				
Land and Improvements	$ 3,640,942	$ 128,600	$ -	$ 3,769,542
Construction In Progress	1,492,643	1,275,210	(42,491)	2,725,362
Total Capital Assets Not Being Depreciated	5,133,585	1,403,810	(42,491)	6,494,904
Capital Assets Being Depreciated				
Infrastructure	7,203,901	598,364	-	7,802,265
Buildings and Improvements	8,125,192	22,650	-	8,147,842
Machinery and Equipment	2,645,465	329,891	(274,656)	2,700,700
Total Capital Assets Being Depreciated	17,974,558	950,905	(274,656)	18,650,807

Governmental Activities:	Balance July 1, 2011	Additions	Transfers/ Deletions	Balance June 30, 2012
Less Accumulated Depreciation For:				
Land Improvements	-	278	-	278
Infrastructure	1,910,838	302,049	-	2,212,887
Buildings and Improvements	1,122,730	232,890	-	1,355,620
Machinery and Equipment	1,531,923	271,427	(266,451)	1,536,899
Total Accumulated Depreciation	4,565,491	806,644	(266,451)	5,105,684
Total Capital Assets Being Depreciated, Net	$ 13,409,067	$ 144,261	$ (8,205)	$ 13,545,123
Governmental Activity Capital Assets, Net	$ 18,542,652	$ 1,548,071	$ (50,696)	$ 20,040,027

The following table provides a summary of capital assets activity for business-type activities:

Business-type Activities:	Balance July 1, 2011	Additions	Transfers/ Deletions	Balance June 30, 2012
Capital Assets, Not Being Depreciated				
Land	$ 555,711	$ -	$ -	$ 555,711
Construction In Progress	1,324,195	1,678,605	(18,195)	2,984,605
Total Capital Assets Not Being Depreciated	1,879,906	1,678,605	(18,195)	3,540,316
Capital Assets, Being Depreciated				
Utility Systems - Water	4,934,987	-	-	4,934,987
Utility Systems - Sewer	11,102,308	-	-	11,102,308
Buildings and Improvements	245,915	-	-	245,915
Machinery and Equipment	1,318,731	33,762	-	1,352,493
Total Capital Assets Being Depreciated	17,601,941	33,762	-	17,635,703
Less Accumulated Depreciation For:				
Utility Systems - Water	1,203,854	140,613	-	1,344,467
Utility Systems - Sewer	4,430,845	278,796	-	4,709,641
Buildings and Improvements	57,120	21,234	-	78,354
Machinery and Equipment	443,347	153,761	-	597,108
Total Accumulated Depreciation	6,135,166	594,404	-	6,729,570
Total Capital Assets Being Depreciated, Net	11,466,775	(560,642)	-	10,906,133
Business-type Activities Capital Assets, Net	$ 13,346,681	$ 1,117,963	$ (18,195)	$ 14,446,449

Depreciation expense was charged to function/programs of the government as follows:

Governmental Activities:	
General Government	$ 173,263
Public Safety	178,552
Public Works	354,975
Theater	9,853
Civic Center	33,293
Parks	51,218
Marshal	5,490
Total Depreciation Expense	$ 806,644
Business-type Activities	
Water/Sewer	$ 594,404
Total Depreciation Expense	$ 594,404

Estimated useful lives used to compute depreciation are:

Infrastructure	10-20 years
Equipment	5-10 years
Buildings	30-40 years
Water Lines and Meters	10-40 years
Sewer Lines	40 years

NOTE 6. LEASES

Operating Leases

The City has no material operating leases.

Capital Leases

The City has entered into a lease agreement as lessee for financing the acquisition of buildings and other equipment. On November 4, 2004, the City executed an agreement with RBC Centura Bank whereby funds were appropriated. The lease was transferred to PNC Bank in 2011.

The lease agreement with PNC Bank qualifies as a capital lease for accounting purposes (title transfer at the end of the lease term) and, therefore, has been recorded at the present value. Amounts drawn down under the lease agreement bear interest at 3.44%. Lease proceeds were used to fund the City's construction and renovation for the city auditorium and police department. Estimated completed cost to exceed $3,200,000.

