CITY OF RINGGOLD, GEORGIA

ANNUAL FINANCIAL REPORT

YEAR ENDED DECEMBER 31, 2012

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I. INTRODUCTORY SECTION

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CITY OF RINGGOLD, GEORGIA
Council Members and Management
December 31, 2012

Mayor	Joe Barger
Vice-Mayor	Randall Franks
Council Member	Terry Crawford
Council Member	Earl Henderson
Council Member	G. Larry Black
Council Member	Nick Millwood
City Manager	Dan Wright
City Judge	Gene Lowery
Financial Director	Will Baerg

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II. FINANCIAL SECTION

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Ringgold, Georgia, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Ringgold, Georgia for the fiscal year ended December 31, 2012. We encourage readers to consider the information presented here in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

The assets of the City of Ringgold, Georgia exceeded its liabilities at December 31, 2012, by $22,731,689 (net position). Of this amount, $7,246,702 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.

The City's governmental activities operated at a deficit of $(310,785). The City's business-type activities operated at a surplus of $3,032,700.

As of the close of the current fiscal year, the City of Ringgold, Georgia's governmental funds reported combined ending fund balances of $5,397,118.

At the end of the current fiscal year, unassigned fund balance for the General Fund was $4,793,186, or 142.80%, of total General Fund expenditures. Expenditures do not include transfers to and from other funds, which netted to $275,715 in the City's General Fund.

As of the close of the current fiscal year, the City of Ringgold, Georgia's enterprise funds reported combined ending net position of $14,278,199. Of that balance, $3,321,430 is unrestricted and the remaining $10,956,769 of net position is invested in capital assets.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction of the City of Ringgold, Georgia's basic financial statements. The City of Ringgold, Georgia's basic financial statements comprise three components: (1) government-wide financial statements; (2) fund financial statements, and (3) Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Ringgold, Georgia's finances, in a manner similar to a private-sector business.

The government-wide financial statements are:

The *Statement of Net Position* presents information on all of the City of Ringgold, Georgia's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Ringgold, Georgia is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position 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 only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Ringgold, Georgia that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Ringgold, Georgia include general government, public safety, public works, and public welfare and recreation. The business-type activities of the City of Ringgold, Georgia include the Sewer Fund and the Water Fund.

The government-wide financial statements can be found on pages 13 and 14 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 of Ringgold, Georgia, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Ringgold, Georgia can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds
Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand that long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between the governmental funds and governmental activities.

The City of Ringgold, Georgia maintains ten individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, the Capital Projects Fund and the Capital Projects Grant Fund, which are considered to be major funds. Individual fund data for the Hotel/Motel Tax, Haunted Depot, Downtown Development Authority, Confiscated Assets, Flag, Ringgold Depot and Visitor Center funds are provided later in this report beginning on page 53.

The City of Ringgold, Georgia adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for all governmental funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 15 and 17 of this report.

Proprietary Funds
The City of Ringgold, Georgia maintains one type of proprietary fund: enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Ringgold, Georgia uses enterprise funds to account for its water and sewer operations.

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 Sewer Fund and Water Fund, which are considered to be major funds of the City of Ringgold, Georgia.

The basic proprietary fund financial statements can be found on pages 27 through 29 of this report.

Notes to the Financial Statements
The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 31 through 51 of this report.

Other Information
Non-major fund statements and schedules can be found on pages 53 through 61 of this report.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position
As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Ringgold, Georgia, assets exceeded liabilities by $22,731,689 at the close of this fiscal year.

The largest portion of the City of Ringgold, Georgia's net position (65.70%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure, etc.), less any related debt used to acquire those assets that are still outstanding. The City of Ringgold, Georgia uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City of Ringgold, Georgia'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.

An additional portion of the City's net position, 2.30%, or $537,215, represents resources that are subject to external restrictions on how they may be used. The remaining 32.00% of unrestricted net position may be used to meet the government's ongoing obligations to its citizens and creditors.

At December 31, 2012, the City of Ringgold, Georgia is able to report positive balances in all categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

The table below provides a summary of the City's net position broken down by governmental and business type activities.

City of Ringgold, Georgia's Net Position

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Current and other assets	$ 5,462,629	$ 5,951,418	$ 3,687,386	$ 4,385,163	$ 9,150,015	$ 10,336,581
Capital assets	3,991,003	3,740,267	19,257,385	16,513,839	23,248,388	20,254,106
Total assets	$ 9,453,632	$ 9,691,685	$ 22,944,771	$ 20,899,002	$ 32,398,403	$ 30,590,687
Non-current liabilities	$ 939,193	$ 634,755	$ 8,585,439	$ 8,930,150	$ 9,524,632	$ 9,564,905
Other liabilities	60,949	292,655	81,133	723,353	142,082	1,016,008
Total liabilities	$ 1,000,142	$ 927,410	$ 8,666,572	$ 9,653,503	$ 9,666,714	$ 10,580,913
Net position:						
Net investment in capital assets	$ 3,991,003	$ 3,740,267	$ 10,956,769	$ 7,928,856	$ 14,947,772	$ 11,669,123
Restricted	537,215	171,832	-	-	537,215	171,832
Unrestricted	3,925,272	4,852,176	3,321,430	3,316,643	7,246,702	8,168,819
Total net position	$ 8,453,490	$ 8,764,275	$ 14,278,199	$ 11,245,499	$ 22,731,689	$ 20,009,774

Changes in Net Position

Governmental activities decreased the City's net position by $(310,785), and business-type activities increased the City's net position by $3,032,700. However, the City can only use the net position obtained through business-type activities to finance the continuing operations of the sewer and water systems.

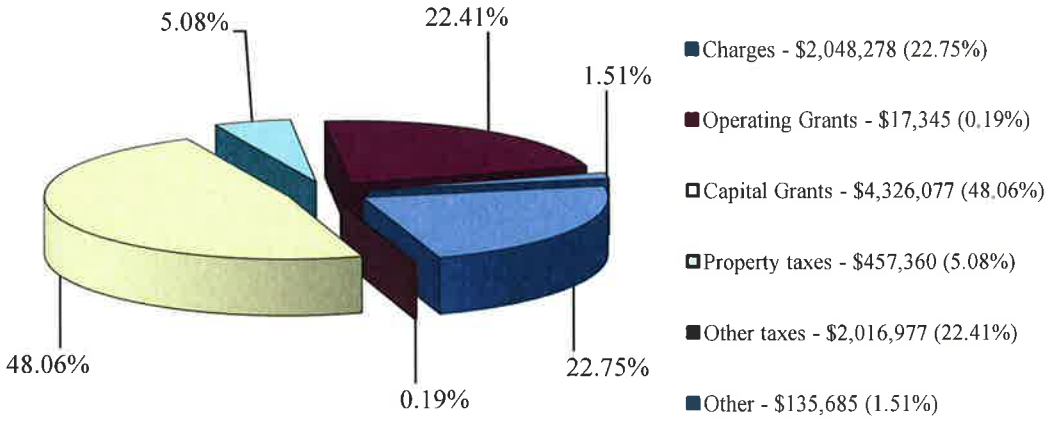
The table below provides a summary of the City's net position broken down by governmental and business-type activities.

City of Ringgold, Georgia's Changes in Net Position

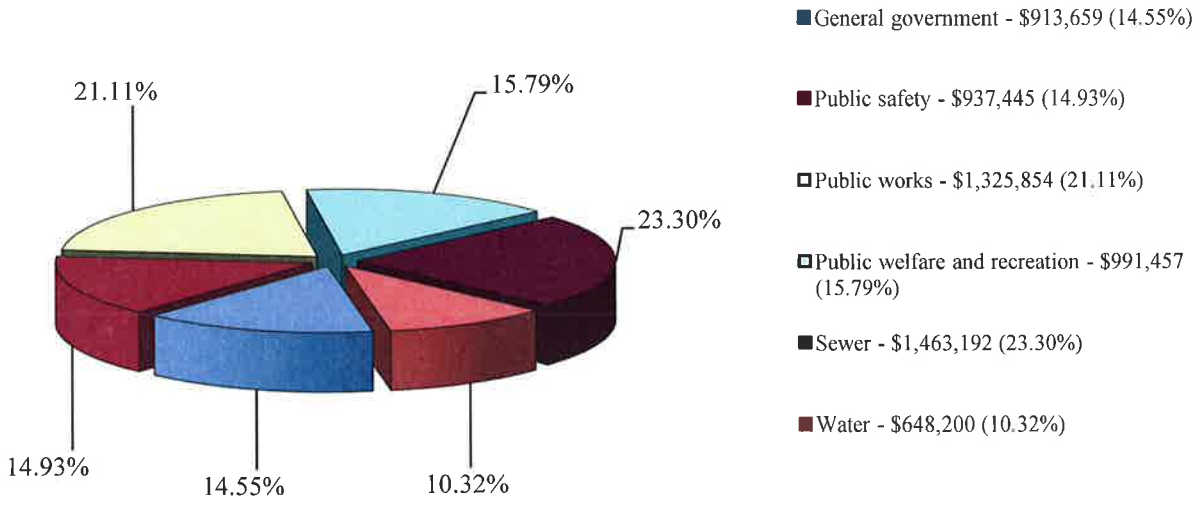
	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	$ 266,495	$ 239,917	$ 1,781,783	$ 1,597,436	$ 2,048,278	$ 1,837,353
Operating grants and contributions	17,345	9,400	-	-	17,345	9,400
Capital grants and contributions	3,828,440	2,947,327	497,637	8,195	4,326,077	2,955,522
General revenues:						
Property taxes	457,360	450,633	-	-	457,360	450,633
Other taxes	2,016,977	2,101,122	-	-	2,016,977	2,101,122
Other income	64,865	341,677	70,820	6,976	135,685	348,653
Total revenues	6,651,482	6,090,076	2,350,240	1,612,607	9,001,722	7,702,683
Expenses:						
General government	913,659	776,650	-	-	913,659	776,650
Public safety	937,445	951,365	-	-	937,445	951,365
Public works	1,325,854	1,105,249	-	-	1,325,854	1,105,249
Public welfare and recreation	991,457	426,782	-	-	991,457	426,782
Sewer	-	-	1,463,192	1,825,537	1,463,192	1,825,537
Water	-	-	648,200	602,681	648,200	602,681
Total expenses	4,168,415	3,260,046	2,111,392	2,428,218	6,279,807	5,688,264
Excess (deficiency) before transfers	2,483,067	2,830,030	238,848	(815,611)	2,721,915	2,014,419
Interfund transfers	(2,793,852)	(2,900,356)	2,793,852	2,900,356	-	-
Change in net position	(310,785)	(70,326)	3,032,700	2,084,745	2,721,915	2,014,419
Net position - beginning	8,764,275	8,834,601	11,245,499	9,160,754	20,009,774	17,995,355
Net position - end	$ 8,453,490	$ 8,764,275	$14,278,199	$ 11,245,499	$22,731,689	$20,009,774

The graphs below summarize the $9,001,722 of city-wide revenues by source, and the associated $6,279,807 of expense by program. The graphs combine data from both governmental and business-type activities.

City-Wide Sources of Revenue



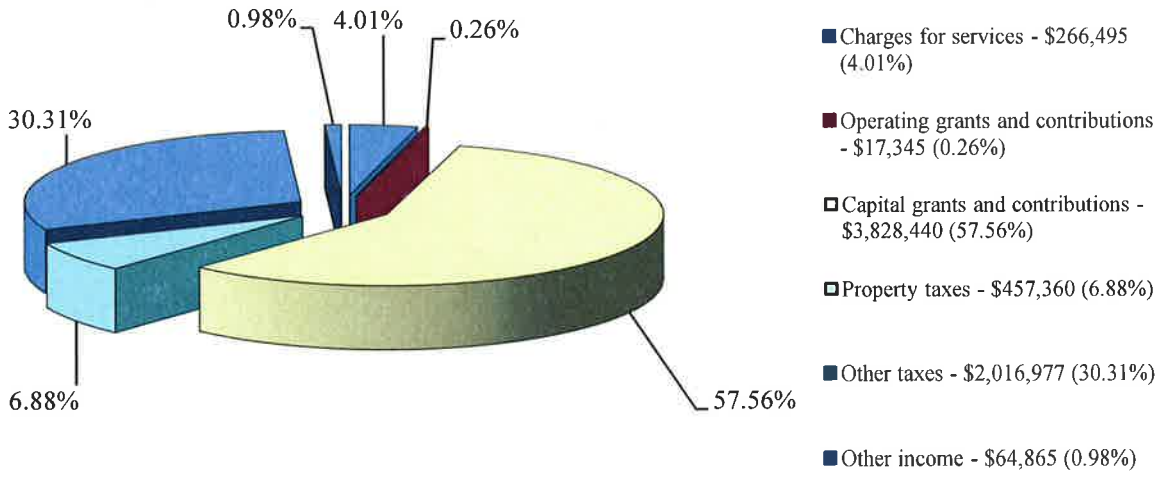
City-Wide Program Expenses



Governmental Activities

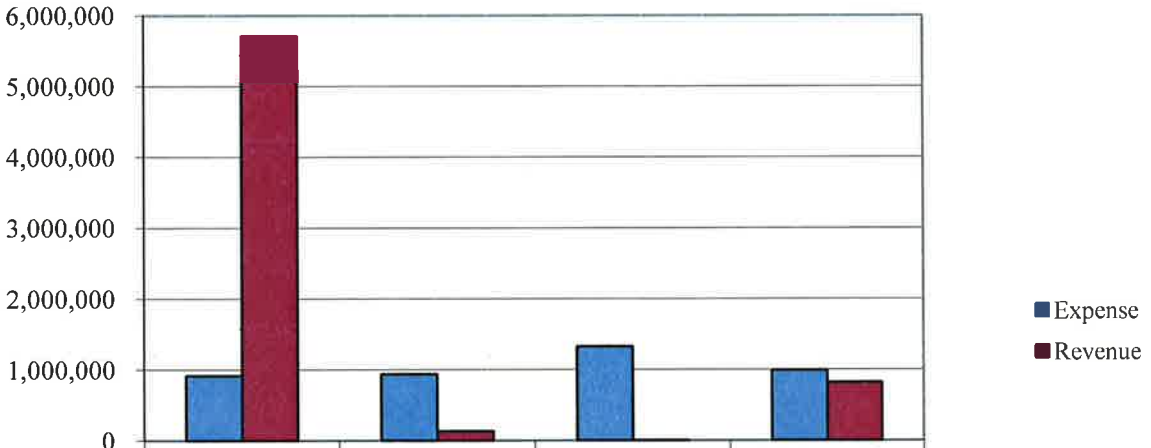
Governmental activities accounted for revenues of $6,651,482. The following graph summarizes the revenue by source.

