

Powder Springs, Georgia

Comprehensive Annual Financial Report

For the Fiscal Year Ended

June 30, 2012

COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF POWDER SPRINGS, GEORGIA

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

FINANCE DIRECTOR
Amy Davis

CITY OF POWDER SPRINGS, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2012

TABLE OF CONTENTS

	Page(s)
INTRODUCTORY SECTION	
Letter of Transmittal	i-vi
GFOA Certificate of Achievement	vii
Organizational Chart	viii
City Officials and Administrative Personnel	ix
FINANCIAL SECTION	
Independent Auditor's Report	1, 2
Management's Discussion and Analysis	3 - 14
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Assets	15
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet - Governmental Funds	17
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Balance Sheet - Proprietary Funds	20, 21
Statement of Revenues, Expenses, and Changes in Fund Equity - Proprietary Funds	22
Statement of Cash Flows - Proprietary Funds	23, 24
Notes to Financial Statements	25 - 44

CITY OF POWDER SPRINGS, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CONT'D)

For the Fiscal Year Ended June 30, 2012

TABLE OF CONTENTS

REQUIRED SUPPLEMENTARY INFORMATION:

Schedule of Funding Progress 45

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual General Fund 46

STATISTICAL SECTION

Statistical Section Contents 47

Net Assets by Category Last Nine Fiscal Years 48

Changes in Net Assets Last Nine Fiscal Years 49-51

Fund Balances of Governmental Funds Last Ten Fiscal Years 52

Changes in Fund Balances of Governmental Funds Last Ten Fiscal Years 53

Tax Revenue by Source, Governmental Funds Last Ten Fiscal Years 54

Taxable Assessed Value and Estimated Actual Value of Property Last Ten Fiscal Years 55

Direct and Underlying Property Tax Rates Last Ten Fiscal Years 56

Principal Property Taxpayers Current Year and Nine Years Ago 57

Property Tax Levies and Collections Last Ten Fiscal Years 58

Water and Sewer Rates Last Ten Fiscal Years 59

CITY OF POWDER SPRINGS, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CONT'D)

For the Fiscal Year Ended June 30, 2012

TABLE OF CONTENTS

STATISTICAL SECTION (Continued)

Water Consumed
Last Ten Fiscal Years 60

Water Sold By Type of Customer
Last Ten Fiscal Years 61

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years 62

Direct and Overlapping Governmental Activities Debt 63

Legal Debt Margin Information
Last Ten Fiscal Years 64

Pledged-Revenue Coverage
Last Ten Fiscal Years 65

Demographic and Economic Statistics
Last Ten Fiscal Years 66

Principal Employers
Current Year and Ten Years Ago 67

Employees by Function/Program
Last Ten Fiscal Years 68

Operating Indicators by Function/Program
Last Ten Fiscal Years 69

Capital Asset Statistics by Function/Program
Last Ten Fiscal Years 70

SUPPLEMENTAL INFORMATION:

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* 71, 72

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INTRODUCTORY SECTION

P.O. Box 46
4484 Marietta Street
Powder Springs, GA 30127
Phone: 770-943-1666
Fax: 770-943-8003

November 21, 2012

Honorable Patricia Vaughan, Mayor,
Members of the City Council,
and Citizens of Powder Springs, Georgia

Ladies and Gentlemen:

The Comprehensive Annual Financial Report of the City of Powder Springs, Georgia, for the fiscal year ended June 30, 2012 is submitted herewith. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with City management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects, and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the City of Powder Springs. The report has been prepared in accordance with generally accepted accounting principles. All disclosures necessary to enable an interested reader to gain an understanding of the government's financial activities have been included.

The City's financial statements have been audited by Crace Galvis McGrath, LLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Powder Springs for the fiscal year ended June 30, 2012 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Powder Springs' financial statements for the fiscal year ended June 30, 2012 are fairly presented in conformity with Generally Accepted Accounting Principles (GAAP). The independent auditors report is presented as the first component of the financial section of the report.

Management's discussion and analysis (MD&A) immediately follows the independent auditors report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

The City of Powder Springs was incorporated as Springville in 1838 in the lands of two Cherokee Indian chiefs, Chief Nose and Chief Ana Kanasta (Sweetwater). Gold had been discovered in Georgia ten years earlier, and the first area settlers came to find gold. They found little in the mines at Lost Mountain and off Brownsville Road. It was at about this same time that the Cherokee Indians were forced off their land and marched to Oklahoma on the "Trail of Tears." Over 4,000 died on the way. The name Springville was changed to Powder Springs in 1859. This name was derived from the seven springs in the City Limits. The water in these springs contains some 26 minerals. Minerals that turn the surrounding sand black like gunpowder – hence the name Gunpowder Springs.

The City of Powder Springs, incorporated in 1859, is located in west-southwest Cobb County approximately nineteen miles northwest of Atlanta and ten miles southwest of Marietta. The City is a municipal corporation created under the laws of the State of Georgia and has as its formal name "The City of Powder Springs, Georgia." A Mayor and a five-member City Council conduct the affairs of the City. The Mayor and two Council members are elected citywide and the remaining three Council members are elected by separate wards. This elected body is responsible for the active coordination of community resources, to anticipate problems, and meet community needs. Policy-making and legislative authority are vested in the City Council, consisting of the Mayor and five Council members, all elected on a non-partisan basis. The Council appoints the government's manager, who in turn appoints the heads of the various departments.

The City Manager oversees the day-to-day operations of the City and ensures the smooth and efficient delivery of city services. All activities and functions of the City are administered by the City Manager and are under the jurisdiction of the Mayor and City Council, as set forth in State and local law.

The City provides a full range of services to approximately 14,000 residents. These services include: public safety (police); community development; highways and streets; water, sewer, and sanitation; public improvements; code enforcement, planning and zoning; and general administrative services. The City is one of six incorporated municipalities within Cobb County.

The City is not included in Cobb County's reporting entity. The Powder Springs Downtown Development Authority has met the established criteria for inclusion in the reporting entity, but has not been included in the current year presentation because it is not material to the City.

The Council is required to adopt a final budget no later than the close of the fiscal year. This annual budget serves as the foundation of the City's financial planning and control. The budget is prepared by fund, function, and department. Department heads may transfer resources within a department as they see fit. Transfers between departments, however, need special approval from the governing council. The Capital Projects funds are budgeted on a project basis and are approved separately from the annual budget.

LONG TERM FINANCIAL PLANNING

As detailed within the following financial statements, the City's policy is to maintain a healthy General Fund balance, currently 56% of annual expenditures, or enough to maintain the City's operations for about 6 1/2 months. This excess reserve is necessary for periods such as the last four years when the tax digest continues to decline and other emergency situations, such as the flood in 2009. As part of the financial strategic plan, the government is committed to a consistent millage rate for property taxes to facilitate the provision of city services. The City's operating millage rate of 8.5 mills has not been increased since 2005. The City also offers residents a "floating" exemption of property taxes, which maintains the taxable value of the property as long as the resident continues to own the property. Upon sale of the property the taxable value is set at the assessed value.

LOCAL ECONOMY

During the last quarter of fiscal year 2008, the City of Powder Springs began to experience an economic slowdown that was a reflection of the national economy. This pattern has continued into FY 2012. There continues to be a decline in tax revenues and business licenses, as well as commercial and residential building permits. This trend is projected to continue for the next 2 to 4 years according to all financial forecasting agencies. Once the national and state economy improves, we believe that the City is positioned to once again continue the growth experienced in the last decade. At that time we hope to see an increase in commercial development as a result of the past and ongoing transportation projects designed to improve access to the City, to make available commercial properties along major travel corridors throughout the City, and to implement economic development incentives and tools to aid in recruitment efforts. Combined, it is believed that these factors will better position Powder Springs in the competitive environment of economic development.

According to a recent study by the Fanning Institute, in cooperation with Georgia Power, the breakdown of Powder Springs' statistics is as follows:

- Population: 13,940
- Male: 46.1%
- Female: 53.9%
- Black: 49.9%
- White: 41.6%
- Other: 8.5%
- Median Income: $61,486
- Median Age: 37

These statistics show that Powder Springs has a higher than average per-capita income. Much of this income is derived from residents who commute to and from their places of employment outside the City, which means that there is relatively low employment in Powder Springs, especially in the manufacturing and industrial sectors.

NATIONAL ECONOMY

Despite unprecedented government spending to encourage state and local governments to create jobs, the unemployment rate continues to be in the double digits and consumer confidence has dropped sharply. The monetary crisis around the globe is having a trickle-down effect on all

economies, including the United States. Due to the tremendous debt the country is holding recovery from this recession will take several years.

The country is in stagnant stage where GDP growth was only 1.5% in the second quarter. While there are numerous positive indicators, such as housing sales, it is believed the US economy will continue to recover, but extremely slowly.

MAJOR INITIATIVES FOR THIS YEAR

Completed Construction of New Police Station

The department moved from its downtown location on Pineview Drive to the renovated Ace Hardware building on Sailors Parkway.



Completed Construction of a Pedestrian Bridge over the Silver Comet Trail

The new Silver Comet Trail pedestrian bridge at the intersection of Old Lost Mountain Road and Richard D. Sailors Parkway in Powder Springs opened to the public. The bridge was designed and built to improve overall trail safety. The bridge has improved the traffic flow at the intersection where people once crossed the road.



INITIATIVES FOR FUTURE YEARS

Phase I of the Silver Comet Linear Park

The first phase of a four phase project to create a 10-acre park along the Silver Comet Trail between Powder Springs Road and New Macland Road has been approved for construction. The park will include a playground and public restroom facilities.

Economic Development Initiative
In 2012 the City coordinated with Georgia Power and the Fanning Institute to complete an assessment of the City to create economic development and growth. This facilitated a partnership with Kennesaw State University to develop a marketing/branding concept for the City. The City is also participating with the Georgia Department of Community Affairs and the Georgia Department of Economic Development to present educational opportunities for the small business community. In addition to the new partnerships, the City is constructing new trail heads and signage along the Silver Comet Trail to encourage trail users to visit the downtown area.

Renovation of the Municipal Court facility
With the Police moving out of the old police station on Pineview Drive, the building is now dedicated to court proceedings. The renovation is also necessary for the expansion of Lewis road improvements.

Creation of a Storm Water Utility
The Storm Water Utility will be funded by a new Storm Water Fee, which will be included on the annual property tax bill. The fee will be $3 per residential equivalent unit (ERU). These fees will pay for the inventory and inspection of storm water facilities as well as any maintenance or new construction necessary for the safe drainage of storm waters.

Construction of a Community Theater
The Community Theatre will be multipurpose, with a capacity of 288 for auditorium-style seating (dramatic presentations, concerts, community meetings, awards functions, etc.), or 120 capacity for an event such as a dinner theater.

FINANCIAL POLICIES
In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: 1) the safety of assets against loss from unauthorized use or disposition; and 2) the reliability of financial records for preparing financial statements in conformity with generally accepted accounting principles. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived; and 2) the evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework.

Budgetary Controls. The City maintains budgetary controls to ensure compliance with legal provisions of the annual appropriated budget approved by the City Council. Activities of the general fund and enterprise funds are included in the annual appropriated budget. Capital projects are budgeted on a project length basis and are approved by the Council at the time the projected is accepted. The official level of city budget control (the level on which expenditures may not legally exceed appropriations) for each legally adopted annual operating budget is the department level within each fund. Administrative transfers of appropriations within a department may be authorized by the Department Head or finance to meet unforeseen needs. Transfers of appropriations between departments or functions within a fund are reviewed with the City Council prior to approval. The City's budget procedures are more fully explained in the

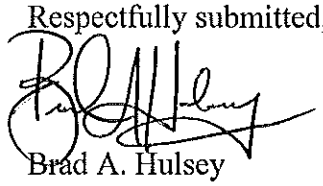
accompanying notes to the financial statements. The City maintains an encumbrance accounting system as one means of accomplishing budgetary control. Encumbered amounts at year end are carried forward to the ensuing year's budget on a case by case basis.

OTHER INFORMATION

Awards and Achievements. The Government Finance Officers' Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Powder Springs for its comprehensive annual financial report for the fiscal year ended June 30, 2011. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for only of one year. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments. The preparation of the report could not have been accomplished without the efficient and dedicated efforts of the staff of the Finance Department, the auditors for the City, and the cooperation of the City staff. My sincere appreciation is extended to each individual for the contributions made in the preparation of this report.

Respectfully submitted,



Brad A. Hulsey
City Manager

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Powder Springs Georgia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

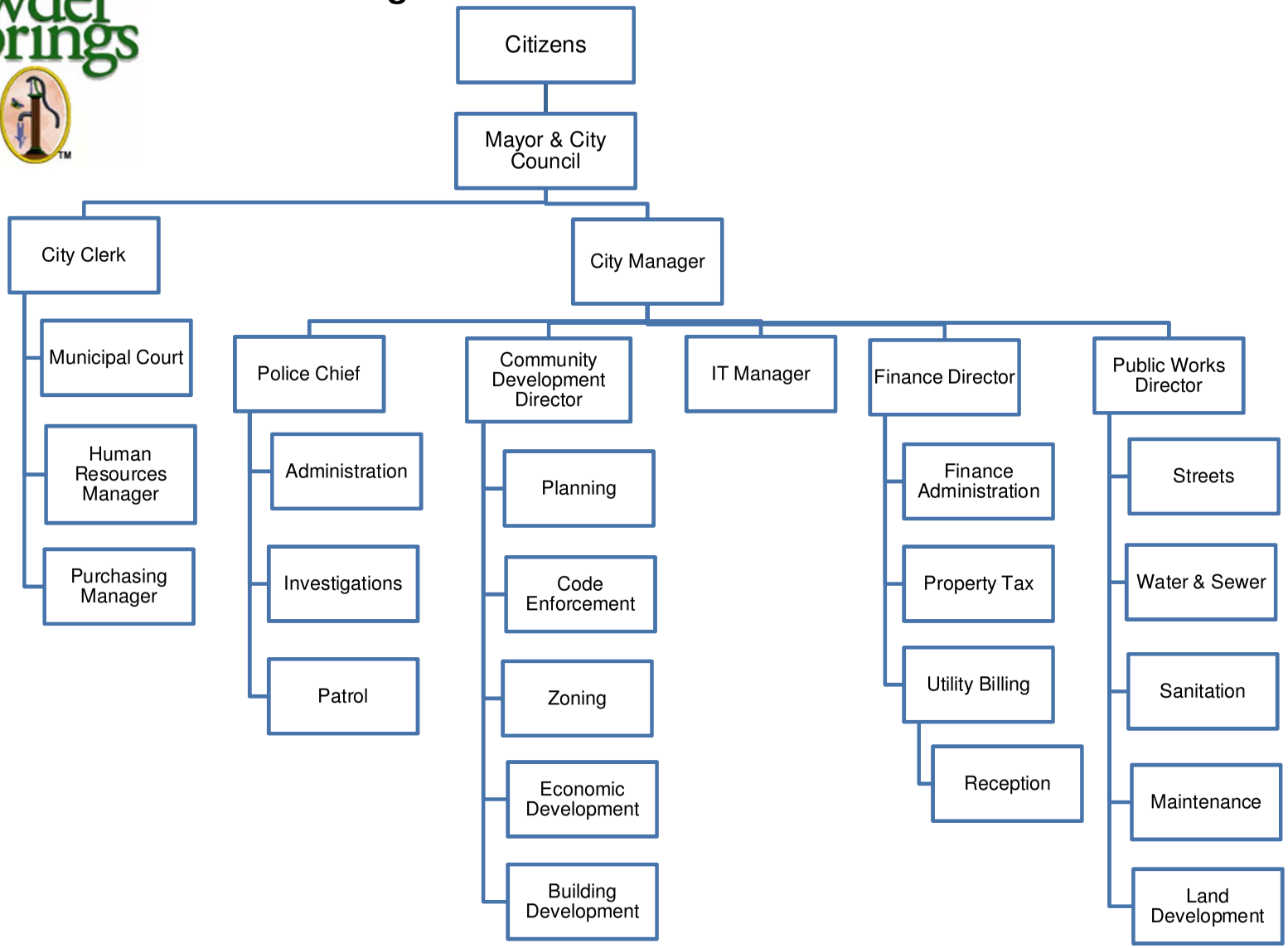


Linda C. Davidson

President

Executive Director

Organizational Chart



CITY OF POWDER SPRINGS, GEORGIA
June 30, 2012

CITY COUNCIL

Patricia C. Vaughn	Mayor
Rosalyn Neal	Council Member
Cheryl Sarvis	Council Member
Chris Wizner	Council Member
Nancy Hudson	Council Member
Albert Thurman	Council Member

CITY ADMINISTRATION

Brad Hulsey	Interim City Manager
Amy Davis	Finance Director
Greg Ramsey	Public Works Director
Charles Sewell	Chief of Police
Pam Conner	Community Development Director
Rosalyn Nealy	Human Resources Director
Dawn Davis	Clerk of Council
Debbie Hicks	Municipal Court Clerk
Keith "Butch" Walker	Purchasing and Inventory Control Manager
Bob Cillo	IT Manager
Brock, Clay & Calhoun P.C.	City Attorney

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

The Honorable Patricia C. Vaughn, Mayor
Members of the City Council
City of Powder Springs, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the City of Powder Springs, 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 Powder Springs, 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

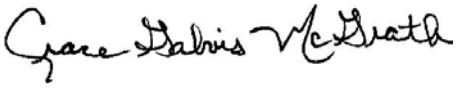
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the City of Powder Springs, Georgia, as of June 30, 2012, and the respective changes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

In accordance with *Government Auditing Standards*, we have also issued a report dated November 21, 2012 on our consideration of the City of Powder Springs, Georgia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Crace Galvis McGrath, LLC | 1825 Barrett Lakes Blvd | Suite 200 | Kennesaw, GA 30144
tel: 770.422.0598 | fax: 678.214.2355 | www.cgmcpa.com

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-14, the schedule of funding progress on page 45, and the budgetary comparison information for the General Fund on page 46 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Powder Springs, Georgia's basic financial statements. The introductory section and statistical section are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The introductory section and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.



