CITY OF DALLAS, GEORGIA

ANNUAL FINANCIAL REPORT

For The Fiscal Year Ended
June 30, 2014

Kendall Smith
City Manager

By Authority of
Mayor and City Council

CITY OF DALLAS, GEORGIA
ANNUAL FINANCIAL REPORT
JUNE 30, 2014

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Financial Section

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P.O. BOX 473
CARTERSVILLE, GA 30120
(770) 382-3361
FAX (770) 386-8382
WWW.WCPAS.COM

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

LLOYD WILLIAMSON
CHRISTIAN HATCH

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Council
Of the City of Dallas, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund information of City of Dallas, Georgia as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and each major fund information of the City of Dallas, Georgia, as of June 30, 2014, and the respective changes in financial position, and cash flows where applicable thereof, and the respective budgetary comparison for the General Fund, Confiscated Drug Fund, Hotel/Motel Tax Fund, and Subdivision Infrastructure Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

The Schedule of Special Local Option Sales Tax Expenditures are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Special Purpose Local Option Sales Tax Expenditures is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

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

Williamson and Company

Williamson & Company
Certified Public Accountants
Cartersville, Georgia
November 3, 2014

Basic Financial Statements

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CITY OF DALLAS, GEORGIA
STATEMENT OF NET POSITION
FOR THE YEAR ENDED
JUNE 30, 2014

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Current Assets:			
Cash	$ 1,197,965	$ 156,887	$ 1,354,852
Receivables - net	409,185	590,151	999,336
Internal Balances	919,378	(919,378)	-
Inventory	-	58,565	58,565
Prepaid Expenses	173,671	59,668	233,339
Restricted Assets:			
Cash	708,383	1,636,778	2,345,161
Non-Current Assets:			
Capital Assets:			
Land and Construction in Progress	4,576,905	3,840,765	8,417,670
Other Capital Assets-Net	15,269,700	16,602,113	31,871,813
Total Capital Assets	19,846,605	20,442,878	40,289,483
Total Assets	23,255,187	22,025,549	45,280,736
LIABILITIES			
Current Liabilities:			
Accounts Payable	155,327	756,645	911,972
Accrued Interest Payable	-	76,899	76,899
Retainage Payable	-	260,508	260,508
Customer Deposits	125,889	479,605	605,494
Noncurrent Liabilities:			
Due Within One Year	252,057	464,123	716,180
Due In More Than One Year	1,608,500	11,908,186	13,516,686
Total Liabilities	2,141,773	13,945,966	16,087,739
NET POSITION			
Net Investment in Capital Assets	18,347,186	8,151,763	26,498,949
Restricted for:			
Drug Enforcement Activities	1,177	-	1,177
Capital Projects	478,181	-	478,181
Tourism	2,270	-	2,270
Debt Service	-	1,636,778	1,636,778
Committed for:			
Subdivision Infrastructure	1,804	-	1,804
Unrestricted	2,282,796	(1,708,958)	573,838
Total Net Position	$ 21,113,414	$ 8,079,583	$ 29,192,997

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

CITY OF DALLAS, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED
JUNE 30, 2014

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	$ 1,057,465	$ 60,147	$ -	$ 7,000
Public Safety	2,069,560	462,612	-	316,477
Public Works	1,299,726	11,953	-	473,617
Community Development	93,062	25,453	-	-
Theater	472,801	110,012	-	-
Civic Center	87,963	-	-	-
Parks	317,291	77,747	-	375,551
Marshal	96,316	-	-	-
Interest on Long-term Debt	56,839	-	-	-
Total Governmental Activities	5,551,023	747,924	-	1,172,645
Business-type activities:				
Water & Sewer	3,445,556	4,444,881	-	-
Solid Waste	330,636	434,576	-	-
Total Business-type Activities	3,776,192	4,879,457	-	-
Total primary government	$ 9,327,215	$ 5,627,381	$ -	$ 1,172,645

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

CITY OF DALLAS, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED
JUNE 30, 2014

	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
Functions/Programs	Governmental Activities	Business-type Activities	Totals
Primary government:			
Governmental activities:			
General Government	$ (990,318)		$ (990,318)
Public Safety	(1,290,471)		(1,290,471)
Public Works	(814,156)		(814,156)
Community Development	(67,609)		(67,609)
Theater	(362,789)		(362,789)
Civic Center	(87,963)		(87,963)
Parks	136,007		136,007
Marshal	(96,316)		(96,316)
Interest on Long-term Debt	(56,839)		(56,839)
Total Governmental Activities	(3,630,454)		(3,630,454)
Business-type activities:			
Water & Sewer		$ 999,325	999,325
Solid Waste		103,940	103,940
Total Business-type Activities		1,103,265	1,103,265
Total primary government	(3,630,454)	1,103,265	(2,527,189)
General revenues:			
Taxes:			
Property	1,297,232	-	1,297,232
Sales Tax	1,498,614	-	1,498,614
Hotel/Motel	9,865	-	9,865
Business Occupation	75,835	-	75,835
Financial Institution Tax	33,842	-	33,842
Insurance Premium	601,148	-	601,148
Malt Beverage	142,401	-	142,401
Franchise	594,226	-	594,226
Payment from County	6,413	-	6,413
Investment Earnings	-	65	65
Miscellaneous	30,669	-	30,669
Transfers In (Out)	120,000	(120,000)	-
Total General Revenues and Transfers	4,410,245	(119,935)	4,290,310
Change in Net Assets	779,791	983,330	1,763,121
Net Position - Beginning	20,252,414	7,111,524	27,363,938
Prior Period Adjustment	81,209	(15,271)	65,938
Net Position - Ending	$ 21,113,414	$ 8,079,583	$ 29,192,997