The following is a schedule of the future lease payments at June 30, 2012:

Year Ending June 30	General Fund
2013	$ 300,412
2014	300,412
2015	300,412
2016	300,412
2017	300,412
2018-2019	600,824
Total Minimum Lease Payments	$ 2,102,884
Less Interest	(124,521)
Present Value of Minimum Lease Payments	$ 1,978,363

NOTE 7. LONG-TERM DEBT

Business-type Activities

Revenue Bonds:

The City issued bonds where revenues from the business-type activities are used to pay debt service.

Recovery Zone Economic Development Bonds, Series 2010

On August 1, 2010, the Paulding County Industrial Building Authority and the City of Dallas entered an Intergovernmental agreement to issue Water and Sewer Revenue Bonds of $6,445,000 with interest rates of 3.75% to 5.37% to advance the Recovery Zone Economic Development Bonds, Series 2010 which mature in years 2020 and 2030. Proceeds from the sale of the Series 2010 Bonds will be used to finance various renovations, additions, extensions and expansions to the City's water and sewage system.

These Recovery Zone Economic Development Bonds "qualify for a federal subsidy through a refundable tax credit allowed under section 6431 of the Code equal to 45% of the interest payable by the issuer payable to the holders of the bonds." This qualification legally assures the City of Dallas to be responsible for only 55% of interest accrued during the life of the bonds. However, the City is still responsible for 100% of the principal amounts due during the life of the Series 2010 Bonds.

The following schedule presents debt service requirements to maturity for Water Sewer Revenue Bonds:

Year Ending June 30	Principal	Interest (55%)
2013	-	177,189
2014	140,000	174,298
2015	180,000	174,298
2016	215,000	170,582
2017	215,000	166,142
2018-2022	1,510,000	752,715
2023-2027	2,400,000	484,342
2028-2030	1,780,000	108,944
Total	6,440,000	2,208,510

Note Payables as of June 30, 2012 are composed of the following:

Notes Payable	Interest Rates	Date of Issue	Date of Last Payment	Amount Issued	Amount Outstanding
GEFA 2 Sewer Improvements	4.00%	07/01/94	4/1/2012	895,159	$ 139,700
GEFA 3 Water Main Replacement	5.43%	12/01/97	6/1/2012	2,000,000	905,850
GEFA 4 Waste Water Improvements	4.30%	09/11/03	5/1/2012	1,600,000	550,927
GEFA 5 Ground Water Well	3.92%	06/30/06	6/1/2012	1,992,945	1,783,857
GEFA 6 Ground Water Well	3.92%	06/30/10	4/1/2012	754,477	724,793
				Total	$ 4,105,127

Notes payable debt service requirements to maturity are presented below:

Year Ending June 30	Principal	Interest
2013	$ 305,048	$ 171,261
2014	318,907	157,402
2015	304,461	153,413
2016	280,556	130,518
2017	293,970	117,104
2018-2022	1,252,123	388,761
2023-2027	904,045	179,383
2028-2031	446,017	50,665
Total	$ 4,105,127	$ 1,348,506

The City's long-term debt transactions for the year ended June 30, 2012 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Compensated Absences	$ 47,674	$ 75,617	$ 69,583	$ 53,708	$ -
OPEB Liability	23,462	47,923		71,385	-
Notes Payable	496,667	-	248,334	248,333	248,333
Capital Leases	2,205,809	-	227,446	1,978,363	300,412
Total Governmental Activities	$ 2,773,612	$ 123,540	$ 545,363	$ 2,351,789	$ 548,745

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities:					
Compensated Absences	$ 15,826	$ 13,411	$ 13,457	$ 15,780	$ -
OPEB Liability	6,843	13,686	-	20,529	-
Notes Payable	4,444,096	-	338,969	4,105,127	305,048
Bonds Payable	6,445,000	-	-	6,445,000	-
Total Business-type Activities	$ 10,911,765	$ 27,097	$ 352,426	$ 10,586,436	$ 305,048

As of June, 2012 OPEB liabilities are considered to be long-term. The addition of OPEB liability was added to the beginning balance for governmental activities by $23,462 and $6,843 for business-type activities as a result of the restatement of net assets discussed in NOTE 18 on page 43.