Revenue by Source - Governmental Activities



The following graph summarizes the revenue and related expense for each government program of the City. The difference between expense and revenue is the financial burden placed on the City's taxpayers for each program.

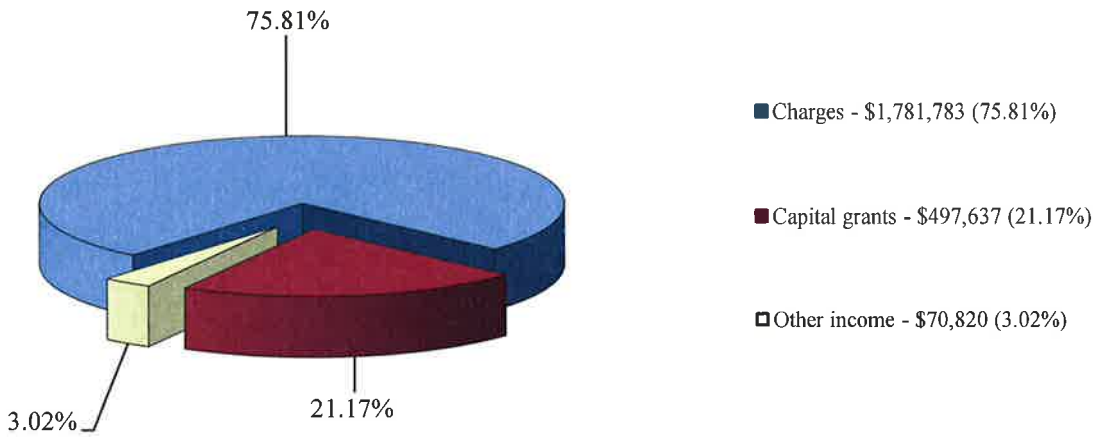
Expenses and Program Revenues - Governmental Activities



	General government	Public safety	Public works	Public welfare and recreation
Expense	913,659	937,445	1,325,854	991,457
Revenue	5,697,478	132,340	3,744	817,920

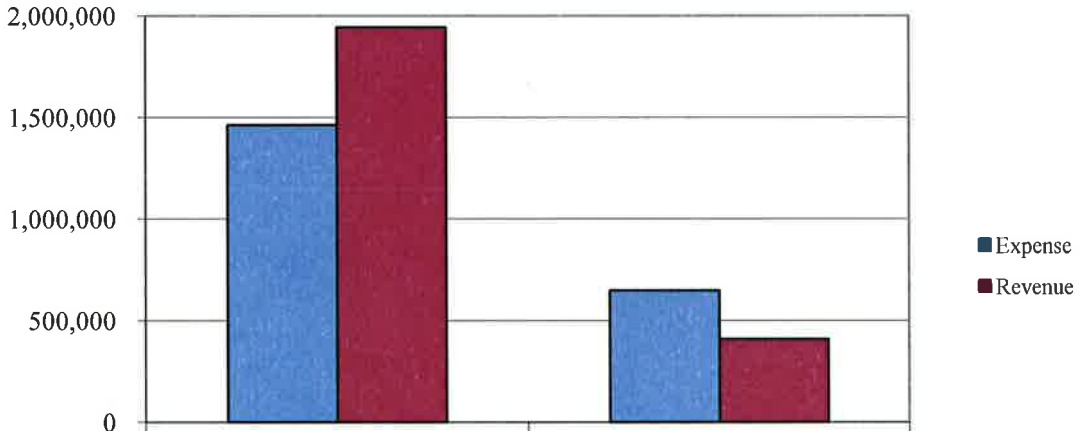
Business-type activities
Business-type activities accounted for revenues of $2,350,240. The following graph summarizes the revenue by source.

Revenue by Source - Business-Type Activities



The following graph summarizes the revenue and related expense of operating the water and sewer systems.

Expenses and Program Revenues - Business-Type Activities



	Sewer	Water
Expense	1,463,192	648,200
Revenue	1,942,747	407,493

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City of Ringgold, Georgia uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds
The focus of the City of Ringgold, Georgia's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Ringgold, Georgia's financing requirements. The unassigned fund balance may serve as a useful measure of a government's net resources available at the end of the fiscal year for future unforeseen emergencies.

As of the end of the current fiscal year, the City of Ringgold, Georgia's governmental funds reported combined ending fund balances of $5,397,118.

The General Fund is the chief operating fund of the City of Ringgold, Georgia. At the end of the current fiscal year, unassigned fund balance of the General Fund was $4,793,186. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total General Fund expenditures. Unassigned fund balance represents 142.80% of total General Fund expenditures.

Proprietary Funds
The City of Ringgold, Georgia's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position at the end of the year amounted to $3,159,897 for the Sewer Fund and $161,533 for the Water Fund.

General Fund Budgetary Highlights
Differences between the original budget and the final amended budget netted to $1,266,000 in fund balance change. The offsetting changes are listed below:

There was $128,000 in various increases in revenues.

Current and capital outlay expenditures were decreased by $883,000.

Transfers in were increased by $515,000.

Transfers out were increased by $260,000.

CAPITAL ASSET AND DEBT ADMINISTRATION

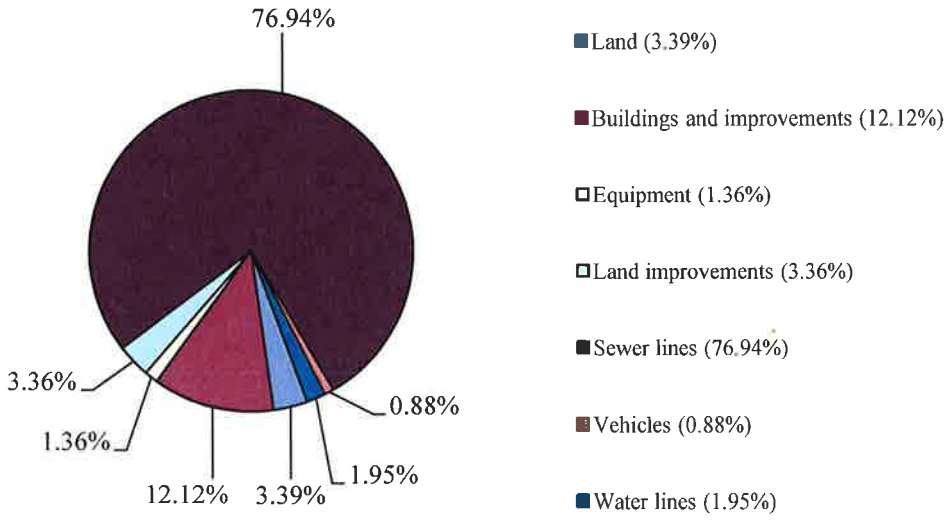
The table below summarizes the City's investment in capital assets and is broken down by governmental and business-type activities.

City of Ringgold, Georgia's Capital Assets
(Net of Depreciation)

	Governmental Activities	Business-type Activities	Total
Land	$ 522,786	$ 265,815	$ 788,601
Buildings and improvements	2,412,352	404,431	2,816,783
Equipment	124,087	192,939	317,026
Land improvements	781,762	-	781,762
Sewer lines	-	17,887,613	17,887,613
Vehicles	150,016	53,876	203,892
Water lines	-	452,711	452,711
Total capital assets	$ 3,991,003	$ 19,257,385	$ 23,248,388

The following graph provides a breakdown of which assets make up the largest portion of the City's total investment in capital assets. The graph combines assets used in both governmental and business-type activities.

City-Wide Capital Assets



Additional information on the City of Ringgold, Georgia's capital assets can be found in Note 8 on pages 40 and 41.

City of Ringgold, Georgia's Outstanding Debt

At the end of the current fiscal year, the City of Ringgold, Georgia had total debt outstanding of $9,524,632. Of that amount $304,000 is due in the next fiscal year. The table below summarizes outstanding debt broken down by governmental and business type activities.

	Governmental Activities	Business-type Activities	Total
Bond payable	$ -	$ 8,438,000	$ 8,438,000
Compensated absences	101,075	28,368	129,443
Customer deposits	-	56,516	56,516
Accrued post-employment benefits	838,118	62,555	900,673
Total	939,193	8,585,439	9,524,632
Less current portion	-	(304,000)	(304,000)
Total long-term debt	$939,193	$ 8,281,439	$ 9,220,632

Additional information on outstanding debt can be found in Note 10 on pages 42 through 44 of this report.

Currently Known Conditions Effecting Future Years

The City will be accepting bids for the TE Grant Project in August of 2013 and is planning to do a downtown pedestrian safety enhancement project estimated to cost $600,000. The State has awarded $250,000 in the form of a TE Grant. The remaining $350,000 will be funded from the 2009 SPLOST.

The City is also planning to accept bids for a Pedestrian Bridge across Highway 41 at the Depot and CSX Railroad Underpass. The estimated cost is $210,000, and the County has agreed to use some of the County's SPLOST to fund $150,000, and the remaining $60,000 will be paid from the City's SPLOST account.

The Council has approved a 15% water and sewer increase for mid-year 2013 to cover the expenses in the water and sewer departments and to cover the sewer bond payments.

Requests for Information

This financial report is designed to provide a general overview of the City of Ringgold, Georgia's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information may be addressed to the City of Ringgold, Georgia, P. O. Box 579, Ringgold, GA 30736.

BASIC FINANCIAL STATEMENTS

CITY OF RINGGOLD, GEORGIA
Statement of Net Position
December 31, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets			
Cash	$ 3,971,381	$ 2,669,618	$ 6,640,999
Investments	522,381	500,000	1,022,381
Accounts receivable - net	306,938	149,987	456,925
Property tax receivable - net	41,850	-	41,850
Prepaid expenses	66,717	-	66,717
Due from other governments	553,362	-	553,362
Restricted assets	-	367,781	367,781
Capital assets			
Land and construction in progress	522,786	265,815	788,601
Other capital assets - net of accumulated depreciation	3,468,217	18,991,570	22,459,787
TOTAL ASSETS	$ 9,453,632	$ 22,944,771	$ 32,398,403
LIABILITIES			
Current Liabilities			
Accounts payable	$ 35,024	$ 41,577	$ 76,601
Accrued wages	17,713	8,557	26,270
Accrued liabilities	8,212	30,999	39,211
Non-current liabilities:			
Due within one year -			
Bond payable	-	304,000	304,000
Due in more than one year -			
Accrued post-employment benefits	838,118	62,555	900,673
Compensated absences	101,075	28,368	129,443
Customer deposits	-	56,516	56,516
Bond payable	-	8,134,000	8,134,000
TOTAL LIABILITIES	$ 1,000,142	$ 8,666,572	$ 9,666,714
NET POSITION			
Net investment in capital assets	$ 3,991,003	$ 10,956,769	$ 14,947,772
Restricted for:			
Haunted depot	3,968	-	3,968
Downtown development	285,274	-	285,274
Confiscated assets	12,281	-	12,281
Flags	4,137	-	4,137
Ringgold depot	74,813	-	74,813
Tourism	156,742	-	156,742
Unrestricted	3,925,272	3,321,430	7,246,702
TOTAL NET POSITION	$ 8,453,490	$ 14,278,199	$ 22,731,689

The accompanying notes are an integral part of the financial statements.

CITY OF RINGGOLD, GEORGIA
Statement of Activities
Year Ended December 31, 2012

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Business-type Activities	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Total
Primary Government							
Governmental activities:							
General government	$ 913,659	$ 46,026	$ -	$ 3,112,250	$ 2,244,617	$ -	$ 2,244,617
Public safety	937,445	101,820	3,750	26,770	(805,105)	-	(805,105)
Public works	1,325,854	3,744	-	-	(1,322,110)	-	(1,322,110)
Public welfare and recreation	991,457	114,905	13,595	689,420	(173,537)	-	(173,537)
Total governmental activities	4,168,415	266,495	17,345	3,828,440	(56,135)	-	(56,135)
Business-type activities:							
Sewer	1,463,192	1,374,290	-	497,637	-	408,735	408,735
Water	648,200	407,493	-	-	-	(240,707)	(240,707)
Total business-type activities	2,111,392	1,781,783	-	497,637	-	168,028	168,028
Total primary government	$ 6,279,807	$ 2,048,278	$ 17,345	$ 4,326,077	(56,135)	168,028	111,893
General revenues:							
Property tax					457,360	-	457,360
Franchise tax					420,876	-	420,876
Local option sales tax					918,900	-	918,900
Motor vehicle tax					16,019	-	16,019
Occupational tax					84,383	-	84,383
Hotel/motel tax					225,560	-	225,560
Payment in lieu of taxes - TVA					8,088	-	8,088
Other taxes					343,151	-	343,151
Interest revenue					42,958	8,039	50,997
Other revenue					21,907	62,781	84,688
Transfers					(2,793,852)	2,793,852	-
Total general revenues and transfers					(254,650)	2,864,672	2,610,022
Change in net position					(310,785)	3,032,700	2,721,915
Net position - beginning					8,764,275	11,245,499	20,009,774
Net position - end					$ 8,453,490	$ 14,278,199	$ 22,731,689

The accompanying notes are an integral part of the financial statements.