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, 2014

	General	Special Revenue- Confiscated Drug	Special Revenue - Hotel Motel	Special Revenue - Subdivision Infrastructure	Capital Projects- Splost 2011	Total Governmental Funds
ASSETS						
Cash	$ 1,197,965	$ -	$ -	$ -	$ -	$ 1,197,965
Receivables (Net):						
Accounts	216,671	-	-	-	172,959	389,630
Taxes	19,555	-	-	-	-	19,555
Due from Other Funds	2,286,914	1,296	-	-	-	2,288,210
Prepaid Expenses	173,671	-	-	-	-	173,671
Cash - Restricted	-	126	4,922	5,786	697,549	708,383
Total Assets	$ 3,894,776	$ 1,422	$ 4,922	$ 5,786	$ 870,508	$ 4,777,414
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable	$ 139,163	$ 245	$ 2,652	$ 2,389	$ 10,878	$ 155,327
Due to Other Funds	985,790	-	-	1,593	381,449	1,368,832
Deposits Payable	125,889	-	-	-	-	125,889
Total Liabilities	1,250,842	245	2,652	3,982	392,327	1,650,048
Fund Balance:						
Restricted for:						
Drug Enforcement Activities	-	1,177	-	-	-	1,177
Capital Projects	-	-	-	-	478,181	478,181
Tourism	-	-	2,270	-	-	2,270
Committed for:						
Subdivision Infrastructure	-	-	-	1,804	-	1,804
Unassigned	2,643,934	-	-	-	-	2,643,934
Total Fund Balances	2,643,934	1,177	2,270	1,804	478,181	3,127,366
Total Liabilities and Fund Balances	$ 3,894,776	$ 1,422	$ 4,922	$ 5,786	$ 870,508	$ 4,777,414

Reconciliation of the Balance Sheet to the Statement of Net Position

Fund Balances - Total governmental funds	$ 3,127,366
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and are therefore not reported in the governmental funds.	19,846,605
Non-current liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	
Lease Payable	(1,499,419)
Compensated Absences	(83,321)
OPEB Liability	(277,817)
Net Position of governmental activities	$ 21,113,414

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, 2014

	General	Special Revenue-Confiscated Drug	Special Revenue-Hotel / Motel	Special Revenue-Subdivision Infrastructure	Capital Projects-Splost 2011	Total Governmental Funds
REVENUES						
Taxes	$ 4,243,298	$ -	$ 9,865	$ -	$ -	$ 4,253,163
Licenses and Permits	54,406	-	-	-	-	54,406
Intergovernmental	6,413	-	-	-	1,017,175	1,023,588
Fines and Forfeitures	452,835	9,777	-	-	-	462,612
Services	218,953	-	-	-	-	218,953
Grants	119,495	-	-	-	35,975	155,470
Fees	-	-	-	11,953	-	11,953
Miscellaneous	30,669	-	-	-	-	30,669
Total Revenues	5,126,069	9,777	9,865	11,953	1,053,150	6,210,814
EXPENDITURES						
Current:						
General Government	997,715	-	9,865	-	-	1,007,580
Public Safety	1,949,657	10,691	-	-	118,539	2,078,887
Public Works	883,226	-	-	10,149	345,411	1,238,786
Community Development	97,494	-	-	-	-	97,494
Theater	382,481	-	-	-	-	382,481
Civic Center	55,244	-	-	-	-	55,244
Parks	287,267	-	-	-	63,043	350,310
Marshal	89,712	-	-	-	-	89,712
Debt Service:						
Principal	243,573	-	-	-	-	243,573
Interest	56,840	-	-	-	-	56,840
Total Expenditures	5,043,209	10,691	9,865	10,149	526,993	5,600,907
Excess (Deficiency) of Revenues Over (Under) Expenditures	82,860	(914)	-	1,804	526,157	609,907
OTHER FINANCING SOURCES (USES)						
Transfers - In (Out)	120,000	-	-	-	-	120,000
Total Other Financing Sources (Uses)	120,000	-	-	-	-	120,000
Net Change in Fund Balances	202,860	(914)	-	1,804	526,157	729,907
Fund Balance (Deficit) - Beginning of Year	2,441,074	2,091	2,270	-	(129,185)	2,316,250
Prior Period Adjustment	-	-	-	-	81,209	81,209
Fund Balance - End of Year	$ 2,643,934	$ 1,177	$ 2,270	$ 1,804	$ 478,181	$ 3,127,366

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, 2014

Net Change in Fund Balances - Total Governmental Funds		$ 729,907
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.		
Expenditures for capital assets	671,037	
Less current year depreciation	(957,540)	(286,503)
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		243,573
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		(24,361)
Net Change in long-term OPEB Liability		117,175
Change in Net Position of Governmental Activities		$ 779,791