NOTE 8. PENSION PLAN

Plan Description.

The City has a non-contributory defined benefit plan covering all full time employees. The plan, the City of Dallas Retirement Plan, is administered by the Georgia Municipal Employees Benefit System (GMEBS) a statewide, agent multiple employer defined benefit plan. GMEBS policy direction and oversight for the fund is provided by a 15-member board comprised of elected and appointed municipal officials from among the fund's membership. GMEBS handles all administrative and investment functions relative to the plan. The City continues to have the authority to establish, amend or discontinue the Plan.

The plan provides pension benefits and death and disability benefits for all employees that have been employed full time for one year and employees are vested after 5 years of service. Members may retire at age 65 with 5 years of service or at age 60 with 30 years of service.

Benefits are calculated at 1.0% to 2.0% of the average monthly earnings for the period of the five highest years prior to retirement.

The Georgia Municipal Employees Benefit System issues a publicly available annual financial report that includes financial statements and required supplementary information. This report may be obtained by contacting the Georgia Municipal Employees Benefit System, C/O Georgia Municipal

Association – Risk Management and Employee Benefit Services, 201 Pryor Street, SW, Atlanta, Georgia 30303.

Funding Policy and Pension Cost.

The City's funding policy for the plan is to contribute an amount equal to the actuarial recommended contribution each year. These contributions are determined under the projected unit credit actuarial cost method and the asset valuation method for developing the actuarial value of assets. 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 accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods as a level dollar amount. The amortization periods, if applicable, are closed for this plan year.

The Plan is subject to the minimum funding standards of the Public Retirement Systems Standards Law (Georgia Code Section 47-20-10). According to the latest actuarial valuation dated January 1, 2011, the estimated minimum annual contribution under these funding standards is $296,112. The GMEBS Board of Trustees has adopted an actuarial funding policy that requires a different funding level than the estimated minimum annual contribution. Since the City's policy is to contribute the amount recommended by GMEBS in each year, the Plan will meet applicable funding standards.

According to the latest actuarial valuation dated January 1, 2011 the recommended contribution to the plan is $296,112 ($0 employee and $296,112 employer; 0% and 17.55% of covered payroll respectively).

Funded Status

GASB No. 27 requires disclosure of the City's annual pension cost, percentage of annual percentage cost contributed and net pension obligation for the most recent three years.

Three-Year Trend Information

For the Year	Employer Annual Pension Cost (APC)	Percentage of APC Contributed	Net End of Year Pension Obligation
2011	$296,112	100%	$ -
2010	266,623	100%	-
2009	232,736	100%	-

Schedule of Funding Progress

Actuarial Valuation For Plan Year Beginning October 1	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability	(3) Unfunded Actuarial Accrued Liability (2)-(1)	(4) Funded Ratio (1)/(2)	(5) Covered Payroll	(6) Unfunded Actuarial Accrued Liability As % Of Covered Payroll (3)/(5)
2011	$ 2,185,509	$2,847,406	$661,897	76.75%	$1,658,476	39.91%
2010	2,075,639	2,832,267	756,628	73.29%	1,493,312	50.67%
2009	1,812,980	2,785,578	972,598	65.08%	1,445,472	67.29%
2008	2,035,939	2,582,476	546,537	78.84%	905,943	60.33%
2007	1,984,874	2,485,819	500,945	79.85%	818,767	61.18%
2006	1,901,881	2,290,238	388,357	83.04%	640,149	60.67%
2005	1,816,704	2,090,175	273,471	86.92%	766,312	35.69%
2004	1,737,722	1,927,332	189,610	90.16%	680,149	27.88%
2003	1,660,222	1,772,994	112,772	93.64%	700,638	16.10%
2002	1,591,486	1,627,265	35,779	97.80%	681,263	5.25%

Significant Actuarial Assumptions

The significant actuarial assumptions used to compute the actuarial accrued liability and the annual recommended contribution of the plan meet the Actuarial Standard of Practice No. 4, Measuring Pension Obligations, establishing generally accepted actuarial principles and practices.