Crace Galvis McGrath, LLC

November 21, 2012

The Management's Discussion and Analysis of the City of Powder Springs Government's Comprehensive Annual Financial Report (CAFR) provides and overall narrative and analysis of the City's financial statements for the fiscal year ended June 30, 2012. This discussion and analysis is designed to look at the City's financial performance as a whole. Readers should review the information presented in conjunction with information provided in the financial statements and the notes to the financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

- The City's combined net assets totaled $37,737,064, an increase of $2,541,295 over 2011. Of this amount, unrestricted net assets of $6,985,619 may be used to meet the City's ongoing obligations to citizens and creditors.

- Combined revenue totaled $14,155.499 including governmental activities revenues of $8,583,836 and business-type activities revenues of $5,571,663.

- Overall expenses totaled $11,614,204 including government activities expenses of $5,922,674 and business-type activities expenses of $5,691,530.

- At the end of the current fiscal year, governmental activities expenses exceeded total program revenues by $2,169,887. Operating expenses in excess of charges for services and grants & contributions are funded using general revenues (mostly taxes). Government activities net assets increased by $2,661,162.

- Total business-type activities expenses exceeded business-type activities revenue by $122,598 resulting in a decrease of business-type net assets of $119,867.

- The investment in capital assets, net of related debt, for government activities increased by $732,735 and the investment in capital assets, net of related debt, for business-type activities decreased by $427,093.

- At June 30, 2012, the City's General Fund reported an unassigned fund balance of $3,448,575, an increase of $730,045 over the prior fiscal year's unassigned fund balance.

Overview of the Financial Statements

This discussion and analysis is an introduction to the City's basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. This report also includes other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The Government-wide financial statements provide a broad view of the City's operation in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the City's financial position, which assists in assessing the economic condition at the end of the fiscal year. These statements are prepared using the accrual basis of accounting which means the statements take into account all revenues and expenses even if cash involved has not been received or paid. There are two Government-wide financial statements, the Statement of Net Assets and the Statement of Activities.

The government-wide *Statement of Net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall health of the City extends to other nonfinancial factors such as diversification of the taxpayer base or the condition of infrastructure.

The government-wide *Statement of Activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave). An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinguish functions of the City that are principally supported by taxes and from business-type activities intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, health and welfare, public works, culture and recreation, public safety, and housing and development. Business-type activities include the water and sewer and sanitation operations.

The City has one component unit which is a separate legal entity. This component unit, the Powder Springs Downtown Development Authority has not been included in this report since it is not material to the City.

The government-wide financial statements are presented on pages 15 and 16 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements focus on individual parts of the City's government, reporting the City's operations in more detail than the government-wide statements. All funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds encompass the same functions reported as governmental activities in the government-wide financial statements. However, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on the balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating the City's near-term financing requirements. This approach is known as using the flow of current financial resources measurement focus and the modified accrual basis of accounting. The basic services provided by the City are financed through governmental funds. These statements provide a detailed short-term view of the City's finances that assists in determining whether there will be adequate financial resources available to meet the City's current needs.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund operating statement provide a reconciliation to assist in understanding the differences between these two perspectives.

Major funds are separately reported. The City's major funds include the General Fund, the Capital Project Fund and the SPLOST fund. The basic governmental fund financial statements are presented on pages 17 to 19 of this report.

- *Proprietary funds* are used to account for activities that operate similar to those commercial enterprises found in the private sector. Because these funds charge fees for services provided to outside customers, they are known as enterprise funds. Proprietary funds use the accrual basis of accounting, thus there is no reconciliation needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

The proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Fund and the Sanitation Fund, which are both considered to be major funds of the City. The basic proprietary fund financial statements are presented on pages 20 to 24 of this report.

Notes to the Financial Statements

The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 25 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's retirement system funding progress and budget presentations. Budgetary comparison schedules for the general fund are presented which demonstrate compliance with the City's adopted and final revised budget. Required supplementary information can be found on pages 45 to 46 of this report.

Financial Analysis of the City as a Whole

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's combined net assets (government and business-type activities totaled $37,737,064 at June 30, 2012. The following table provides a summary of the City's net assets for fiscal years 2012 and 2011.

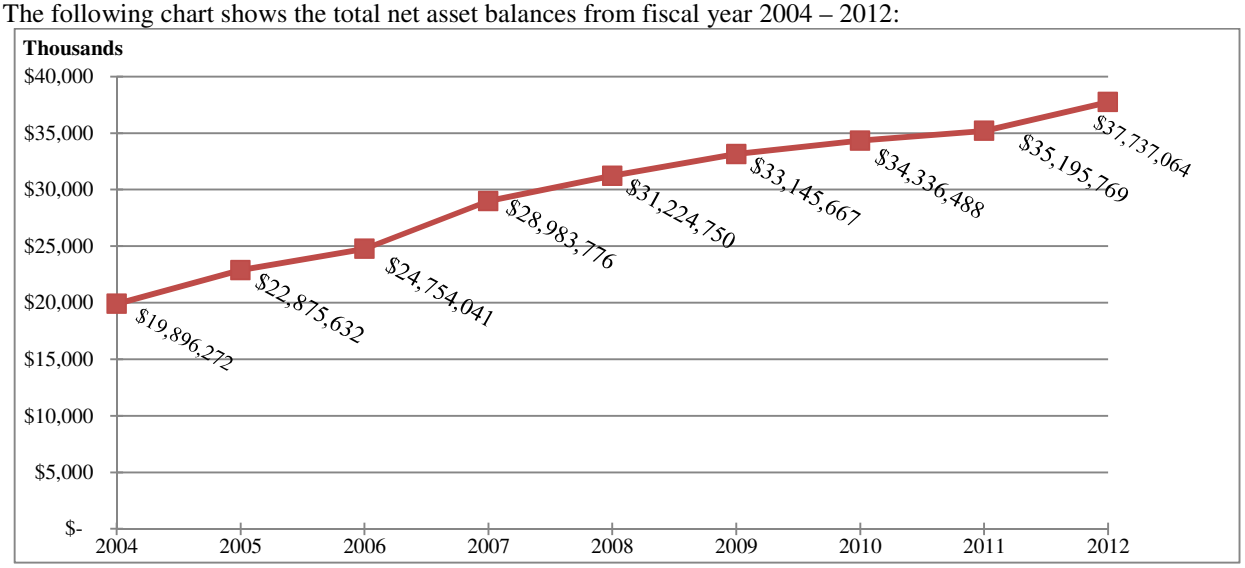
	Governmental Activities		Business Activities		Total		
Assets:	2012	2011	2012	2011	2012	2011	% of Total
Current and other Assets	$ 10,150,565	$ 8,310,963	$ 5,108,817	$ 4,298,187	$ 15,259,382	$ 12,609,150	30.78%
Capital Assets	27,811,418	27,312,675	6,511,591	7,045,646	34,323,009	34,358,321	69.22%
Total Assets	37,961,983	35,623,638	11,620,408	11,343,833	49,582,391	46,967,471	100.00%
Liabilities:							
Current Liabilities	556,515	398,488	534,827	60,060	1,091,342	458,548	9.21%
Non-current Liabilities	8,987,123	9,467,967	1,766,862	1,845,187	10,753,985	11,313,154	90.79%
Total Libilities	9,543,638	9,866,455	2,301,689	1,905,247	11,845,327	11,771,702	100.00%
Net Assets:							
Investment in Capital Assets, net of related debt	19796418	19,063,683	5,673,728	6,100,821	25,470,146	25,164,504	67.49%
Restricted	5281299	4,053,179	-	-	5,281,299	4,053,179	13.99%
Unrestricted	3,340,628	2,640,321	3,644,991	3,337,765	6,985,619	5,978,086	18.51%
Total Assets	28,418,345	25,757,183	9,318,719	9,438,586	37,737,064	35,195,769	100.00%

Note that in the above table, the inter-fund receivables and payables between governmental activities and business-type activities are not eliminated.

The City's investment in capital assets such as land, buildings, equipment and infrastructure (roads, sidewalks, water and sewer lines) less any related debt used to acquire those assets that is still outstanding comprise 67.49 % of the City's total net assets. Investments in capital assets net of related debt increased by $305,642 (1%) in fiscal year 2012. The City uses these capital assets to provide services to its citizens; therefore, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The City maintains a high current ratio. The current ratio compares current assets to current liabilities and is an indication of the ability to pay current obligations. The current ratio for governmental activities is 3.83 to 1 as compared to 3.36 to 1 at the end of the prior fiscal year. Business-type activities' current ratio is 6.55 to 1 which compares unfavorably to 16.48 to 1 at the end of the prior fiscal year. Overall, the total current ratio at June 30, 2012 is 4.81 to 1 as compared to 5.66 to 1 at June 30, 2011.

The following chart shows the total net asset balances from fiscal year 2004 – 2012:



Governmental activities net assets increased by $2,661,162 in fiscal year 2012. The net assets of business-type activities decreased $119,867. The City's overall financial position increased during fiscal year 2012 by $2,541,295.

The following table indicates the changes in net assets for governmental and business-type activities in fiscal year 2012 and fiscal year 2011.

	Governmental Activities		Business Activities		Total		
	2012	2011	2012	2011	2012	2011	% of Total
Revenues:							
Program:							
Charges for Services	$ 1,165,623	$ 1,393,477	$5,568,932	$ 5,056,701	$ 6,734,555	$ 6,450,178	47.58%
Grants and Contributions	2,587,164	2,178,618	-	-	2,587,164	2,178,618	18.28%
General:							
Property Taxes	3,006,646	2,982,111	-	-	3,006,646	2,982,111	21.24%
Insurance Premium Taxes	653,845	671,875	-	-	653,845	671,875	4.62%
Alcohol Taxes	301,161	241,680		-	301,161	241,680	2.13%
Franchise Taxes	722,554	739,619		-	722,554	739,619	5.10%
Unrestricted Operating Grants	2,828	131,817		-	2,828	131,817	0.02%
Unrestricted Interest	128,522	3,490	2,731	6,215	131,253	9,705	0.93%
Gain on sale of assets	15,493	-	-	-	15,493	-	0.11%
Total Revenues	8,583,836	8,342,687	5,571,663	5,062,916	14,155,499	13,405,603	100.00%
Expenses							
General Government	1,113,494	1,045,622	-	-	1,113,494	1,045,622	9.59%
Health and Welfare	43,497	71,221	-	-	43,497	71,221	0.37%
Public Works	1,228,591	1,871,778	-	-	1,228,591	1,871,778	10.58%
Culture and Recreation	79,266	218,853	-	-	79,266	218,853	0.68%
Public Safety	2,499,557	2,801,692	-	-	2,499,557	2,801,692	21.52%
Housing and Development	633,252	655,434	-	-	633,252	655,434	5.45%
Interest and fiscal charges on long term debt	325,017	511,573	-	-	325,017	511,573	2.80%
Water and Sewer	-	-	4,579,748	4,268,528	4,579,748	4,268,528	39.43%
Sanitation	-	-	1,111,782	1,101,621	1,111,782	1,101,621	9.57%
	5,922,674	7,176,173	5,691,530	5,370,149	11,614,204	12,546,322	100.00%
Revenues over Expenses	2,661,162	1,166,514	(119,867)	(307,233)	2,541,295	859,281	
Change in Net Assets	2,661,162	1,166,514	(119,867)	(307,233)	2,541,295	859,281	
Beginning Net Assets	25,757,183	24,590,669	9,438,586	9,745,819	35,195,769	34,336,488	
Ending Net Assets	$ 28,418,345	$ 25,757,183	$9,318,719	$ 9,438,586	$37,737,064	$ 35,195,769	

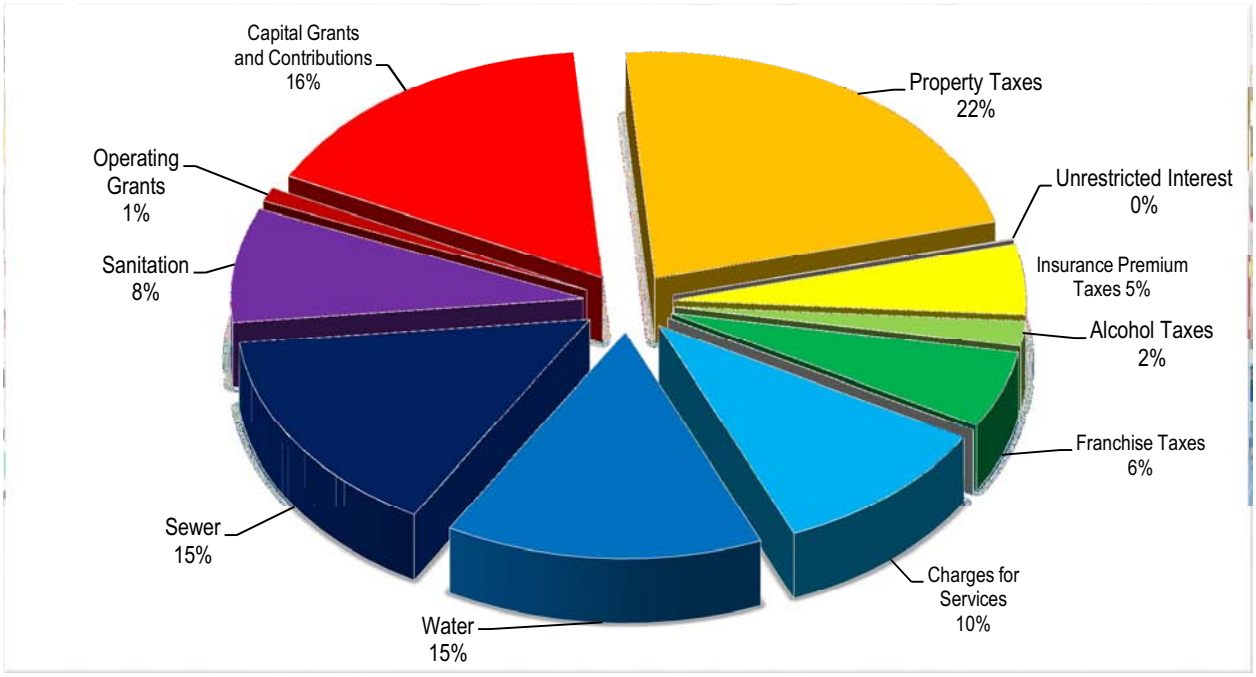
Changes in Overall Net Assets from Operating Results

Revenues

Total governmental activities revenues increased $241,149. The increase is primarily attributed to an increase in Special Purpose Local Sales Taxes from Cobb County of $408,546 (18% over prior year revenue). Other notable changes in governmental activities revenues include a decrease in property taxes revenues of $24,535 due to a decrease in property values (16% less than prior year revenues). The City is heavily reliant on tax revenues to support governmental activities operations. Taxes provided $4.6 million or 80% of the City's governmental activities operating revenues (excluding program specific grants and contributions). Charges for services provided $1.165 million or 20% of operating revenues. Accordingly, the City's taxpayers and purchasers of City services fund 67% of governmental operating activity. As a result, the condition of the local economy and the economy's impact on local businesses has a major effect on the City's revenue streams.

Business-type activities, also called enterprise or proprietary funds, are established to be supported by fee revenues. Water and sewer revenues increased significantly over prior year revenues ($478,440, or 12%). This increase is due to a rate increase which was implemented mid-year to cover increased charges for sewer processing and water purchases from Cobb County. Sanitation revenue increased by $33,791 (3% more than prior year revenue), primarily due to an adjustment to revenue for delinquent accounts in the prior year.

Composition of the City's *Statement of Activities* revenues:



Overall, total government-wide revenues in fiscal year 2012 increased by $749,896 or by 5% as compared to fiscal year 2011 total revenue.

Expenses

The following table presents the cost and net cost (i.e., total cost less revenues generated by the activities) of each of the City's functions. Net costs illustrate the financial burden that was placed on the City's taxpayers by each of these functions.

	Operating Expenses	% of Total	Net Cost of Services	Percentage of Total
General government	$ 1,113,494	9.6%	$ 827,272	36.1%
Public safety	2,499,557	21.5%	2,105,154	91.8%
Housing and development	633,252	5.5%	508,234	22.2%
Public works:	1,228,591	10.6%	(1,685,479)	-73.5%
Health and welfare	43,497	0.4%	43,497	1.9%
Culture and recreation	79,266	0.7%	46,192	2.0%
Water	3,116,392	26.8%	791,277	34.5%
Sewer	1,463,356	12.6%	(657,444)	-28.7%
Sanitation	1,111,782	9.6%	(11,235)	-0.5%
Interest and fiscal charges	325,017	2.8%	325,017	14.2%
Total	$ 11,614,204	100.0%	$ 2,292,485	100.0%

The City's total expenses decreased $932,118 or by 7%.