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, 2014

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
REVENUES				
Taxes	$ 4,184,838	$ 4,184,838	$ 4,243,298	$ 58,460
Licenses and Permits	54,850	54,850	54,406	(444)
Intergovernmental	20,000	20,000	6,413	(13,587)
Fines and Forfeitures	249,100	249,100	452,835	203,735
Services	207,075	207,075	218,953	11,878
Grants	567,000	567,000	119,495	(447,505)
Miscellaneous Income	20,950	20,950	30,669	9,719
Total Revenues	5,303,813	5,303,813	5,126,069	(177,744)
EXPENDITURES				
Current:				
General Government	1,150,264	1,150,264	997,715	152,549
Public Safety	2,029,336	2,029,336	1,949,657	79,679
Public Works	890,081	890,081	883,226	6,855
Community Development	97,622	97,622	97,494	128
Theater	656,516	656,516	382,481	274,035
Civic Center	67,025	67,025	55,244	11,781
Parks	443,713	443,713	287,267	156,446
Marshal	95,447	95,447	89,712	5,735
Debt Service:				
Principal	243,573	243,573	243,573	-
Interest	56,840	56,840	56,840	-
Total Expenditures	5,730,417	5,730,417	5,043,209	687,208
Excess (Deficiency) of Revenues Over (Under) Expenditures	(426,604)	(426,604)	82,860	(864,952)
OTHER FINANCING SOURCES (USES)				
Transfers - In (Out)	120,000	120,000	120,000	-
Proceeds From Insurance Recoveries	-	-	-	-
Proceeds From Disposal of Capital Assets	12,500	12,500	-	(12,500)
Total Other Financing Sources (Uses)	132,500	132,500	120,000	(12,500)
Net Change in Fund Balance	(294,104)	(294,104)	202,860	(877,452)
Fund Balance (Deficit) - Beginning of Year	294,104	-	2,441,074	-
Fund Balance (Deficit) - End of Year	$ -	$ -	$ 2,643,934	$ (877,452)

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, 2014

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Confiscations	$ 5,000	$ 5,000	$ -	$ (5,000)
Fines and Forfeitures	5,000	5,000	9,777	4,777
Total Revenues	10,000	10,000	9,777	(223)
EXPENDITURES				
Current:				
Public Safety	10,000	10,000	10,691	(691)
Total Expenditures	10,000	10,000	10,691	(691)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(914)	(914)
OTHER FINANCING SOURCES (USES)				
Transfers - in (out)	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	-	-	(914)	(914)
Fund Balance (Deficit) - Beginning of Year	-	-	2,091	-
Fund Balance (Deficit) - End of Year	$ -	$ -	$ 1,177	$ (914)

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, 2014

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	$ 8,000	$ 8,000	$ 9,865	$ (1,865)
Total Revenues	8,000	8,000	9,865	(1,865)
EXPENDITURES				
Current:				
General Government	8,000	8,000	9,865	(1,865)
Total Expenditures	8,000	8,000	9,865	(1,865)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	(3,730)
OTHER FINANCING SOURCES (USES)				
Transfers - in (out)	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	-	-	-	(3,730)
Fund Balance (Deficit) - Beginning of Year	-	-	2,270	-
Fund Balance (Deficit) - End of Year	$ -	$ -	$ 2,270	$ (3,730)

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

CITY OF DALLAS, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
SUBDIVISION INFRASTRUCTURE
SPECIAL REVENUE FUND
BUDGET AND ACTUAL FOR THE YEAR ENDED
JUNE 30, 2014

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Fees	$ 20,400	$ 20,400	$ 11,953	$ 8,447
Total Revenues	20,400	20,400	11,953	8,447
EXPENDITURES				
Current:				
Subdivision Infrastructure Repairs	20,400	20,400	9,982	10,418
Bank fees	-	-	167	(167)
Total Expenditures	20,400	20,400	10,149	10,418
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	1,804	18,865
Net Change in Fund Balance	-	-	1,804	18,865
Fund Balance (Deficit) - Beginning of Year	-	-	-	-
Fund Balance (Deficit) - End of Year	$ -	$ -	$ 1,804	$ 18,865

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 30,2014

	Actual			Project Authorization
	Prior Years	Current Year	Total to Date	
REVENUES				
Taxes	$ 2,275,968	$ 1,017,175	$ 3,293,143	$ 6,840,000
Grants	91,876	35,975	35,975	-
Interest Income	141	-	141	-
Total Revenues	2,367,985	1,053,150	3,329,259	6,840,000
EXPENDITURES				
Current:				
Capital Outlays	2,647,171	526,993	3,174,164	6,095,001
Debt Service:				
Principal	744,999	-	744,999	744,999
Total Expenditures	3,392,170	526,993	3,919,163	6,840,000
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,024,185)	526,157	(589,904)	-
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	$ -	526,157	$ -	$ -
Fund Balance (Deficit) - Beginning of Year		(129,185)		
Prior Period Adjustment		81,209		
Fund Balance (Deficit) - End of Year		$ 478,181		