CITY OF RINGGOLD, GEORGIA
Governmental Funds
Balance Sheet
December 31, 2012

	General Fund	Capital Projects	Capital Projects Grant Fund	Other Governmental Fund	Total Governmental Funds
ASSETS					
Cash	$ 3,423,264	$ -	$ -	$ 548,117	$ 3,971,381
Investments	522,381	-	-	-	522,381
Accounts receivable - net	286,756	-	-	20,182	306,938
Property tax receivable - net	41,850	-	-	-	41,850
Prepaid expenses	66,717	-	-	-	66,717
Due from other governments	479,434	3,928	70,000	-	553,362
Due from other funds	94,110	-	-	-	94,110
TOTAL ASSETS	$ 4,914,512	$ 3,928	$ 70,000	$ 568,299	$ 5,556,739
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	$ 32,031	$ -	$ -	$ 2,993	$ 35,024
Accrued wages	17,299	-	-	414	17,713
Accrued liabilities	717	-	-	7,495	8,212
Due to other funds	-	3,928	70,000	20,182	94,110
Deferred revenue - property taxes	4,562	-	-	-	4,562
Total liabilities	54,609	3,928	70,000	31,084	159,621
Fund Balances					
Nonspendable	66,717	-	-	-	66,717
Restricted	-	-	-	537,215	537,215
Unassigned	4,793,186	-	-	-	4,793,186
Total fund balances	4,859,903	-	-	537,215	5,397,118
TOTAL LIABILITIES AND FUND BALANCES	$ 4,914,512	$ 3,928	$ 70,000	$ 568,299	$ 5,556,739

The accompanying notes are an integral part of the financial statements.

CITY OF RINGGOLD, GEORGIA
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
December 31, 2012

Total fund balances per governmental funds balance sheet	$ 5,397,118
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,991,003
Long-term liabilities, including compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(101,075)
The other post-employment benefit plan has not been funded to meet annual requirement contributions, creating an accrued post-employment benefit liability. This liability is not due and payable in the current period and, therefore, is not reported in the funds.	(838,118)
Some of the City's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	4,562
Net position of governmental activities	$ 8,453,490

The accompanying notes are an integral part of the financial statements.

CITY OF RINGGOLD, GEORGIA
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended December 31, 2012

	General Fund	Capital Projects	Capital Projects Grant Fund	Other Governmental Fund	Total Governmental Funds
REVENUES					
Taxes	$ 2,244,819	$ -	$ -	$ 225,560	$ 2,470,379
License and permits	32,660	-	-	-	32,660
Intergovernmental	18,858	3,112,250	684,420	-	3,815,528
Fines and forfeitures	101,820	-	-	-	101,820
Interest revenue	42,958	-	-	-	42,958
Other revenue	124,326	-	5,000	62,940	192,266
TOTAL REVENUES	2,565,441	3,112,250	689,420	288,500	6,655,611
EXPENDITURES					
Current expenditures					
General government	770,346	-	-	-	770,346
Public safety	836,589	-	-	-	836,589
Public works	1,083,885	-	-	-	1,083,885
Public welfare and recreation	205,800	-	-	162,882	368,682
Capital outlay	459,526	-	595,684	-	1,055,210
TOTAL EXPENDITURES	3,356,146	-	595,684	162,882	4,114,712
Excess (deficiency) of revenues over (under) expenditures	(790,705)	3,112,250	93,736	125,618	2,540,899
OTHER FINANCING SOURCES (USES)					
Transfers in	635,751	-	-	372,740	1,008,491
Transfers out	(360,036)	(3,112,250)	(94,537)	(235,520)	(3,802,343)
Total other financing sources (uses)	275,715	(3,112,250)	(94,537)	137,220	(2,793,852)
Net changes in fund balances	(514,990)	-	(801)	262,838	(252,953)
Fund balances - beginning	5,374,893	-	801	274,377	5,650,071
Fund balances - end	$ 4,859,903	$ -	$ -	$ 537,215	$ 5,397,118

The accompanying notes are an integral part of the financial statements.

CITY OF RINGGOLD, GEORGIA
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended December 31, 2012

Net change in fund balances for total governmental funds	$ (252,953)
Governmental funds report capital outlay 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. This is the amount by which capital outlay exceeds depreciation in the current period.	250,736
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(4,130)
Some items reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These activities consist of:	
Post-employment benefits	(284,971)
Compensated absences	(19,467)
Change in net position of governmental activities	$ (310,785)

The accompanying notes are an integral part of the financial statements.

CITY OF RINGGOLD, GEORGIA
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended December 31, 2012

	Budgeted Amounts			Variance Favorable
	Original	Final	Actual	(Unfavorable)
REVENUES				
Taxes				
City property tax	$ 484,000	$ 482,000	$ 469,224	$ (12,776)
Premium tax	168,000	178,000	178,356	356
Franchise tax	465,000	421,000	420,876	(124)
Local option sales tax	816,000	919,000	918,900	(100)
Malt beverage tax	133,000	143,000	142,519	(481)
Motor vehicle tax	15,000	16,000	16,019	19
Occupational tax	70,000	85,000	84,383	(617)
Intangible tax	5,000	12,000	12,609	609
Real estate transfer tax	1,000	2,000	1,933	(67)
Total taxes	2,157,000	2,258,000	2,244,819	(13,181)
License and permits				
Massage therapy license	-	1,000	600	(400)
Malt beverage license	18,000	31,000	32,060	1,060
Total license and permits	18,000	32,000	32,660	660
Intergovernmental				
Payment in lieu of taxes - TVA	8,000	8,000	8,088	88
Grant revenue	-	23,000	10,770	(12,230)
Total intergovernmental	8,000	31,000	18,858	(12,142)
Fines and forfeitures				
Police and courts	117,000	117,000	101,820	(15,180)
Interest revenue				
Interest	100,000	43,000	42,958	(42)
Other revenue				
Fees	11,500	19,600	17,094	(2,506)
Pool fees and concessions	51,000	57,400	57,325	(75)
Miscellaneous	1,500	27,900	41,293	13,393
Insurance recoveries	-	-	489	489
Rent income	2,000	8,100	8,125	25
Total other revenue	66,000	113,000	124,326	11,326
TOTAL REVENUES	2,466,000	2,594,000	2,565,441	(28,559)

(Continued)

The accompanying notes are an integral part of the financial statements.

CITY OF RINGGOLD, GEORGIA
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Continued)
Year Ended December 31, 2012

	Budgeted Amounts			Variance Favorable
	Original	Final	Actual	(Unfavorable)
EXPENDITURES				
Current expenditures				
General government				
Administration				
Administrative salaries	$ 272,000	$ 338,600	$ 338,584	$ 16
Zoning board pay	2,000	1,300	1,250	50
Payroll taxes	20,000	24,700	24,646	54
Printing and postage	5,000	6,300	6,193	107
Telephone	9,000	11,000	10,886	114
Office supplies and equipment	17,000	17,100	16,885	215
Administrative	5,000	5,600	5,595	5
Dues and subscriptions	25,000	27,100	26,965	135
Professional services	13,000	29,600	29,492	108
Retirement	25,000	28,900	28,813	87
Miscellaneous	4,000	9,300	9,234	66
Insurance	69,000	90,600	90,464	136
Repairs and maintenance	6,000	2,900	2,347	553
Drug testing fees	2,000	400	388	12
Vehicles repair and maintenance	6,000	2,600	2,537	63
Education and travel	9,000	9,000	8,893	107
Total administration	489,000	605,000	603,172	1,828
Building and plant				
Insurance	27,000	30,300	30,207	93
Utilities	18,000	19,450	19,356	94
Supplies and materials	1,000	900	862	38
Travel	1,000	500	462	38
Repairs and maintenance	16,000	11,850	11,676	174
Total building and plant	63,000	63,000	62,563	437
Council				
Council salaries	18,300	18,700	18,653	47
Payroll taxes	1,300	1,500	1,391	109
Insurance	200	100	58	42
Education and travel	18,200	17,700	17,616	84
Total council	38,000	38,000	37,718	282

(Continued)

The accompanying notes are an integral part of the financial statements.

CITY OF RINGGOLD, GEORGIA
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Continued)
Year Ended December 31, 2012

	Budgeted Amounts			Variance Favorable
	Original	Final	Actual	(Unfavorable)
EXPENDITURES (Continued)				
Current expenditures (Continued)				
General government (Continued)				
Court				
City judge	$ 7,000	$ 8,000	$ 7,800	$ 200
Payroll taxes	1,200	700	597	103
Supplies and materials	200	200	32	168
Education and travel	500	2,000	1,881	119
Insurance	100	100	27	73
Total court	9,000	11,000	10,337	663
Elections				
Contract labor	2,500	700	605	95
Office supplies	1,100	-	-	-
Election	500	300	130	170
Education and travel	1,900	-	-	-
Total elections	6,000	1,000	735	265
Law				
Professional services	43,000	47,000	46,418	582
Total law	43,000	47,000	46,418	582
Mayor				
Mayor salaries	6,000	6,000	6,000	-
Payroll taxes	500	500	459	41
Insurance	100	100	21	79
Education and travel	3,400	3,400	2,923	477
Total mayor	10,000	10,000	9,403	597
Total general government	658,000	775,000	770,346	4,654

(Continued)

The accompanying notes are an integral part of the financial statements.

CITY OF RINGGOLD, GEORGIA
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Continued)
Year Ended December 31, 2012

	Budgeted Amounts			Variance Favorable
	Original	Final	Actual	(Unfavorable)
EXPENDITURES (Continued)				
Current expenditures (Continued)				
Public safety				
Police department				
Salaries	$ 397,000	$ 400,900	$ 400,589	$ 311
Payroll taxes	27,000	28,100	27,845	255
Telephone	1,500	3,300	3,289	11
Office supplies	3,500	2,600	2,464	136
Dues and subscriptions	2,000	550	520	30
Retirement	32,000	25,000	24,749	251
Insurance	123,000	132,000	131,626	374
Uniforms	4,000	3,900	3,824	76
Fuel	30,000	27,400	27,331	69
Supplies and materials	11,000	19,800	19,680	120
Repairs and maintenance	11,000	11,800	11,737	63
Professional services	1,000	1,100	1,008	92
Education and travel	6,000	3,650	3,571	79
Total police department	649,000	660,100	658,233	1,867
Fire department				
Operations	168,000	178,000	178,356	(356)
Total public safety	817,000	838,100	836,589	1,511
Public works				
Street department				
Salaries	280,000	453,500	453,039	461
Payroll taxes	20,000	32,900	32,735	165
Utilities	16,000	12,500	12,064	436
Telephone	1,000	1,200	1,102	98
Retirement	21,000	40,700	40,629	71
Miscellaneous	3,000	3,500	3,425	75
Insurance	92,000	128,400	128,251	149
Uniforms	4,000	2,800	2,669	131
Fuel	25,000	34,200	34,114	86
Supplies and materials	29,000	67,500	67,275	225
Repairs and maintenance	36,000	30,500	30,240	260
Prison crew	43,000	51,300	51,252	48
Street lights	33,000	36,100	36,071	29
Equipment	3,000	9,000	8,858	142
Education and travel	1,000	600	533	67
Total street department	607,000	904,700	902,257	2,443

(Continued)

The accompanying notes are an integral part of the financial statements.

CITY OF RINGGOLD, GEORGIA
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Continued)
Year Ended December 31, 2012

	Budgeted Amounts			Variance Favorable
	Original	Final	Actual	(Unfavorable)
EXPENDITURES (Continued)				
Current expenditures (Continued)				
Public works (Continued)				
Solid waste department				
Salaries	$ 67,000	$ 67,500	$ 67,282	$ 218
Payroll taxes	5,000	5,200	5,136	64
Supplies and materials	6,000	800	750	50
Retirement contributions	7,000	6,700	6,688	12
Insurance	22,000	22,000	21,727	273
Fuel	15,000	17,000	16,921	79
Repairs and maintenance	10,000	9,800	9,737	63
Landfill fees	40,000	53,000	53,387	(387)
Total solid waste department	172,000	182,000	181,628	372
Total public works	779,000	1,086,700	1,083,885	2,815
Public welfare and recreation				
Pool operations				
Salaries	30,000	32,900	32,864	36
Payroll taxes	2,500	2,550	2,514	36
Utilities	5,000	4,900	4,376	524
Telephone	400	350	346	4
Insurance	1,100	1,100	1,066	34
Supplies and materials	5,000	9,750	9,634	116
Repairs and maintenance	4,000	3,500	3,457	43
Concessions	3,000	3,950	3,919	31
Total pool operations	51,000	59,000	58,176	824
Parks and recreation				
Salaries	76,000	79,300	79,201	99
Payroll taxes	5,000	6,100	6,040	60
Retirement	8,000	7,900	7,883	17
Insurance	19,000	19,200	19,057	143
Fuel	-	2,300	2,292	8
Repairs and maintenance	10,000	9,800	9,659	141
Property rental	-	3,400	3,385	15
Professional services	-	5,000	4,920	80
Utilities	3,000	3,200	3,109	91
Supplies and materials	10,000	12,250	12,078	172
Total parks and recreation	131,000	148,450	147,624	826
Total public welfare and recreation	182,000	207,450	205,800	1,650

(Continued)

The accompanying notes are an integral part of the financial statements.