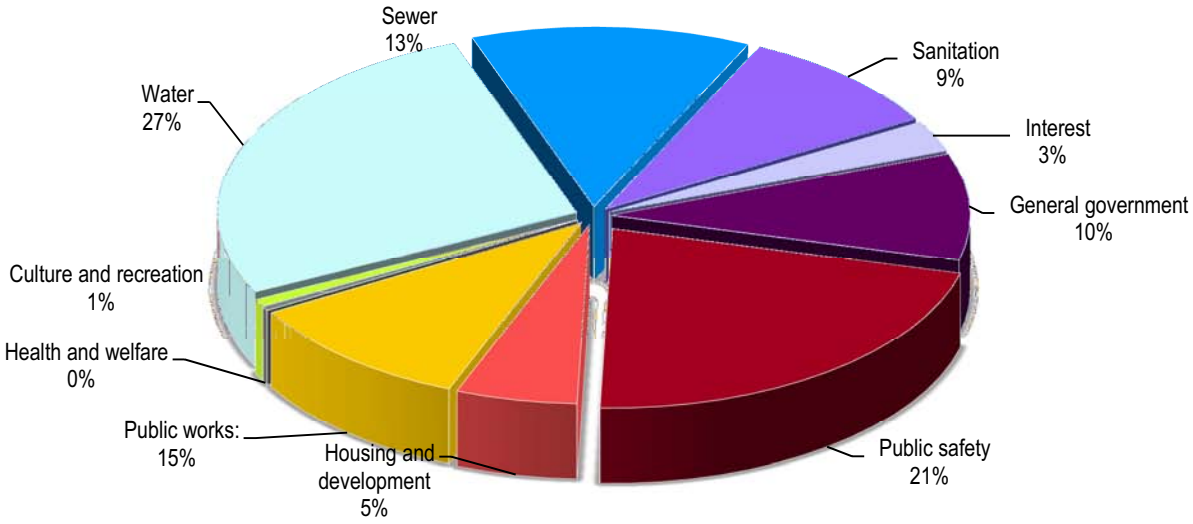
Governmental activities' expenses decreased by $1,253,499 in fiscal year 2012 from expenses incurred in fiscal year 2011. Significant variances from prior year expenses included:

- Public Works expenditures decreased $643,187 due to decreased SPLOST spending, including the completion of the bridge on the Silver Comet trail over Old Lost Mountain Road. In addition, positions were left vacant and the prisoner work force was replaced with a contract.
- The Police saw several high level position left open at the beginning of the year. In addition, two other position were left vacant the entire year, which saved $122,951. The final 2004 bond payment of $118,162 was made in FY2011.
- Culture and Recreation expenses decreased $139,587 due to expenditures in 2011 for Linear Park that were not incurred in 2012.
- Interest and fiscal charges were decreased due to payoff in 2011 of several operating leases.

Business-type operating expense increased $321,381, during the current fiscal year. Significant cost variances included:

- Water purchases and sewer expense increased $311,220 primarily due to increase water rate charges paid to Cobb County.
- Although two positions were eliminated in Sanitation, due to increased costs for landfill charges, liability insurance, vehicle maintenance and indirect costs to the General Fund increased. The result was a slight decrease in expenditures from the prior year of $10,161.

Enterprise fund net cost increases resulted in a decrease in net assets of $119,867 for the current fiscal year.



Fund Analysis

Governmental funds are reported in the fund statements with a short-term, inflow and out flow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $9,264,356, an increase of $1,674,675 or 22% from the prior year. The change in fund balance is a result of:

- *General Fund* fund balance increased by $608,379 to an ending balance of $3,798,812, due to significant budget cuts and conservative spending.
- *Capital projects Fund* fund balance decreased by $24,520 to an ending balance of $1,178,388. The decrease can be attributed to the spending down of money set aside for capital projects in prior years.
- *SPLOST Fund* fund balance increased $1,090,816 to an ending fund balance of $4,287,156. The increase results from the recognition of SPLOST proceeds in excess of the amount spent on SPLOST projects during the fiscal year. Most of these projects, such as construction of the theater, municipal court facilities and the linear park, will be commenced in FY 2013.

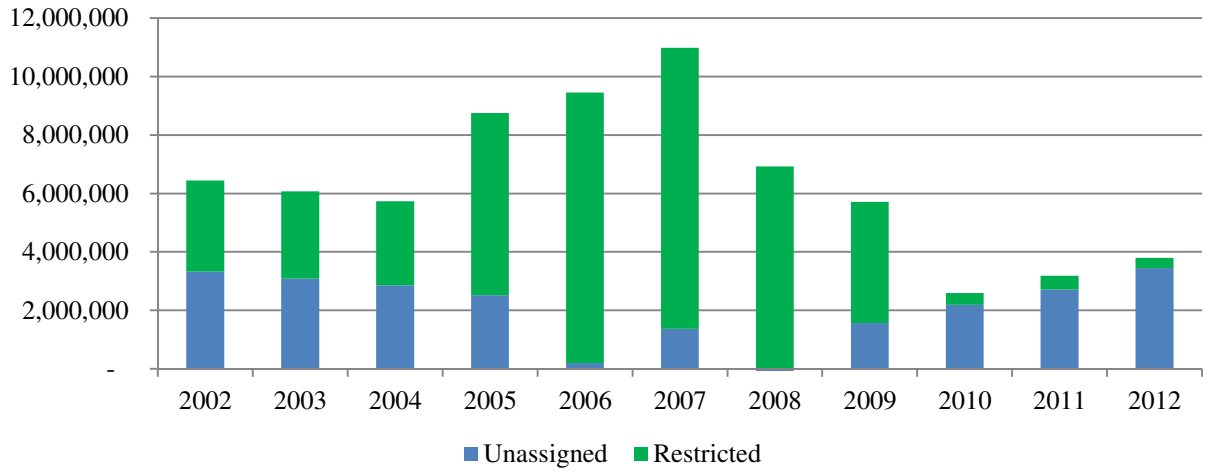
Within the ending fund balance of governmental funds, $3,448,575 is unassigned, indicating availability for continuing City service delivery requirements. The remainder is restricted, assigned or non-spendable to indicate that it is not available for new spending because it is obligated as follows:

- Non-spendable balance:
  - $12,212 for inventories
  - $162,183 for prepaid expenses
- Restricted balance:
  - $5,465,544 for Capital Projects
  - $137,293 for equipment
  - $33,434 for projects
- Assigned:
  - $5,115 for Public Safety

Major Governmental Funds

General Fund - The General Fund is the primary operating fund and the largest source of day-to-day service delivery. The unassigned fund balance at June 30, 2012 of $3,448,575 is considered sufficient, representing the equivalent of 67% of fiscal year 2012 general fund expenditures or over 7 months of the current years' operating expenditures.

The following chart reports general fund balances from fiscal year 2002 – 2012:



General Fund revenues in the current year decreased by $380,037 from fiscal year 2011 revenues. Expenditures decreased to a almost the same amount by $380,223.

Capital Projects Fund - The Capital Projects Fund of the City reflects expenditures for capital projects as approved by the governing body. It is considered a major fund. During fiscal year 2012 the fund balance of the Capital Projects Fund decreased $24,520 as a result of continued expenditures for the designated capital projects. Revenues, which are primarily impact fees, decreased slightly by $5,600. Expenditures during the current fiscal year decreased $1, 940,970 as a result of the completion of the Public Safety building in the prior year.

SPLOST Fund – This fund is used to account for capital projects and infrastructure improvements designated to be funded from County SPLOST revenues. The fund balance increase of $1,090,816 or 34% is due to the timing of expenditures on projects. SPLOST project expenditures were $1,464,887 during the year as compared to expenditures of $1,666,605 in fiscal year 2011. Revenues are received uniformly from Cobb County based on Cobb's budgeted allocation to the City.

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

Fund Equity of the water and sewer fund at the end of the year was $8,739,430. Equity decreased by $132,078 during the year. Fund expenditures increased by $315,181 primarily due to an increase in fees for water purchases and sewer processing and an increased allocation for general operating overhead. Revenues increased by $478,440, as a result of the City's rate increase necessary to pass through increased costs.

The sanitation fund's fund equity at the end of the year was $579,289. Equity increased by $12,211 during the year as a result of reductions to personnel expense.

General Fund Budgetary Highlights

The City's budget is prepared in accordance with the laws of the State of Georgia and the Code of Ordinances of the City. The City adopts the fiscal budget during June of the preceding fiscal year. During June of 2012, the City adopted a General Fund Budget of 6,712,550. At the end of the fiscal year, the final amended budgeted expenditures were $6,747,252, an increase of $34,702.

Significant budget amendments included an adjustment to a capital outlay line in the Police Department for the purchase of new cars in the amount of $132,000. This amendment required a use of fund balance in the amount of $132,000. Other amendments decreased the budget due to lower tax assessments than originally budgeted.

Actual General Fund revenue was $1,067 of final budgeted revenues for fiscal year 2012. Actual expenditures were $594,698 less than final budgeted expenditures. Significant budget variances include:

- General government expenditures were below budget by $155,505 as a result of lower legal fees, savings in software support contracts and contract labor in court reduced by using City Police for security.
- Public Safety salaries were under budget by $154,108 to vacancies.
- Public Works was $165,396 due to outsourcing landscaping services, reduced costs for vehicle maintenance and transferring the responsibility for storm water maintenance to the Community Development staff.

Capital Assets and Debt Administration

Capital Assets: The City's investment in capital assets, net of related debt for its governmental activities as of June 30, 2012, amounts to $19,796,418 and in the business-type activities the balance was $5,673,728. This investment includes land, buildings, machinery and equipment as well as infrastructure and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the City, such as roads, sidewalks, drainage systems and other similar items. As allowed under GASB Statement No. 34, the City has elected not to report major general infrastructure assets retroactively.

The table below shows capital assets net of accumulated depreciation as compared to prior year.

2012 Capital Assets
(Net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Construction in Progress	5,487,769	5,914,652	-	-	5,487,769	5,914,652
Land	4,593,776	4,593,776	159,077	159,077	4,752,853	4,752,853
Buildings and Improvements	9,302,163	7,791,118	287,172	315,035	9,589,335	8,106,153
Furniture and Fixtures	10,496	19,072	-	721	10,496	19,793
Parks Equipment	1,501,955	1,802,620	-	-	1,501,955	1,802,620
Vehicles and Equipment	395,004	386,109	187,238	219,003	582,242	605,112
Infrastructure	6,520,255	6,805,328	-	-	12,398,359	6,805,328
Utility Systems		-	5,878,104	6,351,810	6,511,591	6,351,810
Total	27,811,418	27,312,675	6,511,591	7,045,646	40,834,600	34,358,321

At June 30, 2012, the depreciable capital assets for governmental activities were 36% depreciated. This comparison indicates that the City is replacing its assets more quickly than they are depreciating which is a positive indicator. Conversely, the depreciable capital assets of business-type activities were 66% depreciated indicating a slower rate of replacement or improvement.

Significant capital asset additions during the year included the following:

- Police Facility building was added at a total cost of $1,910,346.
- Police vehicles for $116,831

Major projects included in the construction in progress account at June 30, 2012 are:

- SPLOST resurfacing, parks, cemetery and parking improvements totaling $698 thousand
- Lewis road construction of $3.27 million
- Linear Park along the Silver Comet Trail for $483,586
- Municipal Court building for $300,000
- Community Theater for $286,350

Additional information on the City's capital assets can be found in Note 6 of the Notes to the Financial Statements.

Long-term Debt: At June 30, 2012, the City's total outstanding long-term debt (principal portion) totaled $8,920,775 and included the obligations as follows:

Inter-governmental agreement liability with the Powder Springs Downtown Development Authority to finance the acquisition of City administrative offices, renovation of the Ford Center and acquisition of right-of-way for the Lewis road improvement project.	$ 4,060,000
Inter-governmental agreement liability with the Powder Springs Downtown Development Authority to finance the renovation and expansion of a police station and municipal court facilities and to finance the acquisition of a new City museum.	$ 3,955,000
Capital leases funded through the Georgia Municipal Association for vehicles and equipment for the General Fund	$ 24,134
Loan payable obligations with the Georgia Environmental Facilities Authority for downtown water system conversion project	$ 881,641

The City is legally required to limit outstanding general obligation debt to 10% of the assessed valuation of taxable property within the City which equates to $31,547,568.

Additional information on the City's debt can be found in Note 7 of the Notes to the Financial Statements.

Economic Factors Affecting the City of Powder Springs

The Mayor and Council consider many factors when adopting the fiscal year 2012 budget. These factors have a significant effect on the City's financial position or results of operations. Key assumptions are as follows:

- The millage rate is adopted in June of each year for the operations and maintenance in General Fund. The millage rate for 2011 was 8.50. This rate has not changed since fiscal year 2005.

- A significant decrease in the tax base or assessment values for real and personal property due to the effect of the national economy will continue to cause budget challenges for the City. Real property assessment values continue to be lowered taking into account recent market values, foreclosures and current economic conditions. Also, the State Legislature HB 233 places a 3 year moratorium on all increases in assessment values through tax year 2012. Fiscal year 2012 assessment values are reduced by approximately 8%.

- Business license fees are based on gross receipts of establishments. The City has experienced an economic slowdown due the national economy which has resulted in a decline of business licenses, building permits and other development fees. SPLOST revenues from the County are also negatively impacted by the current economy.

- Water and sewer rates paid to Cobb County have increased as well as other costs of doing business. Auto fuel cost increases are uncertain.

- New health insurance regulations, increased costs of benefits and retirement contributions as well as reductions in income on retirement investments have a significant effect on the City's benefit costs.

- In developing the FY2013 budget the City does not anticipate the use of unreserved fund balance in the General Fund.

Contacting the City's Financial Management

This financial report is designed to provide a general overview of the City's finances, comply with finance related laws and regulations, and demonstrate the City's commitment to public accountability. Questions concerning any of the information provided in this report or requests for additional information should be directed to the Finance Director at 4484 Marietta Street, Powder Springs, Georgia 30127.



BASIC FINANCIAL STATEMENTS

CITY OF POWDER SPRINGS, GEORGIA
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and cash equivalents	$ 956,470	$ 2,532,346	$ 3,488,816
Investments	2,824,256	793,622	3,617,878
Receivables, net	305,383	847,764	1,153,147
Due from other governments	426,764	-	426,764
Internal balances	(124,221)	124,221	-
Inventories	12,212	122,557	134,769
Prepaid items	162,183	53,464	215,647
Other assets, net	306,219	-	306,219
Restricted assets	5,281,299	634,843	5,916,142
Capital assets, non depreciated	10,081,545	159,077	10,240,622
Capital assets, depreciated, net	17,729,873	6,352,514	24,082,387
Total assets	37,961,983	11,620,408	49,582,391
Liabilities:			
Accounts payable and other accrued liabilities	428,227	534,827	963,054
Due to other governments	128,288	-	128,288
Noncurrent liabilities:			
Due within one year	590,170	121,197	711,367
Due in more than one year	8,396,953	1,645,665	10,042,618
Total liabilities	9,543,638	2,301,689	11,845,327
Net Assets:			
Invested in capital assets, net of related debt	19,796,418	5,673,728	25,470,146
Restricted for:			
Completion of projects	5,110,572	-	5,110,572
Other purposes	170,727	-	170,727
Unrestricted	3,340,628	3,644,991	6,985,619
Total net assets	$ 28,418,345	$ 9,318,719	$ 37,737,064

See accompanying notes to financial statements.

CITY OF POWDER SPRINGS, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions	Net (Expense) Revenue and Change in Net Assets: Primary Government: Governmental Activities	Net (Expense) Revenue and Change in Net Assets: Primary Government: Business-type Activities	Net (Expense) Revenue and Change in Net Assets: Primary Government: Total
Primary Government							
Governmental activities:							
General government	$ 1,113,494	$ 286,222	$ -	$ -	$ (827,272)	$ -	$ (827,272)
Health and welfare	43,497	-	-	-	(43,497)	-	(43,497)
Public works	1,228,591	341,509	-	2,572,561	1,685,479	-	1,685,479
Culture and recreation	79,266	29,024	4,050	-	(46,192)	-	(46,192)
Public safety	2,499,557	383,850	7,113	3,440	(2,105,154)	-	(2,105,154)
Housing and development	633,252	125,018	-	-	(508,234)	-	(508,234)
Interest & fiscal charges on long-term debt	325,017	-	-	-	(325,017)	-	(325,017)
Total governmental activities	5,922,674	1,165,623	11,163	2,576,001	(2,169,887)	-	(2,169,887)
Business-type activities:							
Water	3,116,392	2,325,115	-	-	-	(791,277)	(791,277)
Sewer	1,463,356	2,120,800	-	-	-	657,444	657,444
Sanitation	1,111,782	1,123,017	-	-	-	11,235	11,235
Total business-type activities	5,691,530	5,568,932	-	-	-	(122,598)	(122,598)
Total Primary Government	$ 11,614,204	$ 6,734,555	$ 11,163	$ 2,576,001	(2,169,887)	(122,598)	(2,292,485)
General Revenues:							
Property taxes					3,006,646	-	3,006,646
Insurance premium tax					653,845	-	653,845
Alcohol taxes					301,161	-	301,161
Franchise taxes					722,554	-	722,554
Gain on sale of capital assets					15,493	-	15,493
Operating grants not restricted to a specific program					128,522	-	128,522
Unrestricted investment earnings					2,828	2,731	5,559
Total general revenues					4,831,049	2,731	4,833,780
Change in net assets					2,661,162	(119,867)	2,541,295
Net assets - beginning					25,757,183	9,438,586	35,195,769
Net assets - ending					$ 28,418,345	$ 9,318,719	$ 37,737,064

See accompanying notes to financial statements.