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

CITY OF DALLAS, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	Water and Sewer	Solid Waste	Total
Assets			
Current Assets:			
Cash and Cash Equivalents	$ 144,755	$ 12,132	$ 156,887
Accounts Receivable - net	513,211	58,541	571,752
Due From Other Governments	18,399	-	18,399
Due From Other Funds	986,087	2,666,680	3,652,767
Inventory	58,565	-	58,565
Prepaids	59,668	-	59,668
Cash- Restricted	1,636,778	-	1,636,778
Total Current Assets	3,417,463	2,737,353	6,154,816
Non-Current Assets:			
Capital Assets:			
Buildings	245,915	-	245,915
Machinery & Equipment	1,774,473	-	1,774,473
Utility System - Water	7,750,449	-	7,750,449
Utility System - Sewer	14,854,237	-	14,854,237
Less Accumulated Depreciation	(8,022,961)	-	(8,022,961)
Construction in Progress	3,285,054	-	3,285,054
Land	555,711	-	555,711
Total Capital Assets	20,442,878	-	20,442,878
Total Non-Current Assets	20,442,878	-	20,442,878
Total Assets	$ 23,860,341	$ 2,737,353	$ 26,597,694

(Continued)

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

CITY OF DALLAS, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

(Continued)	Water and Sewer	Solid Waste	Total
Liabilities			
Current Liabilities:			
Accounts Payable	$ 731,048	$ 25,597	$ 756,645
Due to Other Funds	2,666,580	1,905,565	4,572,145
Accrued Interest Payable	76,899	-	76,899
Retainage Payable	260,508	-	260,508
Customer Deposits	473,320	6,285	479,605
Bond Payable	180,000	-	180,000
Notes Payable	304,461	-	304,461
Total Current Liabilities	4,692,816	1,937,447	6,630,263
Noncurrent Liabilities:			
Compensated Absences Payable	13,157	-	13,157
OPEB Liability	68,037	-	68,037
Bond Payable	6,125,000	-	6,125,000
Note Payable	5,681,654	-	5,681,654
Total Noncurrent Liabilities	11,887,848	-	11,887,848
Total Liabilities	16,580,664	1,937,447	18,518,111
Net Position			
Net Investment in Capital Assets	8,151,763	-	8,151,763
Restricted for Debt Service	1,636,778	-	1,636,778
Unrestricted	(2,508,864)	799,906	(1,708,958)
Total Net Position	$ 7,279,677	$ 799,906	$ 8,079,583

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

CITY OF DALLAS, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Water and Sewer	Solid Waste	Total
Operating Revenues			
Charges for Services	$ 4,411,049	$ 434,576	$ 4,845,625
Fees	29,010	-	29,010
Other Revenues	4,822	-	4,822
Total Operating Revenues	4,444,881	434,576	4,879,457
Operating Expenses			
Cost of Sales and Services	1,081,717	330,636	1,412,353
Salaries, Wages and Employee Benefits	777,865	-	777,865
Cost of Water Purchased	579,915	-	579,915
Depreciation Expense	665,815	-	665,815
Total Operating Expenses	3,105,312	330,636	3,435,948
Operating Income (Loss)	1,339,569	103,940	1,443,509
Nonoperating Revenues (Expenses)			
Interest Revenue	65	-	65
Interest Expense	(340,244)	-	(340,244)
Total Nonoperating Revenues (Expenses)	(340,179)	-	(340,179)
Income Before Contributions, Special Items and Transfers	999,390	103,940	1,103,330
Transfers In (Out)	-	(120,000)	(120,000)
	-	(120,000)	(120,000)
Change in Net Position	999,390	(16,060)	983,330
Net Position - Beginning	6,289,273	822,251	7,111,524
Prior Period Adjustment	(8,986)	(6,285)	(15,271)
Net Position - Ending	$ 7,279,677	$ 799,906	$ 8,079,583

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, 2014

	Water and Sewer	Solid Waste	Total
Cash Flows From Operations			
Receipts from Customers and Users	$ 4,340,631	$ 487,633	$ 4,828,264
Payments to Suppliers	(1,545,682)	(332,149)	(1,877,831)
Payments to/for Employees	(852,734)	-	(852,734)
Net Cash Provided by (Used by) Operating Activities	1,942,215	155,484	2,097,699
Cash Flows from Noncapital Financing Activities			
Payments from Other Funds	620,566	-	620,566
Payments to Other Funds	(1,103,583)	(143,352)	(1,246,935)
Net Cash from Noncapital Financing Activities	(483,017)	(143,352)	(626,369)
Cash Flows from Capital and Related Financing Activities			
Proceeds from Note Payable	2,504,942	-	2,504,942
Principal Payments -Notes	(458,907)	-	(458,907)
Acquisition and Construction of Capital Assets	(2,921,178)	-	(2,921,178)
Interest Paid	(353,127)	-	(353,127)
Net Cash from Capital and Related Financing Activities	(1,228,270)	-	(1,228,270)
Cash Flows from Investing Activities			
Interest Received	65	-	65
Net Increase(Decrease) in Cash	230,993	12,132	243,125
Cash (Overdraft) - July 1	1,550,540	-	1,550,540
Cash (Overdraft) - June 30	$ 1,781,533	$ 12,132	$ 1,793,665
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Operating Income (Loss)	$ 1,339,569	$ 103,940	$ 1,443,509
Adjustments to Reconcile from Operating Income to Net Cash Provided (Used) by Operating Activities			
Depreciation	665,815	-	665,815
(Increase) Decrease in Assets:			
Accounts Receivable	(165,931)	46,772	(119,159)
Inventory	6,420	-	6,420
Prepaids	(59,668)	-	(59,668)
Increase (Decrease) in Liabilities:			
Accounts Payable	115,059	(1,513)	113,546
Accrued Interest	(12,882)	-	(12,882)
Retainage Payable	6,974	-	6,974
Compensated Absences Payable	27	-	27
OPEB Liability Payable	(15,228)	-	(15,228)
Customer Deposits	62,060	6,285	68,345
Net Cash Provided by (Used in) Operating Activities	$ 1,942,215	$ 155,484	$ 2,097,699