The significant actuarial assumptions used in the current valuation are:

Rate of Return on Investment	7.75% per year
Projected Salary Increase	3.50% per year
Postretirement Benefit Increases	Not Applicable
Economic Assumptions	
Annual Rates of Increase in Salaries	5.0%
Future Social Security Wage Bases	5.0%
Cost of Living Adjustment	N/A
Actuarial Methods	
Normal Cost and Actuarial Accrued Liability	Projected Unit Credit

Amortization method	Level dollar
Actuarial Value of Assets	Roll forward prior year's actuarial value with contributions, disbursements, and expected return on investments, plus (minus) 10% of investment gains (losses) during 10 prior years.

As of January 1, 2011 the plan membership includes the following categories of participants:

Retirees and beneficiaries currently receiving benefits	20
Terminated employees entitled to benefits but not yet receiving them	7
Vested active participants	23
Nonvested participants	31
Total	81

NOTE 9. SPECIAL LOCAL OPTION SALES TAX

On July 20, 2010, Paulding County voters passed a referendum on the question of "yes/no" shall a special one percent sales and use tax be imposed in Paulding County for a period of time not to exceed twenty four calendar quarters. Actual collection of the tax began April 1, 2011. The City of Dallas' distributive share of the revenue is projected to be $6,840,000 and used for street and road improvements, recreational facility capital outlay projects, and public safety capital outlay projects. This SPLOST referendum should be in full force and effect until March 31, 2017.

NOTE 10. RISK MANAGEMENT

At year-end there were no legal actions taken by or against the City that would have an adverse effect on the City's financial condition. The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's attorney the resolution of these matters will not have a material adverse effect on the financial condition of the City.

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees and natural disasters. The City has joined with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency (GIRMA) for its property and liability insurance, and the Worker's Compensation Self-Insurance Fund (WCSIF) for injuries to employees. Both are public entity risk pools currently operating as common risk management and insurance programs for member local governments. The Georgia Municipal Association (GMA) administers both risk pools.

As part of these risk pools, the City is obligated to pay all contributions and assessments as prescribed by the pools, cooperate with the pools' agents and attorneys, follow loss reduction

procedures established by the funds and to promptly report all incidents which could result in the funds being required to pay any claim for loss. The City is also to allow the pools' 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 its members against liability or loss as prescribed in the member governments' contracts and in accordance with the workers' compensation laws of Georgia. The funds are to pay all cost taxed against members in any legal proceedings defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

During the past three fiscal years the cost of any settlements have not exceeded insurance coverage

NOTE 11. DUE FROM OTHER GOVERNMENTS

Business Type Activities	
Water/Sewer Fund	
Paulding County	$ 15,647

NOTE 12. RESTRICTED ASSETS AND RESTRICTED NET ASSETS

Restricted Assets

The City is required to establish and maintain cash accounts to comply with bond covenants and external legal requirements. The revenue bond debt service and reserve cash accounts are restricted for payment of bond principal and interest and certain construction funds are restricted for specified capital project or improvements. The Drug enforcement account is restricted for monies used in law enforcement activities. The Tourism cash account is for monies designated for the use of promoting tourism in the City of Dallas.

At June 30, 2012, the balances in the restricted asset accounts are as follows:

Governmental Activities:

Capital Projects Account	$ 241,764
Confiscated Drug Account	1,908
Tourism Account	4,343
Total Restricted Assets	$ 248,015

Business-Type Activities:

Restricted for Debt Service	$ 4,227,472
Total Restricted Assets	$ 4,227,472

Restricted Net Assets

Reserves are used to indicate that a portion of the fund balance/net assets is not available for appropriation or is legally segregated for specific future use. The City uses the following reserves:

Governmental Funds:

Reserved for capital project activities- Created to segregate money received from federal or state sources that restrict the funds eligible for capital construction projects.

Reserved for drug enforcement activities- Created to segregate money received from federal or state sources that restrict use for law enforcement purposes only.

Reserved for tourism promotion- Created to segregate money received from local Hotels/Motels for the use of promoting, attracting, stimulating, and developing tourism.

Business Type- activities:

Restricted for debt Service: The City's bond covenants require certain reservations of the Water and Sewer net assets for payments of bond principal and interest.