CITY OF POWDER SPRINGS, GEORGIA
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2012

	General Fund	Capital Projects Fund	SPLOST	Total Governmental Funds
Assets				
Cash and cash equivalents	$ 956,470	$ -	$ -	$ 956,470
Restricted assets	199,080	1,171,842	3,910,377	5,281,299
Investments	2,824,256	-	-	2,824,256
Receivables, net	305,383	-	-	305,383
Prepaid items	162,183	-	-	162,183
Due from other funds	226,146	6,546	-	232,692
Due from other governments	7,868	-	418,896	426,764
Inventory	12,212	-	-	12,212
Total assets	$ 4,693,598	$ 1,178,388	$ 4,329,273	$ 10,201,259
Liabilities and fund balances				
Liabilities:				
Accounts payable	$ 229,341	$ -	$ 41,750	$ 271,091
Accrued liabilities	19,074	-	-	19,074
Due to other funds	6,546	-	367	6,913
Advances from other funds	350,000	-	-	350,000
Due to other governments	128,288	-	-	128,288
Deferred revenue	161,537	-	-	161,537
Total liabilities	894,786	-	42,117	936,903
Fund balances:				
Non-spendable:				
Inventories	12,212	-	-	12,212
Prepaids	162,183	-	-	162,183
Restricted for:				
Capital projects	-	1,178,388	4,287,156	5,465,544
Equipment	137,293	-	-	137,293
Projects	33,434	-	-	33,434
Assigned for:				
Public safety	5,115	-	-	5,115
Unassigned	3,448,575	-	-	3,448,575
Total fund balances	3,798,812	1,178,388	4,287,156	9,264,356
Total liabilities and fund balances	$ 4,693,598	$ 1,178,388	$ 4,329,273	

Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	27,811,418
Revenues earned but unavailable are not reported in the funds.	161,537
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds:	
Unamortized bond issue costs	132,807
Deposit on property	173,412
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Net OPEB obligation	(734,983)
Accrued compensated absences	(237,140)
Accrued interest payable	(138,062)
Unmatured leases and contracts	(8,015,000)
Net assets of governmental activities	$ 28,418,345

See accompanying notes to financial statements.

CITY OF POWDER SPRINGS, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	General Fund	Capital Projects Fund	SPLOST	Total Governmental Funds
Revenues:				
Taxes	$ 4,633,166	$ -	$ -	$ 4,633,166
Licenses and permits	426,421	-	-	426,421
Fines and forfeitures	371,840	-	-	371,840
Street lights	337,106	-	-	337,106
Intergovernmental	128,522	19,890	2,552,671	2,701,083
Investment earnings	2,880	1,371	3,032	7,283
Other	70,278	20,159	-	90,437
Total revenues	5,970,213	41,420	2,555,703	8,567,336
Expenditures:				
Current:				
General government	758,730	94	-	758,824
Health and welfare	43,497	-	-	43,497
Housing and development	620,910	-	-	620,910
Public safety	2,469,425	-	-	2,469,425
Public works	580,883	-	-	580,883
Culture and recreation	79,266	-	-	79,266
Capital outlay	-	65,846	1,464,887	1,530,733
Debt service	824,616	-	-	824,616
Total expenditures	5,377,327	65,940	1,464,887	6,908,154
Excess (deficiency) of revenues over (under) expenditures	592,886	(24,520)	1,090,816	1,659,182
Other financing sources (uses):				
Sale of capital assets	15,493	-	-	15,493
Total other financing sources (uses)	15,493	-	-	15,493
Net change in fund balance	608,379	(24,520)	1,090,816	1,674,675
Fund balance at beginning of year	3,190,433	1,202,908	3,196,340	7,589,681
Fund balance at end of year	$ 3,798,812	$ 1,178,388	$ 4,287,156	$ 9,264,356

See accompanying notes to financial statements.

CITY OF POWDER SPRINGS, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds		$ 1,674,675
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Depreciation expense	(1,094,122)	
Capital outlays	1,600,294	506,172
The net effect of miscellaneous transactions involving capital assets is to decrease net assets		(7,429)
The net effect of revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		9,685
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities. Also government funds report the effects of issuance cost when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
Principal payments		475,238
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.		
Accrued compensated absences		(170)
Accrued interest expense		7,021
OPEB contributions in excess of actuarial costs		5,777
Amortization for bond issue costs and loss on refunding		(9,807)
Change in net assets of governmental activities		$2,661,162

See accompanying notes to financial statements.

CITY OF POWDER SPRINGS, GEORGIA
PROPRIETARY FUNDS
BALANCE SHEET
JUNE 30, 2012

	Enterprise Funds Major		
	Water and Sewer	Sanitation	Totals
ASSETS			
Current assets:			
Cash and cash equivalents	$ 2,532,346	$ -	$ 2,532,346
Investments	361,616	432,006	793,622
Accounts receivable, net of allowance for uncollectibles	717,659	130,105	847,764
Due from other funds	-	101,648	101,648
Inventory	122,557	-	122,557
Prepaid expenses	26,838	26,626	53,464
Restricted investments	585,655	49,188	634,843
Total current assets	4,346,671	739,573	5,086,244
Noncurrent assets:			
Advances to other funds	350,000	-	350,000
Property, plant and equipment	18,479,359	651,263	19,130,622
Less accumulated depreciation	(11,998,996)	(620,035)	(12,619,031)
Property, plant and equipment, net	6,480,363	31,228	6,511,591
Total noncurrent assets	6,830,363	31,228	6,861,591
Total assets	$ 11,177,034	$ 770,801	$11,947,835

See accompanying notes to financial statements.

CITY OF POWDER SPRINGS, GEORGIA
PROPRIETARY FUNDS
BALANCE SHEET
JUNE 30, 2012

	Enterprise Funds		
	Major		
	Water and Sewer	Sanitation	Totals
LIABILITIES AND FUND EQUITY			
Current liabilities:			
Accounts payable	$ 471,523	$ 23,092	$ 494,615
Accrued payroll liabilities	4,961	1,936	6,897
Compensated absences	30,639	10,412	41,051
Due to other funds	227,200	100,227	327,427
Capital lease obligation	21,509	-	21,509
Notes payable	58,637	-	58,637
Total current liabilities	814,469	135,667	950,136
Long-term liabilities (net of current portion):			
Customer deposits	585,655	49,188	634,843
Deferred revenue	33,315	-	33,315
Compensated absences	27,171	6,657	33,828
Net OPEB obligation	151,365	-	151,365
Capital lease obligation	2,625	-	2,625
Notes payable	823,004	-	823,004
Total long term liabilities	1,623,135	55,845	1,678,980
Total liabilities	2,437,604	191,512	2,629,116
Fund equity (deficit):			
Invested in capital assets, net of related debt	5,642,500	31,228	5,673,728
Unrestricted	3,096,930	548,061	3,644,991
Total fund equity	8,739,430	579,289	9,318,719
Total liabilities and fund equity	$ 11,177,034	$ 770,801	$11,947,835

See accompanying notes to financial statements.

CITY OF POWDER SPRINGS, GEORGIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Enterprise Funds Major		
	Water and Sewer	Sanitation	Totals
Operating revenues:			
Charges for services	$4,438,647	$1,122,946	$5,561,593
Other	7,268	71	7,339
Total operating revenues	4,445,915	1,123,017	5,568,932
Operating expenses:			
Water purchases	950,259	-	950,259
Sewage processing fees	1,463,356	-	1,463,356
Salaries and related costs	1,285,610	715,476	2,001,086
Other operating expenses	312,643	394,928	707,571
Depreciation and amortization	532,412	1,378	533,790
Total operating expenses	4,544,280	1,111,782	5,656,062
Operating income (loss)	(98,365)	11,235	(87,130)
Nonoperating revenues (expenses):			
Gain (loss) on disposal of capital assets	(265)	-	(265)
Interest income	1,755	976	2,731
Interest expense	(35,203)	-	(35,203)
Total nonoperating revenues (expenses)	(33,713)	976	(32,737)
Increase (decrease) in fund equity	(132,078)	12,211	(119,867)
Fund equity at beginning of year	8,871,508	567,078	9,438,586
Fund equity at end of year	$8,739,430	$ 579,289	$9,318,719

See accompanying notes to financial statements.

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

	Enterprise Funds		
	Major		
	Water and Sewer	Sanitation	Totals
Cash flows provided by (used in) operating activities:			
Cash received from customers	$4,357,604	$1,127,830	$5,485,434
Cash payments for goods and services	(2,363,505)	(485,631)	(2,849,136)
Cash payments for employee services and fringe benefits	(1,287,891)	(718,726)	(2,006,617)
Net cash provided by (used in) operating activities	706,208	(76,527)	629,681
Cash flows provided by (used in) capital and related financing activities:			
Advances to other funds	140,000	-	140,000
Principal payments on capital lease obligations	(52,627)	-	(52,627)
Principal payments on loans payable	(60,031)	-	(60,031)
Interest paid	(35,203)	-	(35,203)
Net cash provided by (used in) capital and related financing activities	(7,861)	-	(7,861)
Cash flows provided by (used in) investing activities:			
Increase (decrease) in investments	(145)	75,551	75,406
Interest received	1,755	976	2,731
Net cash provided by (used in) investing activities	1,610	76,527	78,137
Net increase (decrease) in cash	699,957	-	699,957
Cash and cash equivalents at beginning of year			
Unrestricted	1,832,389	-	1,832,389
Total cash at beginning of year	1,832,389	-	1,832,389
Cash and cash equivalents at end of year			
Unrestricted	2,532,346	-	2,532,346
Total cash at end of year	$2,532,346	$ -	$2,532,346

See accompanying notes to financial statements.

CITY OF POWDER SPRINGS, GEORGIA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS (Cont'd)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Enterprise Funds		
	Major		
	Water and Sewer	Sanitation	Totals
Reconciliation of operating income (loss) to net cash from operating activities:			
Operating income (loss)	$ (98,365)	$ 11,235	$ (87,130)
Adjustments to reconcile operating income to net cash from operating activities:			
Depreciation and amortization	532,412	1,378	533,790
Change in assets and liabilities:			
(Increase) decrease in receivables	(88,435)	6,817	(81,618)
(Increase) decrease in inventory	(31,898)	-	(31,898)
(Increase) decrease in due from other funds	-	(44,662)	(44,662)
(Increase) decrease in prepaid expenses	17,067	3,298	20,365
Increase (decrease) in customer deposits	124	42,658	42,782
Increase (decrease) in accounts payable	465,482	6,367	471,849
Increase (decrease) in accrued payroll liabilities	2,441	477	2,918
Increase (decrease) in due to other funds	(87,898)	(100,368)	(188,266)
Increase (decrease) in compensated absences	(4,722)	(3,727)	(8,449)
Net cash from (to) operating activities	$ 706,208	$ (76,527)	$ 629,681

Noncash Capital and Financing Activities:
Assets with a cost and accumulated depreciation of $590,223 and $589,958, respectively were written off during the year.

See accompanying notes to financial statements.

The accounting methods and procedures adopted by the City of Powder Springs, Georgia, conform to generally accepted accounting principles as applied to governmental entities. The following notes to the financial statements are an integral part of the City's Comprehensive Annual Financial Report.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City was created in 1859 and operates under an elected Mayor/Council form of government. The City's major operations include public safety, culture-recreation, regulation and control of the water system, highways and streets, sanitation, and general administrative services.

In conformity with generally accepted accounting principles, as set forth in Statement of Governmental Accounting Standards No 14. "The Financial Reporting Entity", the financial statements had previously included the Powder Springs Downtown Development Authority as a component unit of the City. However, the financial information of the Powder Springs Development Authority is not material to the City and therefore is not included in the current year presentation.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities,* which normally are supported by taxes and intergovernmental revenues, 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 or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues.*

Separate financial statements are provided for governmental funds, and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting,* as are the proprietary fund 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. The City's net assets are reported in three parts -invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

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 a payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects Fund - The Capital Projects Fund is used to account for resources received to be used for the acquisition or construction of capital facilities.

SPLOST Fund - The City's SPLOST (Special Purpose Local Sales Tax) Fund is used to account for financial resources to be used for the construction and expansion of roads and bridges and the replacement of 800 MHZ radios.

The government reports the following major proprietary funds:

Water and Sewer Fund - The Water and Sewer Fund accounts for the operations of the City's water distribution services.

Sanitation Fund -The Sanitation Fund accounts for the operation of the City's sanitation department operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water, sewer, sanitation and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. 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 nonoperating revenues and expenses.

Certain indirect costs have been included as part of the program expenses reported for the various functional activities.

D. Budgets and Budgetary Accounting

An operating budget is legally adopted each fiscal year for the General Fund. A project length budget is adopted for the Capital Projects fund and SPLOST fund.

The budget is adopted on a basis consistent with generally accepted accounting principles (GAAP) except that administrative cost transfers are budgeted as other revenues in the general fund.

The City generally follows these procedures in establishing the budgetary data reflected in the financial statements:

1. A proposed operating budget including proposed expenditures and the means of financing them is submitted to the City Council by the City Manager.

2. A public hearing on the budget is held, giving notice thereof at least fourteen days in advance by publication in the official Powder Springs newspaper.

3. The budget is then revised and adopted or amended by the Council at the first regular meeting following the hearing.

4. The budget so adopted may be revised during the year only by formal action of the Council in a regular meeting and no increase shall be made therein without provision also being made for financing the same.

5. Formal budgetary integration is employed as a management control device during the year for all funds.

6. Budgeted amounts are as originally adopted, or as amended, by Council.

The level of control (the level at which expenditures may not legally exceed appropriations) for each of the above adopted budgets is at the department level.

Budgeted amounts reflected in the accompanying budget and actual comparisons are as originally adopted, or as amended, by the Council.

Unencumbered appropriations lapse at year end.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General, Special Revenue and Capital Projects Funds. Encumbrances outstanding at year end do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

E. Cash and Investments

Investments for the City are reported at fair value. For purposes of the statement of cash flows, cash and cash equivalents include amounts in demand deposits and all highly liquid investments with a maturity of three months or less when purchased. Investments in money market depository accounts and Georgia Fund 1 are reported as investments.

Statutes authorize the City to invest in U.S. Government obligations, U.S. Government agency obligations, State of Georgia obligations, obligations of other counties, municipal corporations and political subdivisions of the State of Georgia which are rated "AA" or better by Moody's Investors Service, Inc., negotiable certificates of deposit issued by any bank or trust company organized under the laws of any state of the United States of America or any national banking association, repurchase agreements when collateralized by U.S. Government or agency obligations, and pooled investment programs sponsored by the State of Georgia for the investment of local government funds.

Georgia Fund 1 is the combined state general fund and local government investment pool and is managed by the Office of State Treasurer. Georgia Fund 1 is offered by the State of Georgia to counties, municipalities, public colleges and universities, boards of education, special districts, state agencies, and other authorized entities as a conservative, efficient and liquid investment alternative. The primary investment objectives of Georgia Fund 1 are safety of capital, liquidity, yield and diversification with primary emphasis on safety of capital and liquidity. Georgia Fund 1 invests the pooled funds in U.S. Treasury obligations, securities issued or guaranteed by the U.S. government or any of its agencies or instrumentalities, banker's acceptances and repurchase agreements contracted with highly rated counterparties, and commercial paper rated "A-1" or better. The fund may also invest in certificates of deposit issued by banks domiciled in the State of Georgia that maintain Standard & Poor's ratings of "A-1" or better. "AAAm" criteria calls for maximum average portfolio maturities of 60 days or less. The reported value of funds invested in Georgia Fund 1 is the same as the fair value of the pool shares.

F. Short-Term/Long-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds."

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

Noncurrent portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation.

Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

G. Inventories

Inventories are valued at of average cost using the first in/first-out (FIFO) method. Inventory in the Enterprise Funds consists of expendable supplies held for consumption and items needed for repairs or improvements to the utility system. Inventory in the General Fund consists of fuel. The purchase method is used to account for inventories within the City's Funds.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2012 are recorded as prepaid items. The consumption method is used to account for prepaid items within the City's funds.

I. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. As allowed under GASB No. 34, the City has elected not to report major general infrastructure assets retroactively. General infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals and other infrastructure assets acquired subsequent to July 1, 2003. These infrastructure assets are likely to be the largest asset class of the City. Neither their historical cost nor related depreciation has historically been reported in the financial statements.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair market value on the date donated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. The capitalized threshold for capital assets is $5,000.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Depreciation has been provided over the estimated useful lives using the straight-line method. Depreciation has been calculated on an estimated useful life as follows:

	Water & Sewer	Sanitation	Governmental Activities
Buildings and improvements	5-30 years	--	30 Years
Park equipment	--	--	15 years
Utility system	30 years	--	--
Vehicles and equipment	5-30 years	3-10 years	3-5 years
Infrastructure	--	--	30 years

J. Compensated Absences

Accumulated unpaid vacation pay amounts are accrued when incurred by the City in the government-wide and proprietary financial statements. The liability of the proprietary funds is recorded as an expense and a liability of those funds as the benefits accrue to the employees. A liability in the governmental funds is reported only if the benefit has matured.