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, 2014

	Water and Sewer	Solid Waste	Total
Noncash Investing, Capital and Financing Activities			
Acquisition of Capital Assets	$ 746,548	$ -	$ 746,548
OPEB Liability Payable	28,462	-	28,462
Customer Deposits	(37,448)	-	(37,448)
Accounts Payable	(590,743)	-	(590,743)
Retainage Payale	(155,805)	-	(155,805)
Prior Period Adjustment	8,986	-	8,986
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), 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 position and the statement of activities) report information on all of the non-fiduciary 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. During the June 30, 2013 audit, the City implemented GASB 62 for guidance on accounting and financial reporting principles.

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 three special revenue funds: Confiscated Drug Fund, Hotel/Motel Tax Fund and Subdivision Infrastructure 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. The Subdivision Infrastructure Fund accounts for revenues and expenses the City incurs while in the process of getting the infrastructure of undeveloped subdivisions to comply with City/State mandates.

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/Prepaid

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.

Prepaid are certain payments to vendors that reflect costs applicable to future accounting periods and are recorded as prepaid items in both government wide and fund balance statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather when purchased.

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

During the June 30, 2013 audit the City implemented GASB statement 65. This statement requires that previously capitalized bond issuance cost, for government wide and enterprise reporting, be recognized as an outflow of resources in the reporting period in which it was incurred. Long-term obligations of the City are reported as a liability in the government-wide and proprietary fund financial statements. 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. In the fund financial statements, governmental funds recognize bond premiums and discounts 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. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferredoutflows of resources,* represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The City of Dallas does not have an item that qualifies for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City of Dallas does not have an item that qualifies for reporting in this category.

K. Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

L. Fund Balance Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

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 Position

Fund equity at the governmental fund reporting level financial is classified as "Fund Balance". Fund equity for all other reporting is classified as "Net Position".

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 Position – represents the different between assets and liabilities. Net Investment in Capital Assets, 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 Position 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, 2014, is classified in the financial statements as follows:

Statement of Net Position

Cash	$ 1,354,852
Restricted Cash	2,345,161
Total Cash	$ 3,700,013

At year-end, the book balance of the City's deposits was $3,700,013 including restricted cash of $2,345,161 and the bank balance was $3,849,332. 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, 2014:

Statement of Cash Flows

Cash	$ 156,887
Restricted Cash	1,636,778
Total Cash	$ 1,793,665

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, 2014, including the applicable allowances for uncollectible accounts, are as follows:

Receivables	General	Capital Projects	Water & Sewer	Sanitation	Total
Accounts	$ 216,671	$ -	$ 570,248	$ 72,695	$ 859,614
Taxes	44,092	172,959	-	-	217,051
Other Governments	-	-	18,399	-	18,399
Less: Allowance for Uncollectible	(24,537)	-	(57,037)	(14,154)	(95,728)
Net Total Receivables	$ 236,226	$ 172,959	$ 531,610	$ 58,541	$ 999,336

Property tax is levied upon receipt of the digest from Paulding County and based upon the assessed value at January 1. Taxes were levied November the fifth and due by January the sixth. 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, 2013 was $804,755.

Based on the 2013 millage levy of 4.170, a property owner would pay $4.17 per $1,000 of assessed valuation.

Current tax collections of $785,201 for the fiscal year ended June 30, 2014 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, 2014. The allowance for uncollectible accounts represents approximately 10% of water/sewer and approximately 19% of sanitation total outstanding utility billings.

Capital projects taxes receivable consists of special local option sales tax collected during the month of July and August 2014.

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".

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, 2014, interfund transfers were as follows:

Source Fund	Transfer To Fund	Amount
Sanitation	General	$ 120,000

As of June 30, 2014, interfund receivables and payables that resulted from various interfund transactions were as follows:

Receivable Fund	Payable Fund	Amount
Water/Sewer	General Fund	$ 984,494
Water/Sewer	Subdivision Infrastructure	1,593
General Fund	Capital Projects-2011	381,449
Confiscated Drug	General Fund	1,296
General Fund	Solid Waste	1,905,465
Solid Waste	Water/Sewer	2,666,580