NOTE 13. HOTEL MOTEL TAX

The City of Dallas levies a 5 percent hotel/motel tax. The City is required to distribute 2% to convention center and 3% back to the City for the purpose of promoting tourism. For the year ended June 30, 2012, the amount of revenue the City collected for hotel motel tax was as follows:

Balance of Hotel/Motel Tax Fund at July 1, 2011	$ 1,648
Hotel/motel receipts	9,057
Disbursements to City	(5,434)
Disbursements to Convention Center	(3,623)
Bank Fees	(25)
Balance of Hotel/Motel Tax Fund at June 30, 2012	$ 1,623

NOTE 14. POST EMPLOYMENT HEALTH CARE BENEFITS

Plan Description: In addition to providing pension benefits, the City of Dallas offers certain health care benefits to qualified retired employees through a OPEB plan called the City of Dallas (the "City") plan. All current employees and future employees who are at least fifty years of age and have at least 20 years of service may be eligible for the health care benefits. The health care benefits offered to the retirees will continued to be paid for until the retiree reaches the age of 65. Benefits are

payable to a surviving spouse until they are Medicare eligible. The plan is administered by Georgia Municipal Association a statewide, agent multiple-employer type plan.

The Georgia Municipal Employees Benefit System issues a publicly available annual financial report that includes financial statements and required supplementary information. This report may be obtained by contacting the Georgia Municipal Employees Benefit System, C/O Georgia Municipal Association – Risk Management and Employee Benefit Services, 201 Pryor Street, SW, Atlanta, Georgia 30303.

Funding Policy: The City currently funds the plan on a pre-funded basis. The City's annual OPEB cost, the percentage contributed, and the net obligation are as follows:

Period Ended	Annual OPEB cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation	Amount Contributed
2010	$80,240	0%	$ 80,240	$ 80,240
2011	59,903	50.59	109,838	30,305
2012	71,508	42.38	151,041	30,305

The funded status of the OPEB plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL As % of Covered Payroll
January 1, 2010	$ -	$ 640,073	$ 640,073	0.0%	$ 1,587,640	40.3%
January 1, 2012	29,990	537,840	507,850	5.58	1,675,576	30.31

Annual OPEB Cost and Net OPEB Obligation: The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45 as of January 1, 2012. The ARC is the amount calculated to determine the annual cost of the OPEB plan for accounting purposes as if the plan were being funded through contributions to a trust fund.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to plan, and changes in the City's net OPEB:

Annual OPEB Cost	
ARC	$ 72,626
Interest on net OPEB obligation	8,512
Adjustment to annual required contribution	(9,630)
Annual OPEB cost (expense)	71,508
NET OPEB Obligation	
Annual OPEB Cost	71,508
Contributions Made	(30,305)
Increase in net OPEB obligation	41,203
Net OPEB obligation- beginning of year	109,838
Net OPEB obligation- end of year	$ 151,041

Actuarial Methods and Assumptions. Actuarial assumptions used in the plan are as follows:

Actuarial Methods:

Normal Cost and Actuarial Accrued Liability	Projected Unit Credit
Actuarial Value of Assets	Market Value
Amortization of Unfunded Accrued Actuarial Liability (UAAL)	The amortization payment is based on a 25 year amortization of the Unfunded Acturial Accrued Liability

Funding Status and Funding Progress: As of January 1, 2012, the most recent actuarial valuation date, the plan was 5.58% funded. The actuarial accrued liability for benefits was $537,840, resulting in an unfunded actuarial accrued liability of $507,850. The covered payroll was $1,675,576, and the ratio of UAAL to the covered payroll was 30.31%. Actuarial valuations of an ongoing plan involve estimates of the value of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of

short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the January 1, 2012, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 7.75% investment rate of return, which is based on the city's surplus funds and an annual healthcare cost trend rate of 15% initially, reduced by decrements to an ultimate rate of 5.0% over seven years. The UAAL is being amortized over a 25-year closed period, level-dollar payment. The remaining amortization period at January 1, 2012, was twenty three years.