Accumulated sick pay benefits for City employees have not been recorded as a liability because the payment of the benefits is contingent upon the future illness of an employee. It is not expected that any unrecorded sick pay benefits will exceed a normal year's accumulation.

K. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of 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, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

L. Nature and Purpose of Classifications of Fund Equity

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Amounts that are restricted to specific purposes either by a) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation are classified as restricted fund balances. Amounts that can only be used for specific purposes pursuant to constraints imposed by the City Council through an ordinance or resolution are classified as committed fund balances. Amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed are classified as assigned fund balances. Assignments are made by City management based on Council direction. Nonspendable fund balances include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Unassigned fund balance represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The City uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents or contracts that prohibit doing this. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City does not have a formal minimum fund balance policy.

M. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(2) DEPOSITS AND INVESTMENTS

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City limits its exposure to custodial credit risk by requiring deposits to be collateralized in accordance with state law. As of June 30, 2012, the City was not exposed to custodial credit risk.

The following is a summary of the City's investments at June 30, 2012:

Description	Rating	Fair Value	Weighted Average Maturity
Georgia Fund I	AAAm	$6,368,712	48 days

The City manages its exposure to credit risk by limiting investments to those authorized by statue, and its exposure to interest rate risk limiting investments to the highly liquid local government investment pool, Georgia Fund 1. See note 1(E).

Interest Rate Risk – The City does not have a formal policy addressing interest rate risk.

Credit Risk – The City does not have a formal policy addressing credit risk.

(3) RECEIVABLES

Receivables at June 30, 2012 consist of the following:

	Taxes and Fines	Utility Accounts	Other	Allowance for Uncollectibles	Net Receivables
General Fund	$ 390,015	$ 58,240	$ 62,909	$ (205,781)	$ 305,383
Water and Sewer Fund	-	930,086	6,668	(219,095)	717,659
Sanitation Fund	-	209,124	-	(79,019)	130,105
Total	$ 390,015	$ 1,197,450	$ 69,577	$ (503,895)	$ 1,153,147

(4) INTERFUND RECEIVABLES AND ADVANCES

Interfund receivable and payable balances for the fiscal year ended June 30, 2012 are summarized as follows:

	RECEIVABLE TO			
PAYABLE FROM	General Fund	Capital Projects	Sanitation	Total
General Fund	$ -	$ 6,546	$ -	$ 6,546
SPLOST fund	367	-	-	367
Water & Sewer	125,552	-	101,648	227,200
Sanitation Fund	100,227	-	-	100,227
Total	$ 226,146	$ 6,546	$ 101,648	$ 334,340

Generally, outstanding balances between funds reported as "due to/from other funds" include outstanding charges by one fund to another for services and goods, subsidy commitments outstanding at year-end, and other miscellaneous receivables/payables between funds. These balances are expected to be repaid within one year.

The advances from/to other funds balance for the fiscal year ended June 30, 2012 were as follows:

ADVANCES FROM	ADVANCES TO
	General Fund
Water Sewer Fund	$ 350,000

The amount payable to the Water Sewer fund relates to a long-term receivable balance from the General Fund. None of the balance is specifically scheduled to be collected in the subsequent year.

(5) RESTRICTED ASSETS

The City's restricted assets include cash, investments, and interest restricted for the following purposes:

	Total
Governmental Activities	
General Fund:	
Public safety communications equipment	$ 199,080
SPLOST Fund:	
Unspent SPLOST proceeds	3,910,377
Capital Project Fund:	
Capital projects	1,171,842
Total governmental activities	$ 5,281,299
Business Type Activities	
Sanitation Fund:	
Security deposits	$ 49,188
Water and Sewer Fund:	
Security deposits	585,655
Total proprietary funds	$ 634,843

(6) CAPITAL ASSETS

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

	Beginning Balance	Increases	Reclasses/ Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 4,593,776	$ -	$ -	$ 4,593,776
Construction in progress	5,914,652	1,483,463	(1,910,346)	5,487,769
Total capital assets not being depreciated	10,508,428	1,483,463	(1,910,346)	10,081,545
Capital assets, being depreciated:				
Buildings and improvements	10,585,398	1,910,346	(4,395)	12,491,349
Furniture and fixtures	125,960	-	(25,274)	100,686
Parks equipment	4,579,452	-	-	4,579,452
Vehicle and equipment	3,652,797	116,831	(825,457)	2,944,171
Infrastructure - streets	7,871,500	-	(6,450)	7,865,050
Total capital assets being depreciated	26,815,107	2,027,177	(861,576)	27,980,708
Less accumulated depreciation for:				
Buildings and improvements	(2,794,280)	(396,656)	1,750	(3,189,186)
Furnitures and fixtures	(106,888)	(7,477)	24,175	(90,190)
Parks equipment	(2,776,832)	(300,665)	-	(3,077,497)
Vehicles and equipment	(3,266,688)	(107,936)	825,457	(2,549,167)
Infrastruture - streets	(1,066,172)	(281,388)	2,765	(1,344,795)
Total accumulated depreciation	(10,010,860)	(1,094,122)	854,147	(10,250,835)
Total capital assets being depreciated, net	16,804,247	933,055	(7,429)	17,729,873
Total govermental activities capital assets, net	$ 27,312,675	$ 2,416,518	$ (1,917,775)	$ 27,811,418
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 159,077	$ -	$ -	$ 159,077
Total capital assets not being depreciated	159,077	-	-	159,077
Capital assets, being depreciated:				
Buildings and improvements	845,513	-	(1,376)	844,137
Furniture and fixtures	55,920	-	(9,705)	46,215
Utility systems	16,849,093	-	(20,790)	16,828,303
Vehicles and equipment	1,811,242	-	(558,352)	1,252,890
Total capital assets being depreciated	19,561,768	-	(590,223)	18,971,545
Less accumulated depreciated for:				
Building and improvements	(530,478)	(27,598)	1,111	(556,965)
Furniture and fixtures	(55,199)	(721)	9,705	(46,215)
Utility systems	(10,497,283)	(473,705)	20,789	(10,950,199)
Vehicles and equipment	(1,592,239)	(31,766)	558,353	(1,065,652)
Total accumulated depreciation	(12,675,199)	(533,790)	589,958	(12,619,031)
Total capital assets being depreciated, net	6,886,569	(533,790)	(265)	6,352,514
Total business-type activities capital assets,net	$ 7,045,646	$ (533,790)	$ (265)	$ 6,511,591

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

Governmental activities:	
General government	$ 297,496
Public safety	149,048
Public works, including depreciation of general infrastructure	635,236
Health and welfare	12,342
Total depreciation expense - governmental activities	$ 1,094,122
Business-type activities:	
Water	$ 284,491
Sewer	247,921
Sanitation	1,378
Total depreciation expense - business-type activities	$ 533,790

(7) LONG-TERM OBLIGATIONS

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Capital leases	$ 8,472,895	$ -	$ (457,895)	$ 8,015,000	$ 455,000
Intergovernmental contracts	17,343	-	(17,343)	-	-
Compensated absences	236,970	189,562	(189,392)	237,140	135,170
OPEB obligation	740,760	(5,777)	-	734,983	-
Governmental activities long-term liabilities	$ 9,467,968	$ 183,785	$ (664,630)	$ 8,987,123	$ 590,170
Business-type activities:					
Capital leases	$ 76,761	$ -	$ (52,627)	$ 24,134	$ 21,509
Loans payable	941,672	-	(60,031)	881,641	58,637
Customer deposits	592,061	108,748	(65,966)	634,843	-
Compensated absences	83,328	64,510	(72,959)	74,879	41,051
OPEB obligation	151,365	-	-	151,365	-
Business-type activities long-term liabilities	$ 1,845,187	$ 173,258	$ (251,583)	$ 1,766,862	$ 121,197

For Governmental Activities, compensated absences and OPEB liabilities are typically liquidated in the general fund.

Governmental Activities:

Capital Leases

On September 1, 2001, the Powder Springs Downtown Development Authority issued $715,000 in serial revenue bonds and $490,000 in term revenue bonds for the purpose of providing funding for the cost of the acquisition, construction, furnishing and equipping of a new police station.

On September 1, 2001, the City and the Powder Springs Downtown Development Authority entered into an intergovernmental contract. The contract obligated the City to make lease payments directly to the Trustee for the purpose of paying the principal and interest on the outstanding balance of the 2001 Revenue Bonds issued by the Authority. The contract enabled the City to lease from the Authority the facilities constructed by the Authority. The lease was a direct financing lease in accordance with generally accepted accounting principles.

On March 30, 2004, the Authority issued $680,000 in Series 2004 Revenue Refunding Bonds (Police Station Project) for the purpose of refunding the Authority's 2001 Revenue Bonds.

On March 30, 2004, the City and the Powder Springs Downtown Development Authority entered into a new intergovernmental contract. The contract obligates the City to make lease payments directly to the Trustee for the purpose of paying the principal and interest on the outstanding balance of the 2004 refunding Revenue Bonds issued by the Authority. This contract enables the City to lease from the Authority the facilities constructed by the Authority. The lease is a direct financing lease in accordance with generally accepted accounting principles. The contract will not expire until full payment of the bonds. Prior to expiration of the lease upon payment in full of the bonds outstanding, the City may purchase the project from the Authority for $100.

As a result of the refunding, the City decreased it's total debt service requirement by $67,500 which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of $65,093.

On March 30, 2005, the Authority issued $4,895,000 in Series 2005 Revenue Bonds for the purpose of purchasing the United Community Bank building for the use of administrative offices of the City, renovations of the Ford Center for public recreational and cultural use and acquisition of right-of-way for the Lewis Road improvement project.

On March 30, 2005, the City and the Powder Springs Downtown Development Authority entered into a new intergovernmental contract. The contract obligates the City to make lease payments directly to the Trustee for the purpose of paying the principal and interest on the outstanding balance of the 2005 Revenue Bonds issued by the Authority. This contract enables the City to lease from the Authority the facilities purchased by the Authority. The lease is a direct financing lease in accordance with generally accepted accounting principles. The contract will not expire until full payment of the bonds. Prior to expiration of the lease upon payment in full of the bonds outstanding, the City may purchase the project from the Authority for $100.

On August 29, 2006, the Authority issued $4,715,000 in Series 2006 Revenue Bonds for the purpose of financing the renovation and expansion of a police station and the City Administrative offices, and acquiring and renovating a building to be used as a City Museum. Concurrent with the bond issuances the City entered into an intergovernmental contract with the Powder Springs Downtown Development Authority whereby the City has agreed to purchase the projects through a capital lease over the life of the bonds. The interest rate ranges from 3.95 to 4.65% through 2026.

Additionally, the City is obligated under capital leases for equipment. The gross amount of assets recorded under capital leases at June 30, 2012 is $1,835,252 for the police facility and City Hall renovations with interest rates of 3.95% to 4.65%. Accumulated depreciation related to these assets at June 30, 2012 is $935,497.

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

Year Ending June 30,	Principal	Interest	Total
2013	$ 455,000	$ 331,348	$ 786,348
2014	475,000	313,444	788,444
2015	495,000	294,532	789,532
2016	515,000	274,704	789,704
2017	530,000	253,952	783,952
2018-2022	3,030,000	921,370	3,951,370
2023-2026	2,515,000	250,578	2,765,578
	$ 8,015,000	$ 2,639,928	$ 10,654,928

Intergovernmental Contract

The City entered into an intergovernmental contract with Cobb County, Georgia for the acquisition of property totaling $173,412. The City is currently making quarterly payments of $8,670 over a five year period to the County. Interest is due only if the remittance is late. Title to the property was transferred to the City subsequent to fiscal year end. The amount outstanding at June 30, 2012 is $0.

Business-type Activities:

Water and Sewer Fund

Capital leases covering vehicles and equipment:

Year Ending June 30,	Principal	Interest	Total
2013	$ 21,509	$ 294	$ 21,803
2014	2,625	29	2,654
	$ 24,134	$ 323	$ 24,457

Loans payable

Additionally, the City is obligated under loans payable to the Georgia Environmental Facilities Authority. The original principal amount of the loans totaled $1,173,725, the proceeds of which were used to fund water and sewer facilities improvements and additions. The notes are payable over 18-20 years and bear interest at 3.8% - 4.1%. The following is a schedule of future payments on these loans at June 30, 2012.

Water and Sewer Fund

Year Ending June 30,	Principal	Interest	Total
2013	$ 56,418	$ 31,027	$ 87,445
2014	58,654	28,759	87,413
2015	61,056	26,401	87,457
2016	63,465	23,946	87,411
2017	66,018	21,393	87,411
2018-2022	300,900	67,096	367,996
2023-2027	207,218	20,368	227,586
	$ 813,729	$ 218,990	$ 1,032,719

During fiscal year 2001, the City entered into an agreement with the County under which the County advanced $146,200 in tap fees for 34 lots. The City collects tap fees from the homeowners when the sewer system is tapped onto in either a lump sum or in monthly installments over 10 years. The fees collected are then remitted to the County. At June 30, 2012, amounts due to the City from homeowners who had elected to tap onto the system totaled $6,668. $2,219 of this total will be repaid during fiscal year 2013.

The portion due to the County in fiscal year 2012 totaled $2,219 at June 30, 2012. The remaining $65,693 will be payable in fiscal year 2013 and thereafter as additional homeowners choose to tap onto the system.

(8) COMMITMENTS AND CONTINGENCIES

A. Litigation

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the government's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the government.

B. Commitments

The City has a contract with the Cobb County Water System to purchase substantially all of the City's water and to provide sewer service. Under the contract, the City pays a rate based on water usage. The rates charged are subject to minimum annual contract payments. Expense for the fiscal year ended June 30, 2012 was $950,258.

The City also has active construction projects at June 30, 2012.

Encumbrances outstanding at year end totaled $3,600 in the SPLOST Fund.

(9) PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. Taxes were levied as of July 31, 2011. The billing for the tax levy was mailed September 29, 2011. The billing is considered due upon receipt by the taxpayer; however, the actual due date is based on a period up to 60 days after the tax billing mailing, November 30, 2011. On this date, the bill becomes delinquent and penalties and interest may be assessed by the City. Liens may attach to property for unpaid taxes at any time within seven years after the due date.

Property taxes were levied on an estimated actual value of $896,533,653 at a 40% assessed value for a total assessment less exemptions of $358,621,461. Based upon the millage levy of 8.5 mills, a homeowner would pay $8.50 per $1,000 of the property's January 1st assessed valuation.

(10) EMPLOYEE RETIREMENT SYSTEM

The City contributes to the Georgia Municipal Employees Benefit System ("System"), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for cities in the state of Georgia. The City joined the system during fiscal year 2003. For the fiscal year ended June 30, 2012, the City's payroll for employees covered by the System's defined benefit plan was $3,244,859. The Plan also provides death benefits for early retirees.

The benefit provisions and all other requirements are established by the System and the Adoption Agreement executed by the City.

All full-time City employees are eligible to participate in the System upon completion of one year of service; elected officials have no waiting period for eligibility. Benefits vest after completing seven years of service. Employees who retire after age 65 with 5 years of service or after age 55 with 10 years of credited service are entitled to a retirement benefit. The monthly benefit is determined using a split benefit formula, incorporating the employees' final average earnings, years of service and rate of 1.5%.

The City makes all contributions to the Plan. Employees are not required to make contributions to the Plan

Total pension contributions for the year ended June 30, 2012 was $223,717.

The net pension obligation was computed based on information obtained from an actuarial valuation performed as of January 1, 2011. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 7.50% a year, and (b) projected salary increases of 3.5% a year, attributed to inflation, plus age and service based merit increases.

Contributions are determined under the projected unit credit actuarial cost method and the asset valuation method (sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year.) The actuarial value is adjusted, if necessary, to be within 38% of market value.

The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years for the initial unfunded actuarial accrued liability, 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods, if applicable, are closed for this plan year.

Employer contributions represented 6.9% of current year covered payroll. The normal contribution requirement was $223,717.

ANNUAL PENSION COST AND NET PENSION OBLIGATION (ASSET)

The City's annual pension cost and net pension obligation (asset) for the current year were as follows:

Annual required contribution	$ 223,717
Interest on net pension obligation	1,068
Adjustment to annual required contribution	(1,010)
Annual pension cost	223,775
Contributions made	(223,717)
(Increase) decrease in net pension obligation	58
Net pension obligation, beginning of year	14,289
Net pension obligation, end of year	$ 14,347

This amount is not considered material to Governmental Activities and has not been included in the accompanying financial statements.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ended	Annual Pension Cost	Percentage Contributed	Net Pension Obligation
6/30/10	$ 227,637	100%	$ 14,082
6/30/11	242,182	100%	14,289
6/30/12	223,775	100%	14,347

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
1/1/11	$ 1,429,785	$ 1,843,365	$ (413,580)	77.6%	$ 3,244,859	12.75%

The Schedule of Funding Progress presented as required supplementary information following the notes to the financial statements presents multiyear trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial liability for benefits.

The Georgia Municipal Employees Benefit System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

Georgia Municipal Association
Risk Management and Employee Benefit Service
201 Pryor Street, SW
Atlanta, Georgia 30303

(11) POST EMPLOYMENT HEALTH CARE PLAN

The City implemented GASB 45 prospectively during the year ended June 30, 2010.