NOTE 5. CAPITAL ASSETS

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

Governmental Activities:	Balance July 1, 2013	Additions	Transfers/ Deletions	Balance June 30, 2014
Land and Improvements	$ 4,052,122	$ -	$ -	$ 4,052,122
Construction In Progress	485,118	124,104	(84,439)	524,783
Total Capital Assets Not Being Depreciated	4,537,240	124,104	(84,439)	4,576,905
Capital Assets Being Depreciated				
Infrastructure	10,630,006	333,816	13,578	10,977,400
Buildings and Improvements	8,150,232	22,766	-	8,172,998
Machinery and Equipment	2,786,294	190,351	70,861	3,047,506
Total Capital Assets Being Depreciated	21,566,532	546,933	84,439	22,197,904
Less Accumulated Depreciation For:				
Land Improvements	8,043	14,744	-	22,787
Infrastructure	2,604,719	462,276	-	3,066,995
Buildings and Improvements	1,588,935	233,681	-	1,822,616
Machinery and Equipment	1,768,967	246,839	-	2,015,806
Total Accumulated Depreciation	5,970,664	957,540	-	6,928,204
Total Capital Assets Being Depreciated, Net	$ 15,595,868	$ (410,607)	$ 84,439	$ 15,269,700
Governmental Activity Capital Assets, Net	$ 20,133,108	$ (286,503)	$ -	$ 19,846,605

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

Business-type Activities:	Balance July 1, 2013	Additions	Transfers/ Deletions	Balance June 30, 2014
Capital Assets, Not Being Depreciated				
Land	$ 555,711	$ -	$ -	$ 555,711
Construction In Progress	5,532,340	3,491,268	(5,738,554)	3,285,054
Total Capital Assets Not Being Depreciated	6,088,051	3,491,268	(5,738,554)	3,840,765
Capital Assets, Being Depreciated				
Utility Systems - Water	5,763,824	-	1,986,625	7,750,449
Utility Systems - Sewer	11,102,308	-	3,751,929	14,854,237
Buildings and Improvements	245,915	-	-	245,915
Machinery and Equipment	1,731,166	43,307	-	1,774,473
Total Capital Assets Being Depreciated	18,843,213	43,307	5,738,554	24,625,074
Less Accumulated Depreciation For:				
Utility Systems - Water	1,505,980	182,196	-	1,688,176
Utility Systems - Sewer	4,988,379	278,653	-	5,267,032
Buildings and Improvements	99,588	21,234	-	120,822
Machinery and Equipment	763,199	183,732	-	946,931
Total Accumulated Depreciation	7,357,146	665,815	-	8,022,961
Total Capital Assets Being Depreciated, Net	11,486,067	(622,508)	5,738,554	16,602,113
Business-type Activities Capital Assets, Net	$ 17,574,118	$ 2,868,760	$ -	$ 20,442,878

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

Governmental Activities:	
General Government	$ 80,354
Public Safety	154,195
Public Works	499,177
Community Development	310
Theater	96,274
Civic Center	47,801
Parks	66,910
Marshal	12,519
Total Depreciation Expense	$ 957,540
Business-type Activities	
Water/Sewer	$ 665,815

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 building. 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. The City entered into an agreement with PNC Bank for a capital lease of $3,500,000 with quarterly installments of $75,103.

The following schedule presents the future lease payments at June 30, 2014:

Year Ending June 30	Principal	Interest
2015	$ 252,057	$ 48,355
2016	260,840	39,572
2017	269,930	30,482
2018	279,336	21,076
2019	437,256	13,359
Total	$ 1,499,419	$ 152,844

Assets acquired by Capital Lease:

Governmental Activities:	
Theater Building Renovations	$3,401,796
Police Building Renovations	463,881
Less Accumulated Depreciation	(177,821)
Net Assets	$3,687,856

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
2015	180,000	174,298
2016	215,000	170,582
2017	220,000	166,142
2018	225,000	161,600
2019	230,000	156,955
2020-2024	1,910,000	766,895
2025-2029	2,650,000	338,787
2030	675,000	19,929
Total	6,305,000	1,955,188

Note Payables as of June 30, 2014 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	4/1/2014	895,159	$ 16,147
GEFA 3 Water Main Replacement	5.43%	12/01/97	6/1/2014	2,000,000	690,753
GEFA 4 Waste Water Improvements	4.30%	09/11/03	5/1/2014	1,600,000	473,446
GEFA 5 Ground Water Well	3.92%	06/30/06	6/1/2014	1,992,945	1,630,182
GEFA 6 Ground Water Well	3.92%	06/30/10	4/1/2014	754,477	670,645
GEFA 7 Waste Water Treatment Plant	1.40%	02/04/14	*	2,504,942	2,504,942
				Total	$ 5,986,115

*During the 2014 audit year, the City entered into another loan with Georgia Environmental Finance Authority for the construction of a new waste water treatment plant. The total loan for this project is $18.5 million and has an expected completion date around March 2016. This loan is still in draw down statues, with no principal being paid back until construction of water treatment plant is complete. As of June 30, 2014, the City had only drawn down $2,504,942 of the total $18 million approved balance.