CITY OF RINGGOLD, GEORGIA
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Continued)
Year Ended December 31, 2012

	Budgeted Amounts			Variance Favorable
	Original	Final	Actual	(Unfavorable)
EXPENDITURES (Continued)				
Capital outlay				
General government	$ -	$ 327,000	$ 326,588	$ 412
Public safety	-	12,900	12,866	34
Public works	45,000	99,300	98,006	1,294
Public welfare and recreation	5,000	22,550	22,066	484
Total capital outlay	50,000	461,750	459,526	2,224
TOTAL EXPENDITURES	2,486,000	3,369,000	3,356,146	12,854
Excess (deficiency) of revenues over (under) expenditures	(20,000)	(775,000)	(790,705)	(15,705)
OTHER FINANCING SOURCES (USES)				
Transfers in	120,000	635,000	635,751	751
Transfers out	(100,000)	(360,000)	(360,036)	(36)
Total other financing sources (uses)	20,000	275,000	275,715	715
Net changes in fund balances	-	(500,000)	(514,990)	(14,990)
Fund balances - beginning	5,374,893	5,374,893	5,374,893	-
Fund balances - end	$ 5,374,893	$ 4,874,893	$ 4,859,903	$ (14,990)

The accompanying notes are an integral part of the financial statements.

CITY OF RINGGOLD, GEORGIA
Capital Projects Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended December 31, 2012

	Budgeted Amounts			Variance Favorable
	Original	Final	Actual	(Unfavorable)
REVENUES				
Intergovernmental				
Special Local Option Sales Tax	$ 5,053,000	$ 3,113,000	$ 3,112,250	$ (750)
TOTAL REVENUES	5,053,000	3,113,000	3,112,250	(750)
Excess (deficiency) of revenues over (under) expenditures	5,053,000	3,113,000	3,112,250	(750)
OTHER FINANCING SOURCES (USES)				
Transfers out	(5,053,000)	(3,113,000)	(3,112,250)	750
Net changes in fund balances	-	-	-	-
Fund balances - beginning	-	-	-	-
Fund balances - end	$ -	$ -	$ -	$ -

The accompanying notes are an integral part of the financial statements.

CITY OF RINGGOLD, GEORGIA
Capital Projects Grant Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended December 31, 2012

	Budgeted Amounts			Variance Favorable
	Original	Final	Actual	(Unfavorable)
REVENUES				
Intergovernmental				
Grant revenue	$ 467,500	$ 690,500	$ 684,420	$ (6,080)
Other revenue				
Donation	-	-	5,000	5,000
TOTAL REVENUES	467,500	690,500	689,420	(1,080)
EXPENDITURES				
Capital outlay				
Grant projects	467,500	596,500	595,684	816
TOTAL EXPENDITURES	467,500	596,500	595,684	816
Excess (deficiency) of revenue over (under) expenditures	-	94,000	93,736	(264)
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(94,000)	(94,537)	(537)
Net changes in fund balances	-	-	(801)	(801)
Fund balances - beginning	801	801	801	-
Fund balances - end	$ 801	$ 801	$ -	$ (801)

The accompanying notes are an integral part of the financial statements.

CITY OF RINGGOLD, GEORGIA
Proprietary Funds
Statement of Net Position
December 31, 2012

	Enterprise		
	Sewer Fund	**Water Fund**	**Totals**
ASSETS			
Current Assets			
Cash	$ 2,413,602	$ 256,016	$ 2,669,618
Investments	500,000	-	500,000
Accounts receivable	88,986	61,001	149,987
Total current assets	3,002,588	317,017	3,319,605
Non-current Assets			
Restricted assets			
Restricted investments	230,397	-	230,397
Bond issue cost	137,384	-	137,384
Total restricted assets	367,781	-	367,781
Capital assets			
Land	204,415	61,400	265,815
Other capital assets - net of accumulated depreciation	18,089,710	901,860	18,991,570
Total capital assets	18,294,125	963,260	19,257,385
Total non-current assets	18,661,906	963,260	19,625,166
TOTAL ASSETS	$ 21,664,494	$ 1,280,277	$ 22,944,771
LIABILITIES			
Current Liabilities			
Accounts payable	$ 36,230	$ 5,347	$ 41,577
Accrued wages	5,198	3,359	8,557
Accrued liabilities	30,999	-	30,999
Current portion of bond payable	304,000	-	304,000
Total current liabilities	376,427	8,706	385,133
Non-current Liabilities			
Accrued post-employment benefits	-	62,555	62,555
Compensated absences	661	27,707	28,368
Customer deposits	-	56,516	56,516
Long-term debt due after one year	8,134,000	-	8,134,000
Total non-current liabilities	8,134,661	146,778	8,281,439
TOTAL LIABILITIES	$ 8,511,088	$ 155,484	$ 8,666,572
NET POSITION			
Net investment in capital assets	$ 9,993,509	$ 963,260	$ 10,956,769
Unrestricted	3,159,897	161,533	3,321,430
TOTAL NET POSITION	$ 13,153,406	$ 1,124,793	$ 14,278,199

The accompanying notes are an integral part of the financial statements.

CITY OF RINGGOLD, GEORGIA
Proprietary Funds
Statement of Revenues, Expenses and Changes in Net Position
Year Ended December 31, 2012

	Enterprise		
	Sewer Fund	**Water Fund**	**Totals**
OPERATING REVENUES			
Sewer charges	$ 1,286,735	$ -	$ 1,286,735
Water sales	-	382,043	382,043
Installation charges	87,555	3,775	91,330
Penalties	-	21,675	21,675
Total operating revenues	1,374,290	407,493	1,781,783
OPERATING EXPENSES			
Operating and maintenance	571,976	533,813	1,105,789
Administration and general	8,439	19,983	28,422
Depreciation	513,321	94,404	607,725
Total operating expenses	1,093,736	648,200	1,741,936
Operating income (loss)	280,554	(240,707)	39,847
NON-OPERATING REVENUES (EXPENSES)			
Amortization expense	(7,632)	-	(7,632)
Interest revenue	8,039	-	8,039
Interest expense	(361,824)	-	(361,824)
Total non-operating revenues (expenses)	(361,417)	-	(361,417)
Income (loss) before capital contributions and transfers	(80,863)	(240,707)	(321,570)
Capital contributions	497,637	-	497,637
Transfer of OPEB liability	62,781	-	62,781
Transfers in	2,604,663	240,707	2,845,370
Transfers out	(51,518)	-	(51,518)
Changes in net position	3,032,700	-	3,032,700
Total net position - beginning	10,120,706	1,124,793	11,245,499
Total net position - end	$ 13,153,406	$ 1,124,793	$ 14,278,199

The accompanying notes are in integral part of the financial statements.

CITY OF RINGGOLD, GEORGIA
Proprietary Funds
Statement of Cash Flows
Year Ended December 31, 2012

	Enterprise		
	Sewer Fund	Water Fund	Totals
Cash Flows from Operating Activities			
Receipts from customers	$ 1,352,020	$ 405,944	$ 1,757,964
Payments to suppliers	(1,210,115)	(313,282)	(1,523,397)
Payments to employees	(23,061)	(219,902)	(242,963)
Net cash provided (used) by operating activities	118,844	(127,240)	(8,396)
Cash Flows from Capital and Related Financing Activities			
SPLOST transfers	2,604,663	79,153	2,683,816
Acquiring and construction of capital assets	(3,273,420)	(77,851)	(3,351,271)
Capital contributions	497,637	-	497,637
Principal paid on long-term debt	(292,000)	-	(292,000)
Interest paid on long-term debt	(361,824)	-	(361,824)
Net cash provided (used) for capital and related financing activities	(824,944)	1,302	(823,642)
Cash Flows from Non-Capital Financing Activities			
Net transfers to/from other funds	(51,518)	161,554	110,036
Decrease in due from other funds	3,309,300	220,400	3,529,700
Net cash provided (used) for non-capital financing activities	3,257,782	381,954	3,639,736
Cash Flows from Investing Activities			
Sale (purchase) of investments in restricted assets	(146,119)	-	(146,119)
Interest revenue	8,039	-	8,039
Net cash provided (used) by investing activities	(138,080)	-	(138,080)
Net increase (decrease) in cash	2,413,602	256,016	2,669,618
Cash - beginning	-	-	-
Cash - end	$ 2,413,602	$ 256,016	$ 2,669,618
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	$ 280,554	$ (240,707)	$ 39,847
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	513,321	94,404	607,725
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	(22,270)	(1,549)	(23,819)
Increase (decrease) in current liabilities	(637,688)	(4,531)	(642,219)
Increase (decrease) in customer deposits	-	6,922	6,922
Increase (decrease) in accrued post-employment benefits, net of transfer	-	19,310	19,310
Increase (decrease) in compensated absences	(15,073)	(1,089)	(16,162)
Net cash provided (used) by operating activities	$ 118,844	$ (127,240)	$ (8,396)
Reconciliation of Cash to Statement of Net Position			
Cash	$ 2,413,602	$ 256,016	$ 2,669,618
Cash - end	$ 2,413,602	$ 256,016	$ 2,669,618

The accompanying notes are an integral part of the financial statements.

CITY OF RINGGOLD, GEORGIA
Statement of Fiduciary Assets and Liabilities
December 31, 2012

	Agency Funds
ASSETS	
Cash	$ 10,577
Due from other governments	50,599
TOTAL ASSETS	$ 61,176
LIABILITIES	
Surety bonds payable	$ 1,948
Accounts payable	8,313
Due to other governments	50,915
TOTAL LIABILITIES	$ 61,176

The accompanying notes are an integral part of the financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Ringgold, Georgia operates under the City Manager - Council form of government within the following departments: general government, public safety, public works and public welfare and recreation.

The financial statements of the City of Ringgold, Georgia have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The following is a summary of the more significant accounting policies:

A. Reporting Entity

In evaluating how to define the reporting entity, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP and GASB issued Statement No. 14, *The Financial Reporting Entity*. This statement requires that the financial statements present the City of Ringgold, Georgia (the primary government) and any component units. Component units generally are legally separate entities for which a primary government is financially accountable. Financial accountability ordinarily involves meeting one of the following criteria; the primary government is accountable for the potential component unit (i.e., the primary government appoints the voting majority of its board and the primary government is able to impose its will upon the potential component unit); or there is a possibility that the potential component unit may provide specific financial benefits or impose specific financial burdens on the primary government.

Based on the foregoing criteria, there is one entity, which meets the above criteria for inclusion in the City of Ringgold, Georgia's financial statements:

The Downtown Development Authority

The Downtown Development Authority (DDA) is considered to be a blended component unit according to GASB Statement No. 14. The DDA is a legally separate entity having a board composed of members appointed by the City of Ringgold, Georgia. There is a financial benefit/burden relationship and the DDA provides services directly to the City of Ringgold, Georgia. There are no separate financial statements available.

Related Organizations

The Housing Authority of the City of Ringgold, Georgia is considered a related organization based upon the criteria in GASB Statement No. 14. The Housing Authority is a legally separate entity having a board composed of members appointed by the City of Ringgold, Georgia. The City of Ringgold, Georgia is not able to impose its will upon the Housing Authority and a financial benefit/burden relationship does not exist between them. Therefore, based upon the criteria above, the Housing Authority of the City of Ringgold, Georgia is a related organization.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basic Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. Both the government-wide and fund financial statements categorize activities as either governmental activities or business-type activities.

Government-wide Statements - The Statement of Net Position and the Statement of Activities display information about the primary government. These statements include the financial activities of the overall government. Neither fiduciary nor component units that are fiduciary in nature are included. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis for column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents both a gross and net cost comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. The net cost (by function or business-type activity) is normally covered by general revenue (property or sales taxes, intergovernmental revenues, interest income, etc.).

This government-wide focus is designed to view the City as a complete entity and the change in aggregate financial position resulting from the activities of the fiscal period.

Fund Financial Statements - The fund financial statements provide information about the City's funds, including its governmental funds and enterprise funds. Separate statements for each fund category are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Enterprise fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The City reports the following major governmental funds:

General Fund - This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Capital Projects Fund - This fund is used to account for the Special Local Option Sales Tax (SPLOST) receipts of the City.

Capital Projects Grant Fund - This fund is used to account for the receipt and use of grant funds for capital projects.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basic Financial Statements (Continued)

The City reports the following major enterprise funds:

Water Fund - This fund is used to account for the provision of water services to the City.

Sewer Fund - This fund is used to account for the provision of sewer services to the City.

C. Measurement Focus - Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the enterprise fund financial statements. Revenues are recorded when earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue 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.

Government 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. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, sales taxes, franchise taxes, gasoline taxes, wholesale beer taxes, income taxes, mixed drink taxes, and in-lieu of taxes are susceptible to accrual. Licenses and permits, fines and forfeitures, gross receipts taxes and excise taxes are recorded as revenue when received in cash because they are generally not measurable until actually received. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the governmental activities column in the government-wide financial statements, a reconciliation is presented on the page following each statement which briefly explains the adjustments necessary to transform the fund-based financial statements into the governmental activities column of the government-wide presentation.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the enterprise fund's principal ongoing operation. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus - Basis of Accounting (Continued)

All governmental and business-type activities of the City follow FASB ASC, unless those pronouncements conflict with GASB pronouncements, in which case, GASB prevails.