NOTE 15. JOINT VENTURE

The City of Dallas is a member of the Coosa Valley Regional Development Center (RDC). The RDC was created under the laws of the State of Georgia and cities and counties in the area served by the RDC are required to be members. The membership of the RDC includes 10 counties and 35 municipalities. The City has no equity interest in the RDC nor does the City materially contribute to the continued existence of the RDC. The Official Code of Georgia Annotated Section 50-8-39.1 states that in the event the RDC ceases operation, the membership can be assessed for any debt or obligation of the RDC. Separate financial statements may be obtained from: Coosa Valley Regional Development Center, P. O. Box 1793, Rome, Georgia 30162.

NOTE 16. CONSTRUCTION COMMITMENTS

The City's construction projects in progress as of June 30, 2012 are as follows:

Governmental Activities

In October of 2006 the City began the new Civic Center project which included the demolition of the existing Civic Center and the construction of a modern facility and parking deck. As of June 30, 2009 the project was in the finishing phase with a cumulative cost of $2,017,743. The City is still holding a retainage payable of $ 97,145 for this project. This project is completed but the contractor still has a punch list that is unfinished. The actual building and parking lot were reclassed out of CIP and to capital asset accounts. This retainage is currently being used to pay for repairs and maintenance on the Civic Center.

In the 2011 audit year, the City started on the construction of two new projects to improve its existing sidewalks and to add new sidewalks to the City's street infrastructure. These projects include: the City Sidewalk Extension and Connect Sidewalk Project. For the 2012 year, these projects have a current cost of $1,050,514 and a cumulative cost of $2,403,521.

The City will provide $410,000 to match a $1,640,000 Livable Centers funding award for new sidewalks, lighting, and handicap improvements along South Johnston, Spring Street, Griffin Street, and Park Street. Design is underway and construction is scheduled for early 2015. Gateway signs along the major roadways entering the City are included in the project.

Business-type Activities

The City issued Recovery Zone Economic Development Bonds for the purpose of improving and adding to water/sewer infrastructure. These issued bonds have allowed the City to start

numerous construction projects in the 2011 audit year. These projects include: 2010 Water Main, Water Model, Airport Sewer Outfall Project, Pump Station Generators, Rosewood Drive Sewer Extension Project, West Ave Sewer Extension Project, Ivey Trace Sewer Extension Projects and the Master Plan Project. These projects have a current cost of $1,643,153 and a cumulative cost of $2,565,229 for the 2012 audit year.

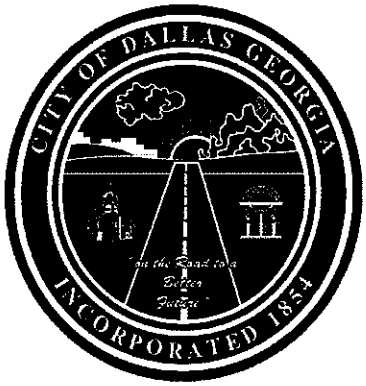
NOTE 17. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Expenditures exceeded appropriations in the Confiscated Drug Fund by $5,536. They also exceed appropriations in the Hotel/Motel Fund by $1,582.

NOTE 18. PRIOR PERIOD ADJUSTMENT

The City decreased net assets for governmental activities by $132,777 due accounts receivables being overstated by $109,264 and $23,513 for OPEB liabilities that were not reflected in the 2011 audit year financials. The Governmental fund balance will not reflect OPEB prior period since it does not require the use of current financial resources.

The City decreased net assets for business-type activities by $6,843 for OPEB liabilities that were not reflected in the 2011 audit year financials, $49,605 for uncollectable charges, and $13,526 for the reconciliation of net asset's current year opening balance to prior year's closing balance.



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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DALLAS, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
2005 SPLOST CAPITAL PROJECTS FUND BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED
JUNE 30,2012