Year Ending June 30	Principal	Interest
2015	$ 284,123	$ 143,098
2016	280,556	130,517
2017	293,970	117,104
2018	306,817	104,257
2019	322,404	88,670
2020-2024	1,013,674	293,151
2025-2029	882,400	109,595
2030-2031	97,229	2,655
Total	$ 3,481,173	$ 989,047

The City's long-term debt transactions for the year ended June 30, 2014 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Compensated Absences	$ 58,960	$ 63,054	$ 38,693	$ 83,321	$ -
OPEB Liability	394,992	-	117,175	277,817	-
Capital Leases	1,742,992	-	243,573	1,499,419	252,057
Total Governmental Activities	$ 2,196,944	$ 63,054	$ 399,441	$ 1,860,557	$ 252,057

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities:					
Compensated Absences	$ 13,130	$ 14,251	$ 14,224	$ 13,157	$ -
OPEB Liability	111,727	-	43,690	68,037	-
Notes Payable	3,800,079	2,504,942	318,906	5,986,115	284,123
Bonds Payable	6,445,000	-	140,000	6,305,000	180,000
Total Business-type Activities	$ 10,369,936	$ 2,519,193	$ 516,820	$ 12,372,309	$ 464,123

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, 2013, the estimated minimum annual contribution under these funding standards is $262,993. 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, 2013 the recommended contribution to the plan is $262,993 ($0 employee and $299,165 employer; 0% and 16.59% 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
2013	$262,993	100%	$ -
2012	299,165	100%	-
2011	296,112	100%	-

Schedule of Funding Progress

Actuarial Valuation For Plan Year Beginning January 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)
2013	$ 2,535,149	$ 3,478,227	$ 943,078	72.89%	$ 1,558,072	60.53%
2012	2,297,480	3,013,243	715,763	76.25%	1,675,576	42.72%
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%

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	3.50% (plus age and service based merit increase)
Future Social Security Wage Bases	3.50%
Inflation Rate	3.50%
Cost of Living Adjustment	N/A
Actuarial Methods	
Normal Cost and Actuarial Accrued Liability	Projected Unit Credit
Amortization method	Closed Level dollar for remaining unfunded liability
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.

Amortization of the unfunded actuarial accrued liability is level dollar over 30 years for the initial unfunded accrued liability,15 years for actuarial gains and losses, 10 years for temporary retirement incentive programs, 20 years for other changes to plan provisions, and 30 years for actuarial assumptions and cost methods.

As of January 1, 2013 the plan membership includes the following categories of participants:

Retirees and beneficiaries currently receiving benefits	18
Terminated employees entitled to benefits but not yet receiving them	6
Vested active participants	37
Nonvested participants	15
Total	76

NOTE 9. SPECIAL LOCAL OPTION SALES TAX

On July 20, 2010, Paulding County voters passed a referendum on the question of "yes/no" shall 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:	
PauldingCounty	$18,399

NOTE 12. RESTRICTED ASSETS AND RESTRICTED NET POSITION

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. The Subdivision Infrastructure cash account is restricted for monies used in the renovation of existing subdivision infrastructure to meet required ordinances/laws.

At June 30, 2014, the balances in the restricted asset accounts are as follows:

Governmental Activities:

Confiscated Drug Account	$ 126
Tourism Account	4,922
Subdivision Infrastructure	5,786
Capital Projects	697,549
Total Restricted Assets	$ 708,383

Business-Type Activities:

Restricted for Debt Service	$ 1,636,778
Total Restricted Assets	$ 1,636,778

Restricted/Committed Net Position

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.

Reserved for subdivision infrastructure- Created to segregate money received from fees generated in the constructing of new homes on existing subdivision lots.

Business Type- activities:

Restricted for debt Service: The City's bond covenants require certain reservations of the Water and Sewer net position 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, 2014, the amount of revenue the City collected for hotel motel tax was as follows:

Balance of Hotel/Motel Tax Fund at July 1, 2013	$ 2,270
Hotel/motel receipts	9,865
Disbursements to City	(5,819)
Disbursements to Convention Center	(3,946)
Bank Fees	(100)
Balance of Hotel/Motel Tax Fund at June 30, 2014	$ 2,270

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 an OPEB plan called the City of Dallas (the "City") plan. The plan, the City of Dallas Other Postemployment Benefits 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. Employees are not required to contribute to the 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 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, the net OPEB obligation (NOO), and amount contributed are as follows:

Period Ended	Annual OPEB cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation-NOO	Amount Contributed
2010	$80,240	0%	$ 80,240	$ -
2011	59,903	50.0	109,838	30,305
2012	71,508	41.7	151,041	30,305
2013	70,861	158.2	109,826	112,076
2014	61,703	N/A	N/A	Not yet made

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	5.6	1,675,576	30.3
January 1, 2014	245,733	591,588	345,854	41.5	1,773,795	19.5

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, 2014. 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	$ 63,172
Interest on net OPEB obligation	8,512
Adjustment to annual required contribution	(9,981)
Annual OPEB cost (expense)	61,703
NET OPEB Obligation	
Annual OPEB Cost	61,703
Contributions Made	(112,076)
Increase (decrease) in net OPEB obligation	(50,373)
Net OPEB obligation- beginning of year	109,826
Net OPEB obligation- end of year	$ 59,453

Required Contributuion Rate	
Total Required Contribution Rate	$63,172
Percentage of annual covered payroll	3.48%

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 Method	Level dollar, closed, 25 years
Remaining amortization period	21 years os of July 1, 2013
Asset valuation method	Market Value
Investment Rate of Return	7.75%
Medical and Drug Cost trend rate	7.50% graded to 5.00% over 5 years

Funding Status and Funding Progress: As of January 1, 2014, the most recent actuarial valuation date, the plan was 41.54% funded. According to the latest actuarial valuation dated January 1, 2014 the recommended contribution to the plan is $63,172 ($0 employee and $63,172 employer; 0% and 3.48% of covered payroll respectively). The City's employees are not required to contribute any money to the plan. The actuarial accrued liability for benefits was $591,588, resulting in an unfunded actuarial accrued liability of $345,854. The covered payroll was $1,773,795, and the ratio of UAAL to the covered payroll was 19.50%. 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.