D. Fund Balance Policy

Committed Fund Balances:
The City Council has the authority to commit funds for a specific purpose. Any funds set aside as committed fund balance requires, at a minimum, the passage of a resolution by a simple majority vote. An ordinance may also be used.

Assigned Fund Balance:
The City Council has the authority to set aside funds for the intended use of a specific purpose. Any funds set aside as assigned fund balance requires a simple majority vote and must be recorded in the minutes.

Order of Use of Restricted and Unrestricted Funds:
When both restricted and unrestricted funds are available for expenditure, restricted funds should be spent first unless legal requirements disallow it.

When committed, assigned and unassigned funds are available for expenditure, committed funds should be spent first, assigned funds second, and unassigned funds last.

E. Budgetary Data

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

In accordance with OCGA 36-81-3, budgets are legally adopted for the general, special revenue and capital projects funds.

During the last weeks of the year, budget requests are prepared for each department based on the activities of the current year with anticipated changes for the next year including needed capital expenditures. The budget requests are submitted to the Council at a scheduled meeting. The Council formally adopts an annual appropriated budget for the General and special revenue funds. These budgets are adopted on a departmental basis. The City Manager is authorized to transfer budgeted amounts within departments. The Council adopts a flexible budget for the Water and Sewer Funds. The expense estimates of the flexible budget are not appropriations but approved plans.

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). Therefore, no adjustments are necessary to convert to the actual GAAP data from the budgetary basis. Budgeted amounts reflected in the accompanying budget and actual comparison are as originally adopted or as amended by the Council. Individual amendments are not material in relation to the original appropriations. All annual appropriations, which are not expended, lapse at year-end.

F. Cash and Cash Equivalents

For purposes of reporting cash on the Statement of Net Position, the City considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash consists of cash-on-hand and on deposit with financial institutions. These are classified on the Statement of Cash Flows as "Cash". There were no cash equivalents at December 31, 2012.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Investments

Investments are reported at fair value, which is based on quoted market price.

The City of Ringgold, Georgia is authorized by Georgia statutes to invest in the following:

1. Deposit accounts with eligible depository institutions.
2. Obligations of the State of Georgia or of other states.
3. Obligations issued by the United States government.
4. Obligations fully insured or guaranteed by the United States government or a United States government agency.
5. Obligations of any corporation of the United States government.
6. Prime bankers' acceptance.
7. The local government investment pool established by Georgia Code Section 36-83-8.
8. Repurchase agreements.
9. Obligations of other political subdivisions of the State of Georgia.

H. Restricted Assets

Certain resources are classified as restricted assets on the Statement of Net Position because their use is limited.

I. Inventories

Supplies and materials are recorded as expenditures/expenses at the time items are purchased and are not inventoried at year-end due to lack of materiality.

J. Bond Discounts/Issuance Costs

In governmental fund types, bond discounts and issuance costs are recognized in the current period. However, bond discounts and issuance costs for the government-wide financial statements and proprietary fund types are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond discounts are presented as a reduction of the face amount of bonds payable whereas issuance costs are recorded as unamortized bond expense.

K. Interfund Transactions

Interfund Receivables and Payables

Short-term advances between funds are not eliminated but accounted for in the appropriate interfund receivable and payable accounts classified as due to other funds and due from other funds in the fund financial statements, and are subject to elimination upon consolidation. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

Transactions between Funds

Transactions between funds that would be treated as revenues, expenditures, or expenses if they involved organizations external to the governmental unit are accounted for as revenues, expenditures, or expenses in the funds involved. Transactions which constitute reimbursements of a fund for expenditures or expenses initially made from that fund which are properly applicable to another fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditures or expense in the fund that is reimbursed. All other legally authorized transfers are not eliminated but treated as operating transfers and are included as other financing sources or uses in the governmental funds and reported after non-operating revenues or expenses in the enterprise funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Fixed Assets

Fixed assets, which include property, plant, equipment, and infrastructure assets (e.g., primary roads, secondary roads, drainage), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Fixed assets are defined by the government as assets with an initial, individual cost of more than $1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extended assets' lives are not capitalized.

Fixed assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Years
Land improvements	20
Buildings and improvements	5-40
Vehicles	4-15
Equipment	3-20

Fixed assets of the proprietary funds are accounted for in the proprietary fund and are stated at cost or estimated fair value when original cost is not available. Major additions are capitalized while maintenance and repairs, including the cost of minor items of property, are expensed as incurred. Upon disposal of such assets, the accounts are relieved of the related costs and accumulated depreciation, and resulting gains or losses are reflected in income. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets. The estimated useful lives are as follows:

Asset Class	Years
Buildings	5-40
Equipment	5-40
Sewer lines	4-50
Vehicles	3-10
Water lines	5-40

Donated fixed assets are valued at their estimated fair value on the date donated. The City's policy is to capitalize the net interest cost incurred during the year resulting from borrowings utilized to finance the construction of assets.

M. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Position.

N. Compensated Absences

Accruals include both sick and vacation time earned. Employees are allowed to carry over half of any current unused sick leave. Employees of the City under an earlier sick leave plan are allowed to carry banked sick leave up to 240 hours. Employees are allowed to carry over vacation time up to 40 hours at the end of each year provided that they have used at least that much time during the current year. Some employees have vacation leave remaining since their anniversary dates cross the fiscal year-end. Vacation and sick leave for employees of governmental funds is recorded as an expenditure in the period it is used and considered payable from current financial resources. Government-wide proprietary funds accrue vacation benefits in the period they are earned. A liability for these amounts is reported in governmental funds only if they have matured.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Property Taxes

Property taxes levied by the City are assessed by the Assessor of Property in Catoosa County and collected by the City. Property tax revenues are recognized on the modified accrual basis on the governmental fund financial statements.

The property tax calendar applicable to the current fiscal year is as follows:

Lien date	October 20, 2012
Levy date	October 20, 2012
Tax bills mailed	October 20, 2012
Payment due date	October 20, 2012 through February 28, 2012
Delinquency date	March 1, 2012

P. Prepayment of Expenditures

Government fund expenditures for insurance and similar services extending over more than one accounting period are allocated between accounting periods.

Q. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

R. Events Occurring after Reporting Date

The City has evaluated events and transactions that occurred between December 31, 2012, and April 18, 2013, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits

At year-end, the carrying amount of the City's deposits and investments was $7,892,977. The financial institution balance was $8,025,500. 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 does not have a policy for custodial risk. As of December 31, 2012, none of the City's bank balance was exposed to custodial credit risk as uninsured and uncollateralized.

The carrying amount of the City's deposits is classified as follows on the Statement of Net Position:

Cash	$ 6,640,999
Investments	1,022,381
Restricted investments	230,397
Less: Petty cash	(800)
Total	$ 7,892,977

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

Investments
The City's investments are carried at fair value, and consist of a certificate-of-deposit and a restricted account at local banks. The City's investments are classified as follows on the Statement of Net Position:

Investments	$ 1,022,381
Restricted investments	230,397
Total	$ 1,252,778

NOTE 3 - ACCOUNTS RECEIVABLE - NET

Accounts receivable at December 31, 2012, consist of the following:

	General Fund	Hotel/Motel Tax Fund	Sewer Fund	Water Fund	Total
Franchise taxes	$ 265,982	$ -	$ -	$ -	$ 265,982
Local beer/beverage tax	12,620	-	-	-	12,620
Business license	1,810	-	-	-	1,810
Hotel/motel tax	-	20,182	-	-	20,182
Customer receivables	-	-	88,986	61,001	149,987
Other	6,344	-	-	-	6,344
Total	$ 286,756	$ 20,182	$ 88,986	$ 61,001	$ 456,925

NOTE 4 - PROPERTY TAXES RECEIVABLE - NET

Property taxes receivable as of December 31, 2012, consist of the following:

Year of Levy	
2012	$ 43,146
2011	9,108
2010	2,519
2009	80
	54,853
Less: allowance for uncollectibles	(13,003)
Property taxes receivable - net	$ 41,850

NOTE 5 - DUE FROM OTHER GOVERNMENTS

Due from other governments at December 31, 2012, consists of the following:

	Governmental Activities
Property tax collected by Catoosa County	$ 322,713
Special Purpose Local Option Sales Tax	3,928
Catoosa County - motor vehicle tax collected	1,138
Local Option Sales Tax receivable	151,494
Grant revenue	70,000
TVA in lieu of taxes	2,116
Other	1,973
Totals	$ 553,362

NOTE 6 - INTERNAL BALANCES

The City of Ringgold maintains a combined checking account. Balances due to and from each fund are classified as internal balances.

	Due from:			
Due to:	Capital Projects Fund	Capital Projects Grant Fund	Hotel/Motel Tax Fund	Total
General Fund	$ 3,928	$70,000	$20,182	$ 94,110

NOTE 7 - RESTRICTED ASSETS

Restricted assets include funds restricted for specific expenditures.

Restricted assets at December 31, 2012, consist of the following:

	Sewer Fund
Restricted investments	$ 230,397
Bond issue cost	137,384
	$ 367,781

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 522,786	$ -	$ -	$ 522,786
Total capital assets not being depreciated	522,786	-	-	522,786
Capital assets being depreciated:				
Land improvements	854,216	97,311	-	951,527
Building and improvements	3,015,482	324,762	-	3,340,244
Vehicles	1,108,879	10,000	(34,001)	1,084,878
Equipment	700,701	35,971	(41,103)	695,569
Total capital assets being depreciated	5,679,278	468,044	(75,104)	6,072,218
Less accumulated depreciation for:				
Land improvements	124,622	45,143	-	169,765
Buildings and improvements	847,856	80,036	-	927,892
Vehicles	910,171	58,692	(34,001)	934,862
Equipment	579,148	33,437	(41,103)	571,482
Total accumulated depreciation	2,461,797	217,308	(75,104)	2,604,001
Total capital assets being depreciated - net	3,217,481	250,736	-	3,468,217
Governmental activities capital assets - net	$ 3,740,267	$ 250,736	$ -	$ 3,991,003

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

General government	$ 94,881
Public safety	22,693
Public welfare and recreation	28,419
Public works	71,315
Total	$ 217,308

(Continued)

NOTE 8 - CAPITAL ASSETS (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 265,815	$ -	$ -	$ 265,815
Total capital assets not being depreciated	265,815	-	-	265,815
Capital assets being depreciated:				
Buildings	819,938	-	-	819,938
Equipment	1,196,229	54,190	(17,200)	1,233,219
Sewer lines	18,533,469	3,183,478	-	21,716,947
Vehicles	248,813	35,750	-	284,563
Water lines	1,218,926	77,853	-	1,296,779
Total capital assets being depreciated	22,017,375	3,351,271	(17,200)	25,351,446
Less accumulated depreciation for:				
Buildings	399,112	16,395	-	415,507
Equipment	1,002,148	55,332	(17,200)	1,040,280
Sewer lines	3,362,189	467,145	-	3,829,334
Vehicles	212,643	18,044	-	230,687
Water lines	793,259	50,809	-	844,068
Total accumulated depreciation	5,769,351	607,725	(17,200)	6,359,876
Total capital assets being depreciated - net	16,248,024	2,743,546	-	18,991,570
Business-type activities capital assets - net	$ 16,513,839	$ 2,743,546	$ -	$ 19,257,385

NOTE 9 - DEFERRED REVENUES

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	Unavailable	Total
Property taxes	$ 4,562	$ 4,562

Funds that are earned, but not available, are realized as revenue under GASB No. 33.

NOTE 10 - LONG-TERM DEBT

A. Governmental Debt

Long-term debt, payable by the governmental funds, is summarized as follows:

	Principal Balance
Compensated absences	$ 101,075
Accrued post-employment benefits	838,118
Total governmental long-term debt	$ 939,193

A summary of changes in governmental long-term debt for the year ended December 31, 2012, are as follows:

	Balance December 31, 2011	Additions	Retirements	Balance December 31, 2012	Amount Due Within One Year
Compensated absences	$ 81,608	$ 19,467	$ -	$ 101,075	$ -
Accrued post-employment benefits	553,147	284,971	-	838,118	-
Total	$ 634,755	$ 304,438	$ -	939,193	$ -
Less: current portion of governmental long-term debt				-	
Total governmental long-term debt				$ 939,193	

Interest paid during the year ended December 31, 2012, on governmental long-term debt was $0.

Note: A debt service requirements schedule for compensated absences and accrued post-employment benefits is not included. Compensated absences and accrued post-employment benefits are generally liquidated by the General Fund. Also, during the year, the Sewer Fund's accrued post-employment benefits of $62,781 were transferred to the General Fund.

NOTE 10 - LONG-TERM DEBT (Continued)

B. Business-Type Debt

Sewer Fund

Long-term debt, payable by the Sewer Fund, which consists of revenue bonds and compensated absences is summarized as follows:

	Principal Balance
Sewer Bond Debt	
Sewer System Revenue Improvement Bonds, Series 2005, 4.15%, due 2031, original balance $9,600,000	$ 8,438,000
Less: current portion of sewer debt	(304,000)
Total sewer debt	8,134,000
Compensated absences	661
Total sewer long-term debt	$ 8,134,661

A summary of changes in sewer long-term debt for the year ended December 31, 2012, are as follows:

	Balance December 31, 2011	Additions	Retirements	Balance December 31, 2012	Amount Due Within One Year
2005 bond	$ 8,730,000	$ -	$ (292,000)	$ 8,438,000	$ 304,000
Compensated absences	15,734	-	(15,073)	661	-
Accrued post-employment benefits	62,781	-	(62,781)	-	-
Total	$ 8,808,515	$ -	$ (369,854)	8,438,661	$ 304,000
Less: current portion of sewer long-term debt				( )	
Total sewer long-term debt				$ 8,438,661	

During the year, the Sewer Fund's accrued post-employment benefits of $62,781 were transferred to the General Fund.