Plan Description - The City of Powder Springs OPEB Plan is a single-employer defined benefit healthcare plan administered by the City of Powder Springs. The City provides certain health care insurance benefits to retirees. Substantially all of the City's employees may become eligible for those benefits if they retire with a minimum of ten years' service and whose age and years of service total at least 80. As of June 30, 2011, there were 4 retirees eligible for the benefits and 64 active employees. The City has the authority to establish and amend benefit provisions.

The Plan does not issue separate financial statements.

Funding Policy - The contribution requirements are established and may be amended by the City. The required contribution was determined by an actuarial valuation. During the fiscal year 2012, the City contributed $20,234 to the plan. The cost of benefits for retirees is paid by the City and by the retiree. Total retiree contributions to the plan during the fiscal year 2012 totaled $13,489.

Fiscal Year Ended	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation	Annual Actual Contribution
6/30/10	$459,548	2.28%	$ 449,072	$ 10,476
6/30/11	462,596	4.22%	892,125	19,543
6/30/12	13,480	150.10%	885,369	20,234

The following is the funding status of the Plan as of the most recent valuation date:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
01/01/12	$ -	$ 806,843	$ 806,843	0%	$ 2,932,831	27.51%

Annual OPEB Cost and Net OPEB Obligation (Asset) - 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. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a twenty-five year period. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the net OPEB obligation (asset):

Annual required contribution	$ 31,334
Interest on net OPEB obligation	35,685
Adjustment to annual required contribution	(52,562)
Annual OPEB cost	14,457
Contributions made	(20,234)
(Increase) decrease in net OPEB obligation	(5,777)
Net OPEB obligation, beginning of year	892,125
Net OPEB obligation, end of year	$ 886,348

Actuarial valuations of an ongoing plan involve estimates of the value of 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. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of employer contributions present information about the amounts contributed to the plan by employers in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statement 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a twenty-five year period. The schedule of funding progress, presented above, presents 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.

Valuation date	1/1/2012
Actuarial cost method	Projected unit credit
Amortization method	Level dollar, open
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Projected salary increases	n/a
Investment return (includes inflation)	4%
Inflation	3%
Healthcare cost trend rate	5%

The plan does not issue separate financial statements.

(12) RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The City participates in the Georgia Interlocal Risk Management Agency (GIRMA) whereby the risk is pooled with other entities. Participation in this pool allows the City to share liability, crime, motor vehicle and property damage risks. The retention of the pool is $100,000 for property and $300,000 for liability. Coverage is subject to a per occurrence deductible of $1,000.

Chapter 85 of Title 36 of the Official Code of Georgia Annotated authorizes Georgia municipalities to form interlocal risk management agencies. GIRMA is a municipal interlocal risk management agency to function as an unincorporated nonprofit instrumentality of its member municipalities - GIRMA establishes and administers one or more group self insurance funds and a risk management service to prevent or lessen the incidence and severity of casualty and property losses occurring in the operation of municipal government. GIRMA is to defend and protect in accordance with the member government contract and related coverage descriptions any member of GIRMA against liability or loss.

The City must participate at all times in at least one fund which is established by GIRMA. Other responsibilities of the City are as follows:

- To pay all contributions, assessments or other sums due to GIRMA at such times and in such amounts as shall be established by GIRMA.
- To select a person to serve as a Member representative.
- To allow GIRMA and its agents reasonable access to all facilities of the City and all records, including but not limited to financial records, which relate to the purposes of GIRMA.
- To allow attorneys appointed by GIRMA to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the Fund or Funds established by GIRMA.
- To assist and cooperate in the defense and settlement of claims against the City.
- To furnish full cooperation to GIRMA's attorneys, claims adjusters, Service Company, and any agent, employee, officer or independent contractor of GIRMA relating to the purpose of GIRMA.
- To follow all loss reduction and prevention procedures established by GIRMA.
- To furnish to GIRMA such budget, operating and underwriting information as may be requested.

- To report as promptly as possible, and in accordance with any Coverage Descriptions issued, all incidents which could result in GIRMA or any Fund established by GIRMA being required to pay claim for loss or injuries to municipal property or injuries to persons or property when such loss or injury is within the scope of the protection of a Fund or Funds in which the City participates.

The City is also exposed to risks of loss related to job-related illnesses or injuries to employees for which the City has transferred its risk through participation in a public entity risk pool managed by the Georgia Municipal Association Workers' Compensation Self Insurance Fund whereby the risk is pooled with other entities. The retention of the pool is $500,000. Yearly premiums are paid by the City which will pay for lost time exceeding the first seven days the employee is absent, and the first seven days if the employee is absent at least 21 days.

Pursuant to Title 34, Chapter 9, Article 5 of the Official Code of Georgia Annotated, the City became a member of the Georgia Municipal Association Workers' Compensation Self Insurance Fund. The liability of the fund to the employees of any employer is specifically limited to such obligations as are imposed by applicable state laws against the employer for workers' compensation and/or employer's liability.

The Fund is to defend, in the name of and on behalf of the members, any suits or other proceedings which may at any time be instituted against them on account of injuries or death within the preview of the Workers' Compensation Law of Georgia, or on the basis of employer's liability, including suits or other proceedings alleging such injuries and demanding compensation therefore, although such suits, other proceedings, allegations or demands be wholly groundless, false or fraudulent.

(13) JOINT VENTURE

Under Georgia law, the City in conjunction with other cities and counties in the ten county Atlanta region is a member of the Atlanta Regional Commission (ARC). Membership in an RC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the RC in Georgia. The RC Board membership includes the officials of political subdivisions and private citizens representing districts with the Atlanta region. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RC. Separate financial statements may be obtained from:

Atlanta Regional Commission
40 Courtland Street, NE
Atlanta, Georgia 30303



REQUIRED SUPPLEMENTARY INFORMATION

CITY OF POWDER SPRINGS, GEORGIA
DEFINED BENEFIT PLANS
REQUIRED SUPPLEMENTARY INFORMATION

A) PUBLIC EMPLOYEE RETIREMENT SYSTEM

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
3/1/09	$ 833,122	$ 1,495,081	$ (661,959)	55.7%	$ 3,205,940	20.65%
1/1/10	1,149,046	1,716,249	(567,203)	67.0%	3,294,076	17.22%
1/1/11	1,429,785	1,843,365	(413,580)	77.6%	3,244,859	12.75%

B) POST EMPLOYMENT HEALTHCARE PLAN

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
01/01/10	$ -	$ 2,932,891	$ 2,932,891	0%	$ 2,631,949	111.43%
01/01/12	-	806,843	806,843	0%	2,932,831	27.51%

CITY OF POWDER SPRINGS, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Taxes	$ 4,439,200	$ 4,452,578	$ 4,633,166	$ 180,588
Licenses and permits	383,128	389,528	426,421	36,893
Fines and forfeitures	575,000	575,000	371,840	(203,160)
Street Lights	324,700	324,700	337,106	12,406
Intergovernmental	163,000	168,522	128,522	(40,000)
Investment earnings	4,050	4,050	2,880	(1,170)
Other	823,472	832,874	846,250	13,376
Total revenues	6,712,550	6,747,252	6,746,185	(1,067)
Expenditures:				
Current:				
General administration	1,762,684	1,690,207	1,534,702	155,505
Health and welfare	45,100	50,350	43,497	6,853
Housing and development	707,616	719,191	620,910	98,281
Public safety	2,489,859	2,623,533	2,469,425	154,108
Public works	743,293	746,279	580,883	165,396
Culture and recreation	93,543	93,694	79,266	14,428
Debt service	897,993	824,743	824,616	127
Total expenditures	6,740,088	6,747,997	6,153,299	594,698
Excess (deficiency) of revenues over expenditures	(27,538)	(745)	592,886	593,631
Other financing sources (uses):				
Transfers out	-	(140,000)	-	140,000
Total other financing sources (uses)	-	(140,000)	-	140,000
Net change in fund balance	$ (27,538)	$ (140,745)	592,886	$ 733,631
Reconciliation to GAAP basis:				
Unbudgeted proceeds from disposal of assets			15,493	
Fund balance at beginning of year- GAAP basis			3,190,433	
Fund balance at end of year- GAAP basis			$ 3,798,812	



STATISTICAL SECTION

STATISTICAL SECTION

This part of the City of Powder Springs's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents Page

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time. 48-53

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax. 54-61

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future. 62-65

Demographic and Economic Information

These schedules offer demographic and economic indications to help the reader understand the environment within which the government's financial activities take place. 66-68

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs. 69-70

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF POWDER SPRINGS, GEORGIA
GOVERNMENT - WIDE NET ASSETS BY CATEGORY
Last Nine Fiscal Years
(accrual basis of accounting)

	Fiscal Year Ended June 30,								
	2004 [1]	2005	2006	2007	2008	2009	2010	2011	2012
Governmental Activities									
Invested in capital assets, net of related debt	$ 6,112,288	$ 8,669,471	$ 9,479,531	$12,294,054	$18,252,541	$17,988,722	$18,465,318	$19,063,683	$19,796,418
Restricted	2,745,866	2,654,193	2,659,796	4,620,570	2,805,509	2,538,975	3,427,514	4,053,179	5,281,299
Unrestricted	3,127,268	3,234,750	3,944,467	2,298,723	436,907	2,745,527	2,697,837	2,640,321	3,340,628
Subtotal Governmental Activities Net Assets	11,985,422	14,558,414	16,083,794	19,213,347	21,494,957	23,273,224	24,590,669	25,757,183	28,418,345
Business-Type Activities									
Invested in capital assets, net of related debt	5,128,000	5,087,132	5,026,093	6,088,728	6,131,289	6,461,913	6,449,371	6,100,821	5,676,728
Restricted	1,432,665	2,102,246	3,031,512	2,963,610	2,213,743	2,276,071	-	-	-
Unrestricted	1,350,185	1,127,840	612,642	718,091	1,384,761	1,134,459	3,296,448	3,337,765	3,644,991
Subtotal Business-Type Activities Net Assets	7,910,850	8,317,218	8,670,247	9,770,429	9,729,793	9,872,443	9,745,819	9,438,586	9,321,719
Primary Government									
Invested in capital assets, net of related debt	11,240,288	13,756,603	14,505,624	18,382,782	24,383,830	24,450,635	24,914,689	25,164,504	25,470,146
Restricted	4,178,531	4,756,439	5,691,308	7,584,180	5,019,252	4,815,046	3,427,514	4,053,179	5,281,299
Unrestricted	4,477,453	4,362,590	4,557,109	3,016,814	1,821,668	3,879,986	5,994,285	5,978,086	6,985,619
Total Primary Goverment Net Assets	$19,896,272	$22,875,632	$24,754,041	$28,983,776	$31,224,750	$33,145,667	$34,336,488	$35,195,769	$37,737,064

Note: [1]The City implemented GASB Statement No. 34 in fiscal year 2004.

CITY OF POWDER SPRINGS, GEORGIA
CHANGES IN NET ASSETS - GOVERNMENTAL ACTIVITIES
Last Nine Fiscal Years
(accrual basis of accounting)

	Fiscal Year Ended June 30,								
Source	**2004** [1]	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Expenses:									
General government	$ 1,054,401	$ 1,030,922	$ 1,044,646	$ 280,769	$ 1,352,686	$ 1,294,648	$ 1,420,608	$ 1,045,622	$ 1,113,494
Health and welfare	9,354	7,747	11,134	128,352	13,828	15,915	41,658	71,221	43,497
Public works	728,336	865,445	816,897	1,692,422	1,104,408	908,492	1,611,057	1,871,778	1,228,591
Culture and recreation	308,220	276,531	507,775	332,015	629,301	569,561	505,801	218,853	79,266
Public safety	2,466,338	2,611,125	2,901,659	3,025,826	3,260,209	3,360,690	3,077,897	2,801,692	2,499,557
Housing and development	408,971	516,158	771,398	1,686,974	1,070,261	801,439	785,004	655,434	633,252
Interest and fiscal charges	50,475	25,980	177,509	295,689	423,634	404,935	386,549	511,573	325,017
Total Expenses	5,026,095	5,333,908	6,231,018	7,442,047	7,854,327	7,355,680	7,828,574	7,176,173	5,922,674
Program Revenues:									
Charges for Services:									
General government	325,095	390,892	391,248	446,014	478,845	389,740	342,706	332,228	286,222
Public works	-	3,632	229,596	222,587	222,101	289,420	300,523	316,589	341,509
Culture and recreation	25,633	37,660	34,782	17,605	26,095	18,300	20,050	16,942	29,024
Public safety	621,151	610,733	728,961	890,445	997,195	644,592	733,208	585,064	383,850
Housing and development	391,087	406,136	230,557	297,314	289,927	114,743	133,811	142,654	125,018
Operating grants and contributions	2,390	60	-	-	-	-	-	45,363	11,163
Capital grants and contributions	1,680,042	1,749,704	871,944	2,804,957	2,623,179	2,146,575	2,211,708	2,133,255	2,576,001
Total Program Revenues	3,045,398	3,198,817	2,487,088	4,678,922	4,637,342	3,603,370	3,742,006	3,572,095	3,752,787
Net (Expense) Revenue	(1,980,697)	(2,135,091)	(3,743,930)	(2,763,125)	(3,216,985)	(3,752,310)	(4,086,568)	(3,604,078)	(2,169,887)
General Revenues and Transfers:									
General revenues:									
Property taxes	2,204,644	2,824,621	3,118,107	3,329,154	3,470,331	3,416,920	3,457,004	2,982,111	3,006,646
Insurance premium taxes	536,123	586,399	625,092	654,003	682,198	698,539	691,986	671,875	653,845
Alcohol taxes	157,836	198,212	216,835	226,031	248,079	278,121	249,451	241,680	301,161
Gain (loss) on sale of capital assets	-	-	67,993	24,625	8,000	151,866	28,830	-	15,493
Franchise taxes	506,210	560,334	583,713	664,438	678,198	700,127	705,119	739,619	722,554
Operating grants	-	-	-	-	-	144,575	143,736	131,817	128,522
Unrestricted investment earnings	96,590	131,269	276,009	617,677	395,789	140,429	51,494	3,490	2,828
Settlement proceeds	-	-	-	376,750	16,000		-	-	-
Transfers	-	407,248	381,561	-	-	-	-	-	
Total General Revenues and Transfers	3,501,403	4,708,083	5,269,310	5,892,678	5,498,595	5,530,577	5,327,620	4,770,592	4,831,049
Change in Net Assets	$ 1,520,706	$ 2,572,992	$ 1,525,380	$ 3,129,553	$ 2,281,610	$ 1,778,267	$ 1,241,052	$ 1,166,514	$ 2,661,162

Note: [1]The City implemented GASB Statement No. 34 in fiscal year 2004.

CITY OF POWDER SPRINGS, GEORGIA
CHANGES IN NET ASSETS - BUSINESS-TYPE ACTIVITIES
Last Nine Fiscal Years
(accrual basis of accounting)

	Fiscal Year Ended June 30,								
Source	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Expenses:									
Water & sewer	$ 3,481,961	$ 3,434,755	$ 3,819,093	$ 3,910,989	$ 3,808,935	$ 3,915,500	$ 4,116,665	$ 4,268,528	$ 4,579,748
Sanitation	821,081	926,767	1,131,230	1,020,067	1,077,369	1,008,274	1,155,465	1,101,621	1,111,782
Total Expenses	4,303,042	4,361,522	4,950,323	4,931,056	4,886,304	4,923,774	5,272,130	5,370,149	5,691,530
Program Revenues:									
Charges for Services:									
Water & sewer	3,612,450	4,125,371	4,555,288	4,249,043	3,737,144	3,848,595	3,972,066	3,967,475	4,445,915
Sanitation	841,892	922,456	937,202	919,832	984,567	1,146,104	1,134,707	1,089,226	1,123,017
Capital grants and contributions	20,960	74,970	70,620	706,780	-	-	-	-	-
Total Program Revenues	4,475,302	5,122,797	5,563,110	5,875,655	4,721,711	4,994,699	5,106,773	5,056,701	5,568,932
Net (Expense) Revenue	172,260	761,275	612,787	944,599	(164,593)	70,925	(165,357)	(313,448)	(122,598)
General Revenues and Transfers:									
Unrestricted investment earnings	46,042	52,341	111,358	155,583	123,957	71,725	17,999	6,215	2,731
Gain on sale of capital assets	26,577	-	10,445	-	-	-	20,734	-	-
Transfers	-	(407,248)	(381,561)	-	-	-	-	-	-
Total General Revenues and Transfers	72,619	(354,907)	(259,758)	155,583	123,957	71,725	38,733	6,215	2,731
Changes in Net Assets	$ 244,879	$ 406,368	$ 353,029	$ 1,100,182	$ (40,636)	$ 142,650	$ (126,624)	$ (307,233)	$ (119,867)

Note: The City implemented GASB Statement No. 34 in fiscal year 2004.