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, 2014, 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 7.50% initially, reduced by decrements to an ultimate rate of 5.0% over five years. The UAAL is being amortized over a 25-year closed period, level-dollar payment. The remaining amortization period at January 1, 2014, was twenty one 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, 2014 are as follows:

Governmental Activities

The City has a project for the improvement of historical land marks and recreational areas in the City limits. This project, the Dallas Battlefield Project, had a cost to the City of $78,454 for the 2014 audit year.

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. The cost for this project for the City of Dallas in 2014 is $35,920. 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

At June 30, 2014, the City had the following water/sewer construction projects: Waste Water Treatment Plant and Transport System Project. These projects are being funded by a loan the City acquired through Georgia Environmental Finance Authority. The Sandalwood Sewer Project is being funded by the 2010 Revenue Bonds. The City will fund, through Water/Sewer revenues, the Sandalwood Project for any costs that exceed the bond proceeds.

NOTE 17. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Expenditures exceeded appropriations in the Hotel/Motel Fund by $1,865 and Confiscated Drug Fund by $691. These excess of expenditures over appropriations are a result of the City collecting more revenue than budgeted, thus the City paying out more than was anticipated for the 2014 audit year.

NOTE 18. PRIOR PERIOD ADJUSTMENT

In the fiscal year June 30, 2014, the City of Dallas made a prior period adjustment of $28,462 to the Water/Sewer Fund for the change in the Unfunded Actuarial Accrued Liability. The Water/Sewer Fund adjusted the UAAL amount by crediting OPEB trust expense ($15,228), debiting the UAAL liability ($43,690), and crediting a prior period adjustment ($28,462). The change in the City's UAAL amount reflected a change for fiscal year 2013 and fiscal year 2014. To correctly account for the change that was contributable for the 2014 audit year, the City decided to record a portion of the change in a prior year. This adjustment increased the audited net position balances for the 2013 and 2014 year by, $28,462 and by $15,228. The City also adjusted the Water /Sewer Fund through a prior period entry to reconcile the general ledger's customers' deposits to the utility billing system's customers' deposit amounts. To correct this variance, the City credited customers' deposits payable and debited a prior period for $37,448. This adjustment decreased prior year's net position balance by $37,448.

The City adjusted the Sanitation Fund through a prior period entry to reconcile the general ledger's customer deposits to the utility billing system customer deposit report. A prior period was debited $6,285, reducing prior period fund balance, and customers' deposits payable was credited $6,285, increasing customers' account payable account.

In the fiscal year June 30, 2014, the City of Dallas made a prior period adjustment in the Capital Projects Fund in the amount of $81,209. SPLOST revenues were overstated by $81,209, so a prior period adjustment was made by debiting revenue and crediting a prior period for this overage. The Capital Projects Fund balance for 2013 was increased by $81,209.



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Compliance Section

P.O. BOX 473
CARTERSVILLE, GA 30120
(770) 382-3361
FAX (770) 386-8382
WWW.WCPAS.COM

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*

The Honorable Mayor and City Council
City of Dallas, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund information of the City of Dallas, Georgia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Dallas, Georgia's basic financial statements, and have issued our report thereon dated November 3, 2014.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Dallas, Georgia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

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

We noted certain matters that we reported to management of the City of Dallas in a separate letter dated November 3, 2014.

Williamson and Company

Williamson & Company
Certified Public Accountants
Cartersville, Georgia
November 3, 2014

City of Dallas, Georgia
Schedule of Special Purpose Local Option Sales Tax
For the Fiscal Year Ended
June 30, 2014

Project	Estimated Cost		Expenditures		
	Original	Current	Prior Years	Current Year	Total
SPLOST 2011					
Roads & Streets	$ 2,359,800	$ 2,359,800	$ 549,466	$ 345,411	$ 894,877
Other Projects					
Public Safety	1,997,280	1,997,280			
Vehicles			124,378	54,214	178,592
Equipment & Furniture			104,424	64,325	168,749
Building Renovation			18,125	-	18,125
Parking Deck			-	-	-
Major Repairs			-	-	-
Recreation	2,482,920	2,482,920			
Athletic Facilities			-	-	-
Renovations Athletic Facilities			31,448	-	31,448
Equipment			-	22,381	22,381
Land & Improvements			1,819,330	34,161	1,853,491
Walking/Jogging Trail			-	-	-
Athletic Fields & Courts.			-	6,501	6,501
Total for all projects	$ 6,840,000	$ 6,840,000	$ 2,647,171	$ 526,993	$ 3,174,164

In the 2014 audit year, the City received a Living Centers Initiative Grant, in the amount of $35,975, to pay for various sidewalk projects. This grant money is being accounted for in the 2011 SPLOST Fund.