NOTE 10 - LONG-TERM DEBT (Continued)

B. Business-Type Debt (Continued)

Sewer Fund (Continued)
Interest paid during the year ended December 31, 2012, on business-type long-term debt was $361,824.

Sewer Fund debt service requirements to maturity, including interest of $3,828,495, are as follows:

Bonds

Year ended December 31	Principal	Interest	Total Requirements
2013	$ 304,000	$ 348,600	$ 652,600
2014	314,000	335,922	649,922
2015	327,000	322,704	649,704
2016	341,000	308,884	649,884
2017	355,000	294,515	649,515
2018-2022	2,012,000	1,235,227	3,247,227
2023-2027	2,474,000	773,756	3,247,756
2028-2031	2,311,000	208,887	2,519,887
Total bonds	$ 8,438,000	$ 3,828,495	$ 12,266,495

Note: The above debt service requirements schedules do not include compensated absences or accrued post-employment benefits.

Water Fund
Long-term debt, payable by the Water Fund, which consists of customer deposits, compensated absences and accrued post-employment benefits, is summarized as follows:

Customer deposits	$ 56,516
Compensated absences	27,707
Accrued post-employment benefits	62,555
Total Water Fund long-term debt	$ 146,778

A summary of changes in Water Fund long-term debt for the year ended December 31, 2012, are as follows:

	Balance December 31, 2011	Additions	Retirements	Balance December 31, 2012	Amount Due Within One Year
Customer deposits	$ 49,594	$ 6,922	$ -	$ 56,516	$ -
Compensated absences	28,796	-	(1,089)	27,707	-
Accrued post-employment benefits	43,245	19,310	-	62,555	-
Total	$ 121,635	$ 26,232	$(1,089)	146,778	$ -
Less: current portion of Water Fund long-term debt				-	
Total Water Fund long-term debt				$ 146,778	

NOTE 11 - NET POSITION / FUND BALANCE RESTRICTIONS

The City can restrict net position and fund balances to be maintained for specific purposes. The nature and purpose of these are explained as follows:

Haunted Depot Fund restricts $3,968 for future depot expenditures.

Downtown Development Authority Fund restricts $285,274 for the improvement of the City's downtown area.

Confiscated Assets Fund restricts $12,281 for future confiscated asset expenditures.

Flag Fund restricts $4,137 for the City's flag project.

Ringgold Depot Fund restricts $74,813 for the Ringgold Depot facility.

Visitor Center Fund restricts $156,742 to promote tourism in the Ringgold area.

The City also has $66,717 of nonspendable fund balance related to prepaid expenses.

NOTE 12 - TRANSFERS

Interfund transfers as of December 31, 2012, consist of the following:

	Transfers to						
Transfer from:	General Fund	Downtown Development Authority Fund	Ringgold Depot Fund	Visitor Center Fund	Sewer Fund	Water Fund	Total
General Fund	$ -	$ 250,000	$ -	$ -	$ -	$110,036	$ 360,036
Capital Projects Fund	428,434	-	-	-	2,604,663	79,153	3,112,250
Capital Projects Grant Fund	94,537	-	-	-	-	-	94,537
Hotel/Motel Tax Fund	112,780	-	37,593	75,187	-	-	225,560
Haunted Depot Fund	-	9,960	-	-	-	-	9,960
Sewer Fund	-	-	-	-	-	51,518	51,518
Total	$635,751	$ 259,960	$ 37,593	$75,187	$2,604,663	$240,707	$3,853,861

Transfers from the General, Capital Projects Grant, Haunted Depot and Sewer funds were transferred to supplement operations.

Capital Projects Fund transfers were Special Local Options Sales Tax (SPLOST) funds that flowed through the Capital Projects Fund to the General Fund, Sewer Fund and Water Fund for designated projects.

Funds were transferred out of the Hotel/Motel Fund into the General, Ringgold Depot and Visitor Center funds to close the Hotel/Motel Fund.

NOTE 13 - HOTEL/MOTEL LODGING TAX

The City of Ringgold levies a 6% lodging tax as authorized in Official Code of Georgia Annotated (OCGA) 48-13-50(a)(3.2). All expenditures were for the promotion of tourism. A summary of the transactions for the year ended December 31, 2012, is as follows:

Fund Balance - January 1, 2012	$ -
Lodging tax services	225,560
Amount available for disbursements	225,560
Disbursements:	
Transfer to General Fund	112,780
Transfer to the Ringgold Depot Fund	37,593
Transfer to Visitor Center Fund	75,187
Total disbursed	225,560
Balance - held in reserve for future hotel/motel tax projects	$ -

NOTE 14 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the governmental fund Balance Sheet and the government-wide Statement of Net Position:

The governmental fund balance includes a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide Statement of Net Position. One element of that reconciliation explains that, "long-term liabilities, including compensated absences are not due and payable in the current period and, therefore, are not reported in the funds". The details of this $(101,075) difference are as follows:

Compensated absences	$ (101,075)
Net adjustment	$ (101,075)

Explanation of certain differences between the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and the government-wide Statement of Activities:

The governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance, includes a reconciliation between net changes in fund balances for total governmental funds and changes in net position of governmental activities as reported in the government-wide Statement of Activities. One element of that reconciliation explains that, "Governmental funds report capital outlay 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". The details of this $250,736 difference are as follows:

Depreciation expense	$ (217,308)
Capital outlay	468,044
Net adjustment	$ 250,736

NOTE 15 - COMPLIANCE WITH FINANCE RELATED LEGAL AND CONTRACTUAL PROVISIONS

The City has no material violations of finance related legal and contractual provisions.

NOTE 16 - INSURANCE

The City of Ringgold is exposed to various risks of losses. These risks include loss related to torts; theft, of damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

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 (City) 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 purview of the Workers' Compensation Laws of Georgia, or on the basis of employer's liability, including suits or other proceedings alleging such injuries and demanding a compensation, therefore, although such suits, other proceedings, allegations or demands be wholly groundless, false or fraudulent. The fund is to pay all costs against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

The City is responsible for paying the prescribed premiums and cooperating with the Fund's attorneys.

The City carries insurance for all other risks of loss (except employees health insurance), including general liability and property and casualty insurance through the St. Paul's Travelers Company. Employee's health insurance is provided by Blue Cross-Blue Shield through the Georgia Municipal Association. There have been no significant reductions in insurance coverage from the prior year. Settled claims have not exceeded coverage in any of the past three years.

NOTE 17 - PENSION PLAN

The City of Ringgold provides pension benefits for all its full-time employees through a defined contribution pension plan the City of Ringgold Pension Plan administered by Chandler & Assoc., P.C. The plan was authorized by Council action in 1976 and amended in 1995. All fulltime employees who have attained age 18 and have completed one year of service are eligible. Vesting is 100% full and immediate, and retirement age is 65 or the fifth anniversary of participation, whichever is later.

The City contributes 10% of total compensation for each employee. Employees are required to contribute 2% and are allowed to make an additional contribution of up to 10% of total compensation. Contribution requirements were established under, and can only be amended by, the City Council.

All assets of the plan are held in individual income endowments, life contracts, individual annuities or other investments. There are no outstanding loans to any participant, fiduciary, or party of interest.

(Continued)

NOTE 17 - PENSION PLAN (Continued)

The City's total payroll for the year was $1,677,404. The amount of covered payroll was $1,357,820. Total contributions required was $162,922, which was 12% of covered payroll. The City's contribution required and actual was $135,782, which was 10% of covered payroll. The mandatory employee contributions required and actual was $27,140 which was 2% of covered payroll. Employee voluntary contributions totaled $53,589, making a total employee contribution of $80,729, which is 5% of covered payroll. The total City and employee contribution actually made was $216,511, which was 15% of covered payroll. There were no current year changes in plan provisions.

NOTE 18 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The City of Ringgold, Georgia administers a single-employer defined benefit healthcare plan. The plan provides lifetime healthcare insurance to the retired employee and family coverage after the age of 55 plus 25 years of service. The plan does not issue a publicly available financial report.

Funding Policy

The City has not funded the healthcare plan and pays the benefits monthly on a "pay as you go" policy. Contribution requirements were established under, and can only be amended by, the City Council.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer* (ARC). The City has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. 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 City's net OPEB obligation to the plan:

Annual required contribution	$ 148,330
Interest on net OPEB obligation	8,158
Adjustment to annual required contribution	85,012
Annual OPEB cost (expense)	241,500
Contributions made	-
Increase in net OPEB obligation	241,500
Net OPEB obligation - beginning of year	659,173
Net OPEB obligation - end of year	$ 900,673

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal year 2012 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12-31-12	$ 241,500	0%	$ 900,673
12-31-11	$ 222,715	0%	$ 659,173
12-31-10	$ 232,367	0%	$ 436,458

NOTE 18 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Funded Status and Funding Progress
As of June 30, 2012, the actuarial accrued liability for benefits was $900,673, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $1,810,678 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 100 percent.

The projection of future benefit payments for an ongoing plan involves 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. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the Notes to the Financial Statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions
Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and 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 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.

The following simplifying assumptions were made:

Retirement age for active employees - Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 67, or at the first subsequent year in which the member would qualify for benefits.

Marital status - Marital status of members at the calculation date was assumed to continue throughout retirement.

Mortality - Life expectancies were based on mortality tables from the National Center for Health Statistics. The United States Life Tables for Males and for Females were used.

Turnover - Non-group-specific age-based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Healthcare Cost Trend Rate - The expected rate of increase in healthcare insurance premiums was based on a rate of 5.5 percent.

Health Insurance Premiums - 2012 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Inflation Rate - The expected long-term inflation assumption of 5.5 percent was used.

Payroll Growth Rate - The expected long-term payroll growth rate was assumed to equal the rate of inflation.

NOTE 18 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Based on the historical and expected returns of the City's short-term investment portfolio, a discount rate of 5.5 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2012, was thirty years.

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress
For the Healthcare Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Simplified Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
06-30-12	$0	$1,810,678	$ 1,810,678	0.00%	$1,810,678	100.00%
06-30-11	$0	$1,528,892	$ 1,528,892	0.00%	$1,528,747	100.00%
06-30-10	$0	$1,376,265	$ 1,376,265	0.00%	$1,435,195	95.89%

NOTE 19 - LITIGATION AND CLAIMS

The City is currently the defendant in certain legal actions, which are being vigorously defended. It is the opinion of management and legal counsel that these suits will not have a material effect on the financial position of the City.

NOTE 20 - CONTINGENT LIABILITIES

As of December 31, 2012, the City does not have any material contingent liabilities.

NOTE 21 - JOINT VENTURE

Under Georgia law, the City, in conjunction with other cities and counties in the Northwest Georgia area, is a member of the Northwest Georgia Regional Commission (RC) and is required to pay annual dues thereto. During its year ended December 31, 2012, the City paid $2,850 in such dues. 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 chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RC. Separate financial statements may be obtained from:

Northwest Georgia Regional Commission
P.O. Box 1798
Rome, Georgia 30161

NOTE 22 - AGENCY FUNDS

The City reports on two agency funds: Baxter Addition Fund and Municipal Court Fund. The City acts as fiscal agent under contract with the board of the Baxter Addition to Anderson Cemetery Care Fund. The Municipal Court Fund is used to handle the percentages of fines that are remitted to state agencies and the county. The City's portion of the fines is transferred back to the General Fund revenue each month.

NOTE 23 - RELATED PARTY TRANSACTION

The Mayor and Council members of the City are only billed the minimum water rates each month.

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds:

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Hotel/Motel Tax Fund:

This fund is used to account for the receipt of Hotel/Motel Tax and used to promote tourism in the Ringgold area.

Haunted Depot Fund:

This fund is used to account for the receipt and use of funds for the Haunted Depot.

Downtown Development Authority Fund:

This fund is used to account for the receipt and use of funds for the Downtown Development Authority.

Confiscated Assets Fund:

This fund is used to account for the receipt and use of confiscated assets.

Flag Fund:

This fund is used to account for the receipt and use of funds for the City's flag project.

Ringgold Depot Fund:

This fund is used to account for the receipt and use of funds of the Ringgold Depot facility.

Visitor Center Fund:

This fund is used to account for the receipt and use of funds for the Ringgold Convention and Visitors Bureau to promote the development of tourism and the convention industry in Ringgold.