CITY OF POWDER SPRINGS, GEORGIA
CHANGES IN NET ASSETS - TOTAL
Last Nine Fiscal Years
(accrual basis of accounting)

	Fiscal Year Ended June 30,								
Source	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Expenses:									
Governmental activities	$ 5,026,095	$ 5,333,908	$ 6,231,018	$ 7,442,047	$ 7,854,327	$ 7,355,680	$ 7,828,574	$ 7,176,173	$ 5,922,674
Business-type activities	4,303,042	4,361,522	4,950,323	4,931,056	4,886,304	4,923,774	5,272,130	5,370,149	5,691,530
Total Expenses	9,329,137	9,695,430	11,181,341	12,373,103	12,740,631	12,279,454	13,100,704	12,546,322	11,614,204
Program Revenues:									
Governmental activities	3,045,398	3,198,817	2,487,088	4,678,922	4,637,342	3,603,370	3,742,006	3,572,095	3,752,787
Business-type activities	4,475,302	5,122,797	5,563,110	5,875,655	4,721,711	4,994,699	5,106,773	5,056,701	5,568,932
Total Program Revenues	7,520,700	8,321,614	8,050,198	10,554,577	9,359,053	8,598,069	8,848,779	8,628,796	9,321,719
Net (Expense) Revenue	(1,808,437)	(1,373,816)	(3,131,143)	(1,818,526)	(3,381,578)	(3,681,385)	(4,251,925)	(3,917,526)	(2,292,485)
General Revenues and Transfers:									
Governmental activities	3,501,403	4,708,083	5,269,310	5,892,678	5,498,595	5,530,577	5,327,620	4,770,592	4,831,049
Business-type activities	72,619	(354,907)	(259,758)	155,583	123,957	71,725	38,733	6,215	2,731
Total General Revenues and Transfers	3,574,022	4,353,176	5,009,552	6,048,261	5,622,552	5,602,302	5,366,353	4,776,807	4,833,780
Changes in Net Assets	$ 1,765,585	$ 2,979,360	$ 1,878,409	$ 4,229,735	$ 2,240,974	$ 1,920,917	$ 1,114,428	$ 859,281	$ 2,541,295

Note: The City implemented GASB Statement No. 34 in fiscal year 2004.

CITY OF POWDER SPRINGS, GEORGIA
FUND BALANCES - GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011 [1]	2012
General Fund										
Reserved	$ 2,985,189	$ 2,878,179	$ 6,226,778	$ 6,250,061	$ 9,603,346	$ 6,921,670	$ 4,138,067	$ 403,884	$ -	$ -
Unreserved	3,088,330	2,958,911	2,522,298	3,201,242	1,371,578	(483,776)	1,565,505	2,193,849	-	-
Nonspendable	-	-	-	-	-	-	-	-	317,155	174,395
Restricted	-	-	-	-	-	-	-	-	149,431	170,727
Assigned	-	-	-	-	-	-	-	-	5,317	5,115
Unassigned	-	-	-	-	-	-	-	-	2,718,530	3,448,575
Subtotal General Fund	6,073,519	5,837,090	8,749,076	9,451,303	10,974,924	6,437,894	5,703,572	2,597,733	3,190,433	3,798,812
General Fund Percentage Change	-5.7%	-3.9%	49.9%	8.0%	16.1%	-41.3%	-11.4%	-54.5%	22.8%	19.1%
All Other Governmental Funds										
Reserved	-	300,691	695,643	-	-	-	-	1,251,628	-	-
Unreserved										-
Capital Projects Fund	285	-	-	(68,307)	81,232	(5,866)	477,959	3,162,798	-	-
SPLOST Fund	-	-	-	540,179	1,868,951	1,048,213	2,447,077	1,423,120	-	-
Restricted	-	-	-	-	-	-	-	-	4,399,248	5,465,544
Subtotal All Other Governmental Funds	285	300,691	695,643	471,872	1,950,183	1,042,347	2,925,036	5,837,546	4,399,248	5,465,544
Total Fund Balance Before Restatements	6,073,804	6,137,781	9,444,719	9,923,175	12,925,107	7,480,241	8,628,608	8,435,279	7,589,681	9,264,356
Restatements	-	-	134,284	-	-	-	-	76,393	-	-
Total Fund Balance After Restatements	$ 6,073,804	$ 6,137,781	$ 9,579,003	$ 9,923,175	$12,925,107	$ 7,480,241	$ 8,628,608	$ 8,511,672	$ 7,589,681	$ 9,264,356
All Governmental Funds Percentage Change	-8.3%	1.1%	56.1%	3.6%	30.3%	-42.1%	15.4%	-1.4%	-10.8%	22.1%

Note: [1]The City adopted GASB 54 Reporting for Fund Balance, in fiscal year 2011

CITY OF POWDER SPRINGS, GEORGIA
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)

Source	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues:										
Taxes	$ 3,236,320	$ 3,377,436	$ 4,108,125	$ 4,505,142	$ 4,842,799	$ 5,030,210	$ 5,024,064	$ 5,163,063	$ 4,827,656	$ 4,633,166
Licenses and permits	427,983	476,468	510,268	581,747	506,555	497,912	406,026	370,705	423,361	426,421
Intergovernmental	444,896	1,680,042	1,822,427	1,018,327	2,865,656	2,800,920	2,305,178	2,294,309	2,357,274	2,701,083
Fines and forfeitures	537,265	503,887	404,986	446,554	625,164	739,117	522,914	648,872	567,361	371,840
Charges for services	197,635	208,769	733,175	229,596	222,587	222,101	289,420	300,523	307,382	337,106
Investment earnings	119,911	96,590	131,269	276,009	617,677	395,789	140,429	51,494	12,769	7,283
Other	129,086	176,232	236,880	210,869	372,162	448,415	234,553	215,709	89,664	90,437
Total revenues	5,093,096	6,519,424	7,947,130	7,268,244	10,052,600	10,134,464	8,922,584	9,044,675	8,585,467	8,567,336
Expenditures:										
Current:										
General administration	860,731	397,347	774,929	919,865	985,663	1,342,324	1,153,712	974,018	809,992	758,824
Health and welfare	-	9,354	7,281	10,337	131,796	358,615	15,110	21,319	55,095	43,497
Housing and development	359,496	274,880	480,712	752,569	934,299	1,014,954	788,566	692,356	640,822	620,910
Public safety	2,119,602	2,520,511	2,690,390	2,626,864	2,969,629	3,134,967	3,054,098	2,947,027	2,526,163	2,469,425
Public works	548,140	714,683	850,543	670,296	983,664	1,235,659	1,060,445	929,855	892,172	580,883
Culture and recreation	72,347	78,024	53,635	90,007	1,416,553	1,643,149	93,237	86,028	90,956	79,266
Capital outlay	1,450,481	2,232,940	4,355,535	1,671,594	4,236,881	6,281,507	821,941	2,723,606	3,518,574	1,530,733
Debt service										
Principal	310,293	296,493	311,294	369,243	344,334	397,403	595,459	582,469	530,802	476,553
Interest	72,965	50,475	21,260	177,509	389,652	415,747	404,935	385,049	365,739	348,063
Issue costs & fees	-	32,831	99,228	-	-	-	-	1,500	750	
Total expenditures	5,794,055	6,607,538	9,644,807	7,288,284	12,392,471	15,824,325	7,987,503	9,343,227	9,431,065	6,908,154
Excess (deficiency) of revenues over expenditures	(700,959)	(88,114)	(1,697,677)	(20,040)	(2,339,871)	(5,689,861)	935,081	(298,552)	(845,598)	1,659,182
Other financing sources (uses):										
Capital leases/debt issued	158,836	792,091	5,004,615	81,246	4,940,428	220,995	61,420	-	-	-
Proceeds from disposal of assets	-	-	-	82,966	24,625	8,000	151,866	28,830	-	15,493
Settlement proceeds	-	-	-	-	376,750	16,000	-	-	-	-
Transfers in	375,000	770,253	2,060,000	1,061,455	3,498,657	6,834,756	930,662	4,227,694	-	-
Payment to refunding agent	-	(640,000)	-	-	-	-	-	-	-	-
Operating transfer to component unit	(10,626)	-	-	-	-	-	-	-	-	-
Transfers out	(375,000)	(770,253)	(2,060,000)	(861,455)	(3,498,657)	(6,834,756)	(930,662)	(4,227,694)	-	-
Total other financing sources (uses)	148,210	152,091	5,004,615	364,212	5,341,803	244,995	213,286	28,830	-	15,493
Net change in fund balances	$ (552,749)	$ 63,977	$ 3,306,938	$ 344,172	$ 3,001,932	$ (5,444,866)	$ 1,148,367	$ (269,722)	$ (845,598)	$ 1,674,675
Debt service as a % of noncapital expenditures	8.8%	8.7%	7.9%	9.6%	10.6%	11.4%	14.8%	14.2%	14.6%	22.8%

CITY OF POWDER SPRINGS, GEORGIA
TAX REVENUES BY SOURCE
Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year Ended June 30,	Property	Ad Valorem	Insurance Premium	Alcoholic Beverage	Intangible	Franchise	Total
2003	1,765,203	238,124	497,440	191,424	72,178	471,951	3,236,320
2004	1,885,419	220,826	536,123	157,836	71,022	506,210	3,377,436
2005	2,477,698	230,648	586,399	198,212	54,834	560,334	4,108,125
2006	2,749,964	262,352	625,092	216,834	67,187	583,713	4,505,142
2007	2,970,212	270,310	654,003	226,031	57,805	664,438	4,842,799
2008	3,097,747	274,050	682,198	248,079	49,938	678,198	5,030,210
2009	3,053,036	266,585	698,539	278,121	27,656	700,127	5,024,064
2010	3,257,226	238,734	691,986	249,451	20,547	705,119	5,163,063
2011	2,869,474	289,745	671,875	241,680	15,263	739,619	4,827,656
2012	2,659,592	314,751	653,845	259,376	23,048	722,554	4,633,166
Percentage Change In Dollars Over 10 Years	90.2%	30.4%	48.2%	43.4%	-80.7%	42.1%	63.5%

CITY OF POWDER SPRINGS, GEORGIA
TAXABLE ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF PROPERTY
Last Ten Fiscal Years

	Amounts												
Fiscal Year Ended June 30	Residential Property	Agricultural Property	Commercial Property	Industrial Property	Conservation Use Property	Utility Property	Motor Vehicles and Mobile Homes	Other Property	Less: Tax Exempt Property	1 Total Taxable Assessed Value	2 Total Direct Tax Rate	Estimated Actual Value	Annual Percentage Change
2003	201,559,686	44,840	58,043,355	4,697,968	204,468	5,027,206	30,207,357	2,767	2,999,380	296,788,267	7.00	741,970,668	18.6%
2004	220,994,678	151,664	61,629,365	4,442,446	644,240	5,894,102	33,184,325	11,242	5,567,394	321,384,668	7.00	803,461,670	8.3%
2005	240,741,640	151,344	76,820,922	6,206,789	296,624	5,629,432	32,547,277	20,458	6,765,516	355,648,970	8.50	889,122,425	10.7%
2006	262,786,804	197,812	81,783,042	8,525,426	328,488	5,903,299	30,855,374	36,702	4,920,002	385,496,945	8.50	963,742,363	8.4%
2007	290,503,809	197,812	85,894,537	6,966,918	328,488	6,324,951	29,389,390	85,964	2,255,120	417,486,046	8.50	1,043,715,115	8.3%
2008	310,005,150	175,272	92,015,239	6,472,704	215,812	6,468,347	31,542,786	44,085	1,850,532	445,088,863	8.50	1,112,722,158	6.6%
2009	320,621,864	197,812	105,067,948	7,984,989	328,488	5,924,520	31,986,064	15,483	1,667,042	470,460,126	8.50	1,176,150,315	5.7%
2010	315,044,514	197,812	103,267,839	7,587,030	328,488	6,538,010	33,091,238	20,584	3,542,181	462,533,334	8.50	1,156,333,335	-1.7%
2011	251,879,253	196,724	99,113,782	7,319,072	222,472	4,963,180	28,759,193	-	3,024,103	389,429,573	8.50	973,573,933	-15.8%
2012	228,758,892	139,152	91,789,641	7,153,550	115,388	5,898,691	27,810,184	-	3,044,034	358,621,464	8.50	896,553,660	-7.9%

Note: 1 - All property is assessed at 40% of fair market value
2 - Tax rates expressed in rate per $1,000

Source: Tax Digest provided by the Cobb County Tax Commissioner's Office

CITY OF POWDER SPRINGS, GEORGIA
DIRECT AND UNDERLYING PROPERTY TAX RATES
Last Ten Fiscal Years
(rate per $1,000 of assessed taxable value)

Fiscal Year	City Direct Rate	1 Underlying Rates			Total Underlying and Direct
		Cobb County	Cobb County Schools	State of Georgia	
2003	7.00	9.72	19.90	0.25	36.87
2004	7.00	9.72	19.90	0.25	36.87
2005	8.50	9.72	19.90	0.25	38.37
2006	8.50	9.72	19.90	0.25	38.37
2007	8.50	9.72	19.90	0.25	38.37
2008	8.50	9.72	19.90	0.25	38.37
2009	8.50	9.60	18.90	0.25	37.25
2010	8.50	9.60	18.90	0.25	37.25
2011	8.50	11.11	18.90	0.25	38.76
2012	8.50	11.11	18.90	0.25	38.76

Note: 1 - Underlying rates are those of Cobb County, Cobb County School System and the State of Georgia that apply to property owners within the City of Powder Springs.

Source: Cobb County Tax Commissioner's Office

CITY OF POWDER SPRINGS, GEORGIA
PRINCIPAL PROPERTY TAXPAYERS
Fiscal Year Ended June 30, 2012 and 2002

2012				2002			
Principal Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Principal Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Home Depot	5,434,368.00	1	1.70%	Rhodes, Inc.	$ 5,550,353	1	2.94%
Sembler Family Partnership	4,950,434.00	2	1.30%	BellSouth Telecommunications	3,049,156	2	1.61%
Kroger Company	3,779,128.00	3	0.79%	Sembler Family Partnership	1,884,011	3	1.00%
Foster, W. M.	2,298,056.00	4	0.65%	Foster, W. M.	1,769,002	4	0.94%
Star Filing Products	1,896,812.00	5	0.53%	M G International, Inc.	1,649,667	5	0.87%
Weingarten Realty Investors	1,542,024.00	6	0.49%	McNeel Builders, Inc.	1,503,124	6	0.79%
BW HVAC Real Estate Holdings	1,435,320.00	7	0.45%	Standex Air Distribution Products	1,225,875	7	0.65%
3380 Florence Rd LLC	1,314,800.00	8	0.35%	Gallant Lester H & John R Perlman	1,173,316	8	0.62%
M.M & A, LLC	1,032,080.00	9	0.35%	Wilmington Trust Co & Wade WM	1,005,374	9	0.53%
First Citizens Bank and Trust	994,480.00	10	0.34%	Winn Dixie	774,384	10	0.41%
Total Principal Taxpayers	24,677,502		8.49%		19,584,262		10.36%
All Other Taxpayers	266,081,032		91.51%		169,507,005		89.64%
Total	$ 290,758,534		100.00%		$ 189,091,267		100.00%

Source: City Finance Office

CITY OF POWDER SPRINGS, GEORGIA
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date[1]	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2003	1,736,175	1,679,655	96.74%	49,184	1,728,839	99.58%
2004	1,824,133	1,775,836	97.35%	40,622	1,816,458	99.58%
2005	2,445,897	2,344,785	95.87%	91,713	2,436,498	99.62%
2006	2,691,845	2,595,938	96.44%	83,179	2,679,117	99.53%
2007	2,887,406	2,786,661	96.51%	87,312	2,873,973	99.53%
2008	3,056,073	2,971,048	97.22%	70,932	3,041,980	99.54%
2009	3,283,867	3,146,542	95.82%	118,891	3,265,433	99.44%
2010	3,221,287	2,932,944	91.05%	262,225	3,195,169	99.19%
2011	2,910,203	2,599,174	89.31%	257,849	2,857,023	98.17%
2012	2,615,610	2,405,060	91.95%	-	2,405,060	91.95%

Source: City Finance Office

Notes: [1]Includes Assessment Adjustments

CITY OF POWDER SPRINGS, GEORGIA
WATER AND SEWER RATES
Last Ten Fiscal Years

Water

Fiscal Year	Inside City Limits (1) Base Rate	*Gallons	Usage Rate	Outside City Limits (1) Base Rate	*Gallons	Usage Rate
2003	5.26		2.63	10.26		2.63
2004	6.76		2.66	11.83		2.66
2005	6.93		3.47	12.12		3.54
2006	7.02		3.51	12.27		3.58
2007	7.09		3.58	12.34		3.65
2008	8.20	2001-6000	4.10	13.38	2001-6000	4.17
	8.20	6001-15000	5.13	13.38	6001-15000	5.21
	8.20	>15001	6.15	13.38	>15001	6.26
2009	8.20	2001-6000	4.10	12.86	2001-6000	4.16
	8.20	6001-15000	5.13	12.86	6001-15000	5.20
	8.20	>15001	6.15	12.86	>15001	6.26
2010	8.62	2001-6000	4.31	13.28	2001-6000	4.37
	8.62	6001-15000	5.34	13.28	6001-15000	5.41
	8.62	>15001	6.36	13.28	>15001	6.47
2011	9.30	2001-6000	4.65	13.58	2001-6000	4.70
	9.30	6001-15000	5.76	13.58	6001-15000	5.83
	9.30	>15001	6.86	13.58	>15001	6.96
2012	7.16	0>2000	4.50	7.16	0>2000	4.50
	7.16	2001>5000	4.75	7.16	2001>5000	4.75
	7.16	5001>10000	5.00	7.16	5001>10000	5.00
	7.16	10001>20000	5.25	7.16	10001>20000	5.25
	7.16	20001>50000	5.50	7.16	20001>50000	5.50
	7.16	>50000	5.75	7.16	>50000	5.75