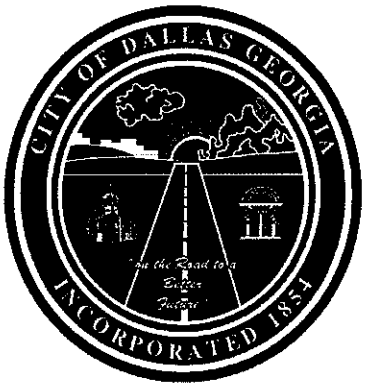
	Actual			
	Prior Years	Current Year	Total to Date	Project Authorization
REVENUES				
Taxes	$ 1,661,079	$ 649,223	$ 2,310,302	$ 5,580,000
Interest Income	-	-	-	-
Total Revenues	1,661,079	649,223	2,310,302	5,580,000
EXPENDITURES				
Current:				
Capital Outlays	3,267,949	1,716,590	4,984,539	5,580,000
Total Expenditures	3,267,949	1,716,590	4,984,539	5,580,000
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,606,870)	(1,067,367)	(2,674,237)	-
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	(1,606,870)	(1,067,367)	(2,674,237)	-
Fund Balance (Deficit) - Beginning of Year	3,193,352	1,586,482	-	(1,586,482)
Fund Balance (Deficit) - End of Year	$ 1,586,482	$ 519,115	$ (2,674,237)	$ (1,586,482)

The accompanying notes are an integral part of this financial statement.

CITY OF DALLAS, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
2011 SPLOST CAPITAL PROJECTS-BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED
JUNE 30,2012

	Actual			Project Authorization
	Prior Years	Current Year	Total to Date	
REVENUES				
Taxes	$ 163,673	$ 1,074,830	$ 1,238,503	$ 6,840,000
Interest Income	-	87	-	-
Total Revenues	163,673	1,074,917	1,238,503	6,840,000
EXPENDITURES				
Current:				
Capital Outlays	1,800,267	308,562	2,108,829	6,095,001
Debt Service:				
Principal	248,333	248,333	496,666	744,999
Total Expenditures	2,048,600	556,895	2,605,495	6,840,000
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,884,927)	518,022	(1,366,992)	-
OTHER FINANCING SOURCES (USES)				
Capital Contribution	150,000	-	150,000	-
Note Payable Issuance	745,000	-	745,000	-
Total Other Financing Sources (Uses)	895,000	-	895,000	-
Net Change in Fund Balance	(989,927)	518,022	(471,905)	-
Fund Balance (Deficit) - Beginning of Year	-	(989,927)	-	-
Fund Balance (Deficit) - End of Year	$ (989,927)	$ (471,905)	$ (471,905)	$ -

The accompanying notes are an integral part of this financial statement.



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COMPLIANCE SECTION

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WILLIAMSON & CO., CPA's
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

LLOYD WILLIAMSON
CHRISTIAN HATCH

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*

To the Honorable Mayor, Members of the City Council
And the City Manager
City of Dallas, Georgia

We have audited the financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of City of Dallas, Georgia, as of June 30, 2012, which collectively comprise the City of Dallas, Georgia's basic financial statements and have issued our report thereon dated November 30, 2012. 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

In planning and performing our audit, we considered City of Dallas, 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 Dallas, Georgia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Dallas, 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 misstatements on a timely basis. A *material weakness* is a deficiency, or a 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 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 weakness, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Dallas, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance

with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

We noted certain matters that we reported to management of City of Dallas, Georgia's, in a separate letter dated November 30, 2012.

This report is intended solely for the information and use of management, the audit committee, City Council, 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.

Williamson and Company

Williamson and Company, CPAs
Cartersville, Georgia
November 30, 2012

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CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

LLOYD WILLIAMSON
CHRISTIAN HATCH

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

The Honorable Mayor, Members of the City Council
And the City Manager
City of Dallas, Georgia

Compliance

We have audited the City of Dallas, Georgia's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Dallas, Georgia's major federal programs for the year ended June 30, 2012. The City of Dallas, 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 City of Dallas, Georgia's management. Our responsibility is to express an opinion on the City of Dallas, Georgia'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 Dallas, Georgia's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Dallas, Georgia's compliance with those requirements.

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

Internal Control Over Compliance

Management of the City of Dallas, 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 Dallas, 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 of Dallas, Georgia's internal control over compliance.

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 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.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of the City of Dallas, Georgia as of and for the year ended June 30, 2012, and have issued our report thereon dated November 30, 2012. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the *U.S. Office of Management and Budget Circular A-133, Audits of States and Local Governments, and Nonprofit Organizations* and is not a required part of the financial statements. Such information is the responsibility of management and derives 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 as a whole.

This report is intended solely for the information and use of management, City Council, 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.