CITY OF RINGGOLD, GEORGIA
Non-major Governmental Funds
Combining Balance Sheet
December 31, 2012

	Hotel/Motel Tax Fund	Haunted Depot Fund	Downtown Dev. Authority Fund	Confiscated Assets Fund	Flag Fund	Ringgold Depot Fund	Visitor Center Fund	Total Non-major Governmental Funds
ASSETS								
Cash	$ -	$ 3,968	$ 286,333	$ 12,281	$ 4,137	$ 83,031	$ 158,367	$ 548,117
Accounts receivable - net	20,182	-	-	-	-	-	-	20,182
TOTAL ASSETS	$ 20,182	$ 3,968	$ 286,333	$ 12,281	$ 4,137	$ 83,031	$ 158,367	$ 568,299
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable	$ -	$ -	$ 60	$ -	$ -	$ 1,453	$ 1,480	$ 2,993
Accrued wages	-	-	249	-	-	165	-	414
Accrued liabilities	-	-	750	-	-	6,600	145	7,495
Due to other funds	20,182	-	-	-	-	-	-	20,182
Total liabilities	20,182	-	1,059	-	-	8,218	1,625	31,084
Fund Balances								
Restricted	-	3,968	285,274	12,281	4,137	74,813	156,742	537,215
TOTAL LIABILITIES AND FUND BALANCES	$ 20,182	$ 3,968	$ 286,333	$ 12,281	$ 4,137	$ 83,031	$ 158,367	$ 568,299

CITY OF RINGGOLD, GEORGIA
Non-major Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended December 31, 2012

	Hotel/Motel Tax Fund	Haunted Depot Fund	Downtown Dev. Authority Fund	Confiscated Assets Fund	Flag Fund	Ringgold Depot Fund	Visitor Center Fund	Total Non-major Governmental Funds
REVENUES								
Taxes	$ 225,560	$ -	$ -	$ -	$ -	$ -	$ -	$ 225,560
Other revenue	-	21,920	6,419	-	4,350	28,651	1,600	62,940
TOTAL REVENUES	225,560	21,920	6,419	-	4,350	28,651	1,600	288,500
EXPENDITURES								
Current expenditures								
Public welfare and recreation	-	7,992	12,554	-	4,487	46,773	91,076	162,882
TOTAL EXPENDITURES	-	7,992	12,554	-	4,487	46,773	91,076	162,882
Excess (deficiency) of revenue over (under) expenditures	225,560	13,928	(6,135)	-	(137)	(18,122)	(89,476)	125,618
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	259,960	-	-	37,593	75,187	372,740
Transfers out	(225,560)	(9,960)	-	-	-	-	-	(235,520)
Total other financing sources (uses)	(225,560)	(9,960)	259,960	-	-	37,593	75,187	137,220
Net changes in fund balances	-	3,968	253,825	-	(137)	19,471	(14,289)	262,838
Fund balances - beginning	-	-	31,449	12,281	4,274	55,342	171,031	274,377
Fund balances - end	$ -	$ 3,968	$ 285,274	$ 12,281	$ 4,137	$ 74,813	$ 156,742	$ 537,215

CITY OF RINGGOLD, GEORGIA
Hotel/Motel Tax Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended December 31, 2012

	Budgeted Amounts			Variance Favorable
	Original	Final	Actual	(Unfavorable)
REVENUES				
Taxes				
Hotel/motel tax	$ 240,000	$ 227,000	$ 225,560	$ (1,440)
TOTAL REVENUES	240,000	227,000	225,560	(1,440)
Excess (deficiency) of revenue over (under) expenditures	240,000	227,000	225,560	(1,440)
OTHER FINANCING SOURCES (USES)				
Transfers out	(240,000)	(227,000)	(225,560)	1,440
Net changes in fund balances	-	-	-	-
Fund balances - beginning	-	-	-	-
Fund balances - end	$ -	$ -	$ -	$ -

CITY OF RINGGOLD, GEORGIA
Haunted Depot Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended December 31, 2012

	Budgeted Amounts			Variance Favorable
	Original	Final	Actual	(Unfavorable)
REVENUES				
Other revenue				
Haunted Depot	$ 14,000	$ 20,000	$ 21,920	$ 1,920
TOTAL REVENUES	14,000	20,000	21,920	1,920
EXPENDITURES				
Current expenditures				
Public welfare and recreation				
Contract labor	-	1,000	900	100
Advertising	-	2,000	250	1,750
Supplies	7,000	7,000	6,842	158
Total public welfare and recreation	7,000	10,000	7,992	2,008
TOTAL EXPENDITURES	7,000	10,000	7,992	2,008
Excess (deficiency) of revenue over (under) expenditures	7,000	10,000	13,928	3,928
OTHER FINANCING SOURCES (USES)				
Transfers out	(7,000)	(10,000)	(9,960)	40
Net changes in fund balances	-	-	3,968	3,968
Fund balances - beginning	-	-	-	-
Fund balances - end	$ -	$ -	$ 3,968	$ 3,968

CITY OF RINGGOLD, GEORGIA
Downtown Development Authority Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended December 31, 2012

	Budgeted Amounts			Variance Favorable
	Original	Final	Actual	(Unfavorable)
REVENUES				
Other revenue				
Lease revenue	$ 8,000	$ 8,000	$ 6,000	$ (2,000)
Miscellaneous	1,000	1,000	419	(581)
TOTAL REVENUES	9,000	9,000	6,419	(2,581)
EXPENDITURES				
Current expenditures				
Public welfare and recreation				
Salaries	-	2,000	1,106	894
Payroll taxes	-	900	85	815
Insurance	-	100	4	96
Grant expenses	10,000	5,000	2,133	2,867
Advertising	4,000	250,000	60	249,940
Supplies	2,000	11,000	9,166	1,834
Total public welfare and recreation	16,000	269,000	12,554	256,446
TOTAL EXPENDITURES	16,000	269,000	12,554	256,446
Excess (deficiency) of revenue over (under) expenditures	(7,000)	(260,000)	(6,135)	253,865
OTHER FINANCING SOURCES (USES)				
Transfers in	7,000	260,000	259,960	(40)
Net changes in fund balances	-	-	253,825	253,825
Fund balances - beginning	31,449	31,449	31,449	-
Fund balances - end	$ 31,449	$ 31,449	$ 285,274	$ 253,825

CITY OF RINGGOLD, GEORGIA
Confiscated Assets Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended December 31, 2012

	Budgeted Amounts			Variance Favorable
	Original	Final	Actual	(Unfavorable)
REVENUES				
Fines and forfeitures				
Cash confiscation	$ 10,000	$ 10,000	$ -	$ (10,000)
TOTAL REVENUES	10,000	10,000	-	(10,000)
EXPENDITURES				
Current expenditures				
Public safety				
Vehicles	10,000	10,000	-	10,000
TOTAL EXPENDITURES	10,000	10,000	-	10,000
Net changes in fund balances	-	-	-	-
Fund balances - beginning	12,281	12,281	12,281	-
Fund balances - end	$ 12,281	$ 12,281	$ 12,281	$ -

CITY OF RINGGOLD, GEORGIA
Flag Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended December 31, 2012

	Budgeted Amounts			Variance Favorable
	Original	Final	Actual	(Unfavorable)
REVENUES				
Other revenue				
Flag charges	$ 3,000	$ 4,000	$ 3,415	$ (585)
Donations	-	1,000	935	(65)
Total other revenue	3,000	5,000	4,350	(650)
TOTAL REVENUES	3,000	5,000	4,350	(650)
EXPENDITURES				
Current expenditures				
Public welfare and recreation				
Supplies	3,000	4,500	3,987	513
Construction	-	500	500	-
Total public welfare and recreation	3,000	5,000	4,487	513
TOTAL EXPENDITURES	3,000	5,000	4,487	513
Net changes in fund balances	-	-	(137)	(137)
Fund balances - beginning	4,274	4,274	4,274	-
Fund balances - end	$ 4,274	$ 4,274	$ 4,137	$ (137)

CITY OF RINGGOLD, GEORGIA
Ringgold Depot Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended December 31, 2012

	Budgeted Amounts			Variance Favorable
	Original	Final	Actual	(Unfavorable)
REVENUES				
Other revenue				
Rental	$ 27,000	$ 26,000	$ 28,318	$ 2,318
Miscellaneous	-	1,000	333	(667)
TOTAL REVENUES	27,000	27,000	28,651	1,651
EXPENDITURES				
Current expenditures				
Public welfare and recreation				
Salaries	16,000	16,000	15,363	637
Payroll taxes	1,300	1,300	1,171	129
Insurance	5,200	5,100	4,256	844
Postage	-	100	22	78
Repairs and maintenance	18,500	15,000	1,665	13,335
Retirement	-	900	886	14
Supplies	5,000	6,800	5,247	1,553
Telephone	1,000	800	764	36
Utilities	20,000	19,000	17,399	1,601
Total public welfare and recreation	67,000	65,000	46,773	18,227
TOTAL EXPENDITURES	67,000	65,000	46,773	18,227
Excess (deficiency) of revenue over (under) expenditures	(40,000)	(38,000)	(18,122)	19,878
OTHER FINANCING SOURCES (USES)				
Transfers in	40,000	38,000	37,593	(407)
Net changes in fund balances	-	-	19,471	19,471
Fund balances - beginning	55,342	55,342	55,342	-
Fund balances - end	$ 55,342	$ 55,342	$ 74,813	$ 19,471

CITY OF RINGGOLD, GEORGIA
Visitor Center Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended December 31, 2012

	Budgeted Amounts			Variance Favorable
	Original	Final	Actual	(Unfavorable)
REVENUES				
Other revenue				
Donation	$ -	$ 20,000	$ 1,600	$ (18,400)
TOTAL REVENUES	-	20,000	1,600	(18,400)
EXPENDITURES				
Current expenditures				
Public welfare and recreation				
Salaries	16,000	14,500	13,960	540
Payroll taxes	1,300	1,300	1,064	236
Advertising	-	100	60	40
Events	57,000	72,000	69,361	2,639
Insurance	4,500	5,100	3,905	1,195
Postage	100	600	540	60
Repairs and maintenance	-	500	500	-
Retirement	-	900	885	15
Supplies	100	100	38	62
Telephone	1,000	900	763	137
Total public welfare and recreation	80,000	96,000	91,076	4,924
TOTAL EXPENDITURES	80,000	96,000	91,076	4,924
Excess (deficiency) of revenue over (under) expenditures	(80,000)	(76,000)	(89,476)	(13,476)
OTHER FINANCING SOURCES (USES)				
Transfers in	80,000	76,000	75,187	(813)
Net changes in fund balances	-	-	(14,289)	(14,289)
Fund balances - beginning	171,031	171,031	171,031	-
Fund balances - end	$ 171,031	$ 171,031	$ 156,742	$ (14,289)

SUPPLEMENTARY INFORMATION

CITY OF RINGGOLD, GEORGIA
Schedule of Expenditures of Federal and State Awards
Year Ended December 31, 2012

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Grant/Program Number	Accrued (Receivable) 01/01/12	Grant Receipts	Grant Expenditures	Accrued (Receivable) 12/31/12
Federal						
Department of Housing and Urban Development						
CDBG Grant	14.228	09p-x-023-2-5130	$ -	$ 467,500	$ 467,500	$ -
Georgia Emergency Management Agency						
Emergency Watershed Protection Program	10.923	65-43-10-12-42	-	187,584	187,584	-
Department of Governor's Office of Highway Safety	20.000	GA-2012-000-00508	-	8,719	8,719	-
Total federal awards			-	663,803	663,803	-
State						
State of Georgia						
Georgia Environmental Finance Authority	-	2010-G24WQ	-	29,336	29,336	-
Georgia Department of Justice	-	2009-SB-B9-1630	-	2,051	2,051	-
Total state awards			-	31,387	31,387	-
TOTAL FEDERAL AND STATE AWARDS			$ -	$ 695,190	$ 695,190	$ -

CITY OF RINGGOLD, GEORGIA
Notes to the Schedule of Expenditures of Federal and State Awards
For the Year Ended December 31, 2012

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal and State Awards includes the federal and state grant activity of the City of Ringgold, Georgia and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

CITY OF RINGGOLD, GEORGIA
Sewer Fund
Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual
Year Ended December 31, 2012

	Budgeted Amounts			Variance Favorable
	Original	Final	Actual	(Unfavorable)
OPERATING REVENUES				
Sewer charges	$ 1,182,000	$ 1,285,000	$ 1,286,735	$ 1,735
Installation charges	26,000	88,000	87,555	(445)
Total operating revenues	1,208,000	1,373,000	1,374,290	1,290
OPERATING EXPENSE				
Operating and maintenance	5,045,000	3,472,000	571,976	2,900,024
Administration and general	18,000	13,000	8,439	4,561
Depreciation	443,000	514,000	513,321	679
Total operating expenses	5,506,000	3,999,000	1,093,736	2,905,264
Operating income (loss)	(4,298,000)	(2,626,000)	280,554	2,906,554
NON-OPERATING REVENUES (EXPENSES)				
Amortization expense	(8,000)	(8,000)	(7,632)	368
Interest revenue	6,000	8,000	8,039	39
Interest expense	(650,000)	(362,000)	(361,824)	176
Total non-operating revenues (expenses)	(652,000)	(362,000)	(361,417)	583
Income (loss) before capital contributions and transfers	(4,950,000)	(2,988,000)	(80,863)	2,907,137
Capital contributions	-	497,000	497,637	637
Transfer of OPEB liability	-	(63,000)	62,781	125,781
Transfers in	5,000,000	2,605,000	2,604,663	(337)
Transfers out	(50,000)	(51,000)	(51,518)	(518)
Changes in net position	-	-	3,032,700	3,032,700
Total net position - beginning	10,120,706	10,120,706	10,120,706	-
Total net position - end	$ 10,120,706	$ 10,120,706	$ 13,153,406	$ 3,032,700

CITY OF RINGGOLD, GEORGIA
Water Fund
Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual
Year Ended December 31, 2012