Sewer

	Inside City Limits (1) Base Rate		(2) Usage Rate	Outside City Limits (1) Base Rate		(2) Usage Rate
2003	6.76		3.38	7.60		3.80
2004	9.12		3.45	9.98		3.88
2005	9.48		4.75	10.38		5.20
2006	9.67		4.84	10.58		5.30
2007	9.80		4.97	10.71		5.43
2008	10.84		5.42	11.80		5.90
2009	10.84		5.42	11.70		5.85
2010	11.14		5.57	12.00		6.00
2011	11.58		5.79	12.34		6.17
2012	7.44	0>2000	6.53	7.44	0>2000	6.53
	7.44	2001>5000	6.89	7.44	2001>5000	6.89
	7.44	>5001	7.25	7.44	>5001	7.25

Notes: (1) 0 - 2,000 gallons is first tier rate and no longer part of the minimum base rate
(2) Rate per each additional 1,000 gallons
* Graduated rate schedule implemented in 2008
(3) Rates are equalized for Inside and Outside City Limits
(4) ERU's are charged for Non-Residential accounts
Residential accounts are charged for 1/ea ERU'

Source: City Utility Billing Office

CITY OF POWDER SPRINGS, GEORGIA
WATER CONSUMED
Last Ten Fiscal Years (unaudited)

Fiscal Year	Gallons of Water Consumed	Graduated Rate *Gallons	Total Direct Rate							
			Inside the City Limits				Outside the City Limits			
			Water		Sewer		Water		Sewer	
			Base Rate (1)	Usage Rate (2)	Base Rate (1)	Usage Rate (2)	Base Rate (1)	Usage Rate (2)	Base Rate (1)	Usage Rate (2)
2003	369,677,527		5.26	2.63	6.76	3.38	10.26	2.63	7.60	3.80
2004	420,900,177		6.76	2.66	9.12	3.45	11.83	2.66	9.98	3.88
2005	424,409,260		6.93	3.47	9.48	4.75	12.12	3.54	10.38	5.20
2006	431,593,749		7.02	3.51	9.67	4.84	12.27	3.58	10.58	5.30
2007	452,627,952		7.09	3.58	9.80	4.97	12.34	3.65	10.71	5.43
2008	345,214,885	<2001	8.20		10.84		13.38		11.80	
		2001-6000	8.20	4.10	10.84	5.42	13.38	4.17	11.80	5.90
		6001-15000	8.20	5.13	10.84	5.42	13.38	5.21	11.80	5.90
		>15001	8.20	6.15	10.84	5.42	13.38	6.26	11.80	5.90
2009	364,975,200	<2001	8.20		10.84		12.86		11.70	
		2001-6000	8.20	4.10	10.84	5.42	12.86	4.16	11.70	5.85
		6001-15000	8.20	5.13	10.84	5.42	12.86	5.20	11.70	5.85
		>15001	8.20	6.15	10.84	5.42	12.86	6.26	11.70	5.85
2010	17,182,150	<2001	8.62		11.14		13.28		12.00	
	162,721,496	2001-6000	8.62	4.31	11.14	5.57	13.28	4.37	12.00	6.00
	132,938,112	6001-15000	8.62	5.34	11.14	5.57	13.28	5.41	12.00	6.00
	62,584,100	>15001	8.62	6.36	11.14	5.57	13.28	6.47	12.00	6.00
2011	6,151,512	<2001	9.30		11.58		13.58		12.34	
	94,536,626	2001-6000	9.30	4.65	11.58	5.79	13.58	4.70	12.34	6.17
	61,254,344	6001-15000	9.30	5.76	11.58	5.79	13.58	5.83	12.34	6.17
	235,189,514	>15001	9.30	6.36	11.58	5.79	13.58	6.96	12.34	6.17
2012	111,272	<2001	9.30		11.58		13.58		12.34	
Jul - Mar	746,490	2001-6000	9.30	4.65	11.58	5.79	13.58	4.70	12.34	6.17
	6,384,801	6001-15000	9.30	5.76	11.58	5.79	13.58	5.83	12.34	6.17
	263,032,184	>15001	9.30	6.86	11.58	5.79	13.58	6.96	12.34	6.17
2012	205,597	1-2000	7.16	4.50	7.44	6.53	7.16	4.50	7.44	6.53
Apr-Jun	2,000,605	2001-5000	7.16	4.75	7.44	6.89	7.16	4.75	7.44	6.89
	11,722,854	5001-10000	7.16	5.00	7.44	7.25	7.16	5.00	7.44	7.25
	37,295,362	10001-20000	7.16	5.25	7.44	7.25	7.16	5.25	7.44	7.25
	27,959,728	20001-50000	7.16	5.50	7.44	7.25	7.16	5.50	7.44	7.25
	14,563,753	>50000	7.16	5.75	7.44	7.25	7.16	5.75	7.44	7.25

Please note change in rate structure and the levels of consumption as of 4/1/12. There were no increases since 2010, until 4/1/12. The breakdown is to show based on consumption levels.

Notes: (1) 0 - 2,000 gallons
(2) Rate per each additional 1,000 gallons

* Graduated rate schedule implemented in 2008

Source: City Utility Billing Office

CITY OF POWDER SPRINGS, GEORGIA
WATER SOLD BY TYPE OF CUSTOMER
Last Ten Fiscal Years
(in millions of gallons)

Fiscal Year	Residential		Commercial		Total Consumption	Annual Percentage
	Gallons	%	Gallons	%	Gallons	Change
2003	358.5	97%	11.2	3%	369.7	-16.36%
2004	382.8	91%	38.1	9%	420.9	12.17%
2005	386.2	91%	38.2	9%	424.4	0.83%
2006	393.7	91%	37.8	9%	431.5	1.66%
2007	413.8	91%	38.9	9%	452.7	4.65%
2008	362.3	91%	35.1	9%	397.4	-13.88%
2009	322.2	88%	42.7	12%	364.9	-8.90%
2010	328.8	88%	46.6	12%	375.4	2.78%
2011	342.1	86%	54.9	14%	397	-8.90%
2012	316.5	87%	47.0	13%	363.5	-8.44%

Source: City Utility Billing Office

CITY OF POWDER SPRINGS, GEORGIA
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

	Governmental-Type Activities		Business-Type Activities					
Fiscal Year	Capital Leases	Intergovernmental Contracts	Revenue Bonds	Capital Leases	Loans Payable	Total Primary Government	Percentage of Personal Income[1]	Per Capita[1]
2003	920,807	361,840	2,275,000	178,330	619,617	4,355,594	1.44%	348.98
2004	862,163	260,836	1,775,000	192,425	938,965	4,029,389	1.33%	322.84
2005	5,696,681	121,878	1,570,000	140,429	1,169,509	8,698,497	2.88%	696.94
2006	5,488,942	41,620	1,275,000	362,182	1,138,121	8,305,865	2.75%	665.48
2007	10,132,654	-	970,000	285,068	1,165,134	12,552,856	4.16%	1,005.76
2008	10,016,157	121,388	655,000	186,036	1,115,518	12,094,099	4.00%	969.00
2009	9,516,800	86,706	330,000	273,416	1,060,457	11,267,379	3.73%	902.76
2010	8,969,014	52,024	-	160,049	999,990	10,181,077	2.81%	665.87
2011	8,472,895	17,342	-	76,761	941,672	9,508,670	2.62%	682.11
2012	8,015,000	-	-	24,134	881,641	8,920,775	2.46%	639.94

Note: [1] See the Schedule of Demographic and Economic Statistics for personal income and population data.

CITY OF POWDER SPRINGS, GEORGIA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
As of June 30, 2012 (Unaudited)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable[1]	Estimated Share of Direct and Overlapping Debt
Debt repaid with property taxes			
Cobb County General Obligation Debt (including Tax Anticipation Notes)	$138,370,000	1.50%	$ 2,075,550
Other debt			
Cobb County Parking Deck Certificates	10,260,000	1.50%	153,900
Cobb-Marietta Coliseum and Exhibit Hall Authority	48,260,000	1.50%	723,900
Cobb County Solid Waste Management Authority	6,150,000	1.50%	92,250
Subtotal, overlapping debt			3,045,600
City direct debt			8,015,000
Total direct and overlapping debt			$ 11,060,600

Sources: Assessed value data used to estimate applicable percentages provided by the Cobb County Board of Equalization and Assessment. Debt outstanding data provided by each governmental unit.

Notes: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. The process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident and therefore responsible to repaying the debt of each overlapping government.

[1]The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's taxable assessed value that is within the government's boundaries and dividing it by the county's total taxable assessed value.

CITY OF POWDER SPRINGS, GEORGIA
LEGAL DEBT MARGIN
Last Ten Fiscal Years

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Assessed Value	$ 296,788,267	$ 321,384,668	$ 355,648,970	$ 382,547,315	$ 402,910,840	$ 422,495,333	$ 416,009,600	$ 346,511,718	$ 345,345,916	$ 315,475,681
Legal Debt Margin										
Debt Limit (10% of assessed value)	29,678,827	32,138,467	35,564,897	38,254,732	40,291,084	42,249,533	41,600,960	34,651,172	34,534,592	31,547,568
Debt applicable to limit:										
General obligation bonds	-	-	-	-	-	-	-	-	-	-
Less: Amount reserved for repayment of general obligation debt	-	-	-	-	-	-	-	-	-	-
Total debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal Debt Margin	$ 29,678,827	$ 32,138,467	$ 35,564,897	$ 38,254,732	$ 40,291,084	$ 42,249,533	$ 41,600,960	$ 34,651,172	$ 34,534,592	$ 31,547,568
As a percentage of debt limit	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Notes: Under Article 9, Section 5, Paragraph 1 of the State of Georgia Constitution, the City's outstanding general obligation debt should not exceed 10% of the assessed valuation of taxable property within the City.

Source: Tax Digest provided by the Cobb County Tax Commissioner's Office.

CITY OF POWDER SPRINGS, GEORGIA
PLEDGED-REVENUE COVERAGE
Last Ten Fiscal Years

	Water Revenue Bonds					
Fiscal Year	1 Utility Service Charges	2 Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2003	3,278,272	2,913,652	364,620	280,000	122,205	91%
2004	3,652,193	3,062,875	589,318	205,000	37,238	243%
2005	4,171,546	2,990,802	1,180,744	295,000	44,745	348%
2006	4,652,025	3,144,303	1,507,722	305,000	36,337	442%
2007	4,389,895	3,234,689	1,155,206	315,000	27,645	337%
2008	3,845,512	3,097,858	747,654	325,000	18,667	218%
2009	3,910,804	3,212,562	698,242	330,000	9,404	206%
* 2010						
2011						
2012						

Notes: 1 - Includes interest income
2 - Excludes depreciation expense

*The final payment on the City's water revenue bond debt was made in fiscal year 2010.

CITY OF POWDER SPRINGS, GEORGIA
DEMOGRAPHIC AND ECONOMIC STATISTICS
June 30, 2012

Year	Population	Personal Income	Per Capita Income	Median Age	Unemployment Rate
1950	619	$ -	$ -	N/A	N/A
1960	746	1,802,336	2,416	N/A	N/A
1970	2,559	7,331,535	2,865	25.4	N/A
1980	3,381	23,142,945	6,845	29.5	N/A
1990	6,893	104,401,378	15,146	29.5	1.9%
2000	12,481	302,040,200	24,200	32.0	2.9%
2010	13,940	362,607,280	26,012	36.2	10.2%

Source: U. S. Census Bureau and the GA Department of Labor

CITY OF POWDER SPRINGS, GEORGIA
PRINICIPAL EMPLOYERS
Fiscal Year Ended June 30, 2012 and 2006 (Unaudited)

2012				2006 [3]			
Employer	Number of Employees[1]	Rank	Percentage of Total City Employment	Employer	Number of Employees[1]	Rank	Percentage of Total City Employment
Powder Springs Nursing and Rehab[2]	260	1	9.3%	Brian Center Nursing Care	260	1	11.30%
Hussman Services Corp	150	2	5.4%	Star Acquisitions	200	2	8.70%
Kroger	125	3	4.5%	Kroger	150	3	6.52%
The Home Depot	111	4	4.0%	Home Depot	120	4	5.22%
Powder Springs Elementary	108	5	3.9%	Powder Springs Elementary School	120	5	5.22%
Publix Supermarkets	100	6	3.6%	Tapp Middle School	118	6	5.13%
Tapp Middle School	95	7	3.4%	City of Powder Springs	115	7	5.00%
City of Powder Springs	92	8	3.3%	Compton Elementary School	110	8	4.78%
Caldwell Insulation	75	9	2.7%	Alco Manufacturing	100	9	4.35%
Compton Elementary	75	10	2.7%	Publix	100	10	4.35%
Total Principal Employees	1,191		42.8%	Total Principal Employees	1,393		60.57%
Other Employees	1,591		57.2%	Other Employees	907		39.43%
Total Employees	2,782		100.0%	Total Employees[4]	2,300		100.00%

Source: City Department of Economic Development

Notes: 1 - Full-time equivalent employees
2 - Formally known as Brian Nursing Center
3 - Information prior to 2006 is not readily available
4 - Estimated

CITY OF POWDER SPRINGS, GEORGIA
Full-Time Equivalent City Employees by Function
Last Ten Fiscal Years

Function / Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Administration										
Council	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Mayor	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Elections	1.0	1.0	1.0	1.0	1.0	-	-	-	-	-
Administration	7.0	11.0	11.0	12.0	7.5	7.5	7.5	7.5	8.0	6.3
Information Technology	-	-	-	-	1.0	1.0	1.0	1.0	1.0	1.0
Purchasing	-	-	-	-	1.0	1.0	1.0	1.0	1.0	-
Municipal Court	1.0	2.0	2.0	2.0	2.0	3.0	3.0	3.0	2.0	2.0
Total General Administration	15.0	20.0	20.0	21.0	18.5	18.5	18.5	18.5	18.0	15.3
Health and Welfare										
Senior Center		0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Culture and Recreation										
Museum		0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Housing and Development										
Building Inspection	1.0	2.0	2.0	2.0	2.0	2.0	1.0	0.5	0.5	0.5
Community Development	3.0	3.0	4.0	7.0	8.0	8.0	6.0	5.0	5.0	5.0
Code Enforcement	2.0	2.0	2.0	1.0	3.0	3.0	2.0	2.0	2.0	2.0
Total Housing and Development	6.0	7.0	8.0	10.0	13.0	13.0	9.0	7.5	7.5	7.5
Public Safety										
Police	49.0	51.0	51.0	52.5	51.0	48.5	39.5	41.5	36.0	33.0
Public Works										
Streets	6.0	6.0	8.0	8.0	6.0	6.0	5.0	4.0	3.0	3.0
Water & Sewer										
Water	12.0	8.0	10.0	10.0	11.0	12.0	11.0	11.0	11.0	11.8
Sewer	9.0	6.0	5.0	6.0	5.0	6.0	4.0	5.0	5.0	5.0
Total Water & Sewer	21.0	14.0	15.0	16.0	16.0	18.0	15.0	16.0	16.0	16.8
Sanitation	6.0	8.0	9.0	13.0	13.0	14.0	14.0	11.0	11.0	9.0
Total	103.0	106.0	111.0	120.5	117.5	118.0	101.0	98.5	91.5	84.5

Source: City Finance Office

CITY OF POWDER SPRINGS, GEORGIA
OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten Fiscal Years (Unaudited)

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government										
Building Permits Issued	319	272	233	246	211	(1) 173	249	517	251	309
Police										
Physical Arrests	714	726	660	664	810	882	485	437	317	372
Citations Issued	4,595	4,191	5,047	5,785	8,811	8,592	6,313	7,563	5,676	4,325
Refuse Collection										
Refuse Collected (tons per day)	N/A	N/A	N/A	35	35	35	42	42	28	25
Water										
Average Daily Consumption	1,012,815	1,153,151	1,162,765	1,182,449	1,270,000	1,088,940	999,932	900,780	1,088,033	1,083,254

N/A - Information not available

Source: City Community Development Department, Police Department, Sanitation Department, Utility Billing Department

CITY OF POWDER SPRINGS, GEORGIA
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	13	12	14	15	14	14	14	14	14	14
Refuse Collection										
Collection Trucks	4	4	4	5	5	4	4	4	4	4
Other Public Works										
Streets (miles)	N/A	N/A	N/A	60	61	61	61	62	85	85
Streetlights	N/A	N/A	N/A	2,000	2,000	2,000	2,000	2,112	2112	2112
Water										
Water mains (miles)	N/A	N/A	N/A	70	70	70	70	70	70	70
Wastewater										
Sanitary Sewers (miles)	N/A	N/A	N/A	70	70	70	70	70	70	70

N/A - Information not available

Source: City Police Department, Sanitation Department, Public Works Department, Water & Sewer Department

SUPPLEMENTAL INFORMATION

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 Patricia C. Vaughn, Mayor
Members of the City Council
City of Powder Springs, Georgia

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Powder Springs, Georgia as of and for the year ended June 30, 2012, which collectively comprise the City of Powder Springs, Georgia's basic financial statements and have issued our report thereon dated November 21, 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

Management of the City of Powder Springs, Georgia is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City'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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Powder Springs, Georgia's internal control over financial reporting.

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

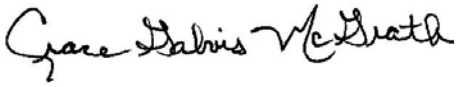
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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*.

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



Crace Galvis McGrath, LLC

November 21, 2012