Williamson and Company

Williamson and Company
Certified Public Accountants
November 30, 2012

CITY OF DALLAS, GEORGIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

Federal Grantor	Federal CFDA Number	Pass Through Entity Indentifying Number	Federal Expenditures
United States Department of Transportation			
Livable Centers Initiative Grant	N/A	STP--0010-00(332)	$ 62,368
United States Department of Agriculture - Natural Resources Conservation			
ARRA-Emergency Watershed Protection EWP Program Grant	10.923	68-4310-11-02	392,928
United States Department of Transportation:			
ARRA-Federal Aid Highway Program, Federal Lands Highway Program Grant	20.205	CM-0004-00-(208)	454,486
Department of Homeland Security			
Hazard Mitigation Grant	97.039	FEMA-1858-DR-GA	48,941
Total Expenditures of Federal Awards			$ 958,723

Basis of Presentation:

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Dallas, Georgia and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. Therefore, some amounts in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CITY OF DALLAS GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: **Unqualified**

Internal control over financial reporting:

Material weakness(es) identified? ____ Yes __X__ No

Significant Deficiencies (s) identified not considered to be material weaknesses? ____ Yes __X__ None Reported

Noncompliance material to financial statements noted? ____ Yes __X__ No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? ____ Yes __X__ No

Reportable condition(s) identified not considered to be material weaknesses? ____ Yes __X__ None Reported

Type of auditor's report issued on compliance for major programs: **Unqualified**

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? ____ Yes __X__ No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
20.205	**United States Department of Transportation** ARRA- Transportation Enhancement Act
10.923	**United States Department of Agriculture** ARRA-Emergency Watershed Protection EWP

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as low-risk auditee? ____ Yes __X__ No

Section II. Financial Statement Findings

See Schedule of Findings and Responses.

Section III. Federal Awards Findings and Questioned Costs

No Matters are reported.

Section IV. Status of Prior Audit Findings

No matters were reported

City of Dallas, Georgia
Schedule of Special Purpose Local Option Sales Tax
For the Fiscal Year Ended
June 30, 2012

Project	Estimated Cost		Expenditures		
	Original	Current	Prior Years	Current Year	Total
SPLOST 2005					
Roads & Streets	$ 4,464,000	$ 2,957,400	$ 1,556,872	$ 1,514,368	$ 3,071,240
Other Projects					
Public Safety	837,000	1,450,800			
Vehicles			207,739	65,624	273,363
Equipment & Furniture			101,952	22,775	124,727
Building Renovation			1,063,912	11,536	1,075,448
Parking Deck			41,864	-	41,864
Major Repairs			129,140	-	129,140
Recreation	279,000	1,171,800			
Athletic Facilities			24,920	-	24,920
Renovations Athletic Facilities			-	-	-
Equipment			9,885	-	9,885
Land & Improvements			-	91,174	91,174
Walking/Jogging Trail			86,996	-	86,996
Athletic Fields & Courts.			45,073	11,113	56,186
Total other projects	1,116,000	2,622,600	1,711,481	202,222	1,913,703
Total for all projects	$ 5,580,000	$ 5,580,000	$ 3,268,353	$ 1,716,590	$ 4,984,943

The City of Dallas is being reimbursed by the Georgia Department of Transportation for its various sidewalk projects. The City is using this grant money to help SPLOST pay for street projects.

Project	Estimated Cost		Expenditures		
	Original	Current	Prior Years	Current Year	Total
SPLOST 2011					
Roads & Streets	$ 2,359,800	$ 2,359,800	$ -	$ 222,498	$ 222,498
Other Projects					
Public Safety	1,997,280	1,997,280			
Vehicles			-	59,749	59,749
Equipment & Furniture			-	4,682	4,682
Building Renovation			-	-	-
Parking Deck			-	-	-
Major Repairs			-	-	-
Recreation	2,482,920	2,482,920			
Athletic Facilities			-	-	-
Renovations Athletic Facilities			-	21,633	21,633
Equipment			-	-	-
Land & Improvements			1,800,267	248,333	2,048,600
Walking/Jogging Trail			-	-	-
Athletic Fields & Courts.			-	-	-
Total for all projects	$ 6,840,000	$ 6,840,000	$ 1,800,267	$ 556,895	$ 2,357,162