	Budgeted Amounts			Variance Favorable
	Original	Final	Actual	(Unfavorable)
OPERATING INCOME				
Water sales	$ 365,000	$ 382,200	$ 382,043	$ (157)
Installation charges	6,000	4,000	3,775	(225)
Penalties	19,000	21,800	21,675	(125)
Total operating revenues	390,000	408,000	407,493	(507)
OPERATING EXPENSES				
Operating and maintenance	494,000	534,200	533,813	387
Administration and general	12,000	20,400	19,983	417
Depreciation	87,000	94,400	94,404	(4)
Total operating expenses	593,000	649,000	648,200	800
Operating income (loss) before transfers	(203,000)	(241,000)	(240,707)	293
Transfers in	203,000	241,000	240,707	(293)
Changes in net position	-	-	-	-
Total net position - beginning	1,124,793	1,124,793	1,124,793	-
Total net position - end	$ 1,124,793	$ 1,124,793	$ 1,124,793	$ -

CITY OF RINGGOLD, GEORGIA
Proprietary Funds
Schedule of Operating Expenses
Year Ended December 31, 2012

	Enterprise		
Operating Expenses	**Sewer Fund**	**Water Fund**	**Totals**
Operating and maintenance			
Salaries	$ 23,061	$ 219,902	$ 242,963
Payroll taxes	1,746	15,281	17,027
Other postemployment benefits	-	19,310	19,310
Utilities	19,075	51,274	70,349
Catoosa utility charges	-	16,949	16,949
Telephone	2,570	2,186	4,756
Retirement	3,701	21,992	25,693
Insurance	8,680	64,001	72,681
Technical	260	7,189	7,449
Uniforms	3,666	3,859	7,525
Fuel	18,416	13,326	31,742
Repairs and maintenance	33,202	30,546	63,748
Water line repairs	-	5,260	5,260
Equipment	3,870	2,916	6,786
Chemicals	-	40,542	40,542
Drinking water program	-	5,124	5,124
Plant supplies	16,807	14,156	30,963
Sewer treatment charges	436,922	-	436,922
Total operating and maintenance	571,976	533,813	1,105,789
Administration and general			
Advertising	-	144	144
Licenses and dues	2,003	1,303	3,306
Printing and postage	507	6,021	6,528
Professional services	-	5,910	5,910
Insurance	3,493	4,211	7,704
Education and travel	2,436	2,394	4,830
Total administration and general	8,439	19,983	28,422
Depreciation	513,321	94,404	607,725
Total operating expenses	$ 1,093,736	$ 648,200	$ 1,741,936

CITY OF RINGGOLD, GEORGIA
Schedule of Property Taxes Receivable
General Fund
December 31, 2012

Year of Levy	
2012	$ 43,146
2011	9,108
2010	2,519
2009	80
Total property taxes receivable	54,853
Less: allowance for uncollectibles	(13,003)
Net property taxes receivable	$ 41,850

CITY OF RINGGOLD, GEORGIA
Schedule of Changes in Property Taxes Receivable
General Fund
Year Ended December 31, 2012

	Taxes Receivable December 31, 2011	Taxes Levied	Pickups and (Releases)	Collections	Taxes Receivable December 31, 2012
2012	$ -	$ 452,976	$ 2,696	$ (412,526)	$ 43,146
2011	57,546	-	6,686	(55,124)	9,108
2010	12,077	-	(379)	(9,179)	2,519
2009	2,377	-	(119)	(2,178)	80
Total	$ 72,000	$ 452,976	$ 8,884	$ (479,007)	$ 54,853

CITY OF RINGGOLD, GEORGIA
Schedule of Debt Service Requirements
Sewer Fund
Year Ended December 31, 2012

Sewer System Revenue Improvement Bonds
Series 2005, 4.15%
Due 2031

Year Ended December 31	Principal	Interest	Total Requirements
2013	$ 304,000	$ 348,600	$ 652,600
2014	314,000	335,922	649,922
2015	327,000	322,704	649,704
2016	341,000	308,884	649,884
2017	355,000	294,515	649,515
2018	370,000	279,565	649,565
2019	385,000	263,992	648,992
2020	402,000	247,734	649,734
2021	419,000	230,802	649,802
2022	436,000	213,134	649,134
2023	455,000	194,759	649,759
2024	474,000	175,566	649,566
2025	494,000	155,583	649,583
2026	515,000	134,771	649,771
2027	536,000	113,077	649,077
2028	559,000	90,470	649,470
2029	583,000	66,929	649,929
2030	607,000	42,352	649,352
2031	562,000	9,136	571,136
	$ 8,438,000	$ 3,828,495	$ 12,266,495

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III. STATISTICAL INFORMATION

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CITY OF RINGGOLD, GEORGIA
STATISTICAL INFORMATION
December 31, 2012

I. SCHEDULE OF TAX RATES AND ASSESSMENTS

Tax Year	City Tax Rate	Assessment	Levy
2012	.268	$ 169,020,896	$ 452,976
2011	.2707	$ 165,931,289	$ 449,176
2010	.2707	$ 174,772,811	$ 473,110
2009	.2707	$ 186,103,436	$ 503,782
2008	.2707	$ 199,217,584	$ 539,282
2007	.2751	$ 192,006,906	$ 528,211
2006	.2762	$ 177,475,018	$ 490,186
2005	.280	$ 165,191,784	$ 462,537
2004	.280	$ 155,262,143	$ 434,734
2003	.280	$ 144,039,221	$ 403,310

II. SCHEDULE OF BILLING RATES

The water and sewer rates for the City of Ringgold for the year ended December 31, 2012, were:

Water Rates

Meter Size	Minimum Usage (Gallons)	Minimum Monthly Bill
3/4" meter	0-2,000	$ 11.09 plus $3.01/1,000 gal.
1" meter	0-8,000	$ 29.10 plus $3.01/1,000 gal.
1-1/2" meter	0-17,000	$ 56.12 plus $3.01/1,000 gal.
2" meter	0-25,000	$ 80.12 plus $3.01/1,000 gal.
3" meter	0-45,000	$ 249.10 plus $3.01/1,000 gal.
4" meter	0-60,000	$ 332.15 plus $3.01/1,000 gal.
6" meter	0-90,000	$ 498.20 plus $3.01/1,000 gal.
8" meter	0-120,000	$ 664.29 plus $3.01/1,000 gal.
10" meter	0-150,000	$ 830.36 plus $3.01/1,000 gal.

Sewer Rates

Meter Size	Minimum Usage (Gallons)	Minimum Monthly Bill
3/4" meter	0-2,000	$ 12.09 plus $3.01/1,000 gal.
1" meter	0-8,000	$ 30.13 plus $3.01/1,000 gal.
1-1/2" meter	0-17,000	$ 57.22 plus $3.01/1,000 gal.
2" meter	0-25,000	$ 81.33 plus $3.01/1,000 gal.
3" meter	0-45,000	$ 272.00 plus $3.01/1,000 gal.
4" meter	0-60,000	$ 362.54 plus $3.01/1,000 gal.
6" meter	0-90,000	$ 543.81 plus $3.01/1,000 gal.
8" meter	0-120,000	$ 725.08 plus $3.01/1,000 gal.
10" meter	0-150,000	$ 907.24 plus $3.01/1,000 gal.

As of December 31, 2012, the City had 1,090 water customers and 929 sewer customers.

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IV. SINGLE AUDIT SECTION

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CITY OF RINGGOLD, GEORGIA
Schedule of Findings and Questioned Costs
December 31, 2012

SUMMARY OF AUDITOR'S RESULTS

Opinion on Financial Statements

Unqualified opinion issued on the financial statements in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States of America.

Internal Control Reportable Conditions:

During the audit of the financial statements, two deficiencies in internal controls were disclosed, which were also considered to be material weaknesses.

Material Noncompliance:

One instance of noncompliance or other matters was disclosed.

Internal Control Deficiencies over Major Programs:

None disclosed.

Opinion on Compliance for Major Programs:

Unqualified opinion.

Findings Disclosed under OMB Circular A-133 Section .510(a):

None disclosed.

Major Programs:

U.S. Department of Housing and Urban Development 14.228

Dollar Threshold Level between Type A and Type B Programs:

$300,000

Low-Risk Auditee under OMB Circular A-133 Section .530:

No

CITY OF RINGGOLD, GEORGIA
Schedule of Findings and Questioned Costs
December 31, 2012

FINDINGS RELATED TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED *GOVERNMENT AUDITING STANDARDS*

INTERNAL CONTROL DEFICIENCIES:

Finding 12-1 - Accounting expertise (Repeat 11-1)

Criteria:
SAS 115 states in part that the lack of accounting personnel with sufficient "training" to properly design controls over the year-end financial reporting process, including the actual "preparation of financial statements" is a "significant deficiency" and a strong indication of a "material weakness".

Condition Found:
The City did not have accounting personnel on staff that had sufficient training to prepare their own financial report.

Recommendation:
The City should consider the risk benefits of continuing to allow the outside auditors to prepare the financial report versus having an internal auditor/CPA to perform the year-end financial reporting process.

Management's Response:
We concur. However, even though we are aware that we cannot theoretically rely on our outside CPA as a part of our system, we feel that this is still a very important and very reliable way to safeguard our assets and report the transactions of our City to our citizens. We are taking responsibility for the preparation and fair presentation of the financial statements and we possess suitable skill, knowledge and/or experience to evaluate the adequacy of any services in this area provided by the auditor.

FINDINGS RELATED TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED *GOVERNMENT AUDITING STANDARDS* (Continued)

INTERNAL CONTROL DEFICIENCIES: (Continued)

Finding 12-2 - Approvals and documentation (Repeat 11-2)

Criteria:
Government Auditing Standards Chapter A.06(h) states that, "....Inadequate controls for the safeguarding of assets" is considered to be a control deficiency.

Condition Found:
1) Not all invoices were initialed as approved before being paid.
2) Credit card statements were not being initialed as approved.

Recommendation:
1) All invoices should be initialed as approved before payment is made.
2) Credit card statements should be initialed as approved, in addition to being stamped.

Management's Response:
We concur. We are making every effort to correct these items.

COMPLIANCE:

Finding 12-3 - Commingling of SPLOST funds (Repeat 11-3)

Criteria:
OCGA 48-8-121 states that, "SPLOST proceeds... shall be kept in a separate account from the other funds... and shall not be commingled with other funds."

Condition Found:
The City maintains a combined checking account, of which the SPLOST funds are a part.

Recommendation:
SPLOST funds should be kept in a separate checking account.

Management's Response:
We concur. The City plans to establish a separate checking account for the receipt and disbursement of SPLOST proceeds.

CITY OF RINGGOLD, GEORGIA
Schedule of Prior Audit Findings
December 31, 2012

Finding 11-1 - Accounting expertise

Still in effect.

Finding 11-2 - Approvals and documentation

Still in effect.

Finding 11-3 - Commingling of SPLOST funds

Still in effect

INDEPENDENT AUDITOR'S REPORT

Mayor and Council Members
City of Ringgold, Georgia
Ringgold, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Ringgold, Georgia, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ringgold, Georgia, as of December 31, 2012, and, the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, Capital Projects Fund and Capital Projects Grant Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ringgold, Georgia's basic financial statements. The Introductory Section, combining and individual non-major fund financial statements, Supplemental Information, Statistical Information and the Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and Supplemental Information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements and Supplemental Information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory Section and Statistical Information have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2013, on our consideration of the City of Ringgold, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Ringgold, Georgia's internal control over financial reporting and compliance.

Chattanooga, Tennessee
April 18, 2013

Johnson, Murphey & Wright, P.C.

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*

INDEPENDENT AUDITOR'S REPORT

Mayor and Council Members
City of Ringgold, Georgia
Ringgold, Georgia

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ringgold, Georgia as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City of Ringgold, Georgia's basic financial statements, and have issued our report thereon dated April 18, 2013.

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 12-1 and 12-2 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Ringgold, Georgia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 12-3.

Response to Findings

The City of Ringgold, Georgia's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The City of Ringgold, Georgia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Johnson, Murphey & Wright, P.C.

Chattanooga, Tennessee
April 18, 2013

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

INDEPENDENT AUDITOR'S REPORT

Mayor and Council Members
City of Ringgold, Georgia
Ringgold, Georgia

Report on Compliance for Each Major Federal Program

We have audited the City of Ringgold, Georgia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Ringgold, Georgia's major federal programs for the year ended December 31, 2012. The City of Ringgold, Georgia's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Ringgold, Georgia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Ringgold, Georgia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Ringgold, Georgia's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Ringgold, Georgia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

Report on Internal Control Over Compliance

Management of the City of Ringgold, Georgia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Ringgold, Georgia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Ringgold, Georgia's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Chattanooga, Tennessee
April 18, 2013

Johnson, Murphey & Wright, P.C.

INDEPENDENT AUDITOR'S REPORT ON THE SCHEDULE OF SPECIAL PURPOSE LOCAL OPTION SALES TAX

Independent Auditor's Report

Honorable Mayor and Council Members
City of Ringgold, Georgia
Ringgold, Georgia

We have audited the accompanying Schedule of Special Purpose Local Option Sales Tax for the City of Ringgold, Georgia for the year ended December 31, 2012. This schedule is the responsibility of the City of Ringgold, Georgia's management. Our responsibility is to express an opinion on the Schedule of Special Purpose Local Option Sales Tax 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 Schedule of Special Purpose Local Option Sales Tax is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule of Special Purpose Local Option Sales Tax. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Schedule of Special Purpose Local Option Sales Tax. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Schedule of Special Purpose Local Option Sales Tax was prepared for the purpose of complying with the Official Code of Georgia Annotated, 48-8-121 on the modified accrual basis of accounting as described in Note A and is not intended to be a complete presentation of the City of Ringgold, Georgia's revenues and expenditures.

In our opinion, the Schedule of Special Purpose Local Option Sales Tax referred to above presents fairly, in all material respects, the original estimated cost, the current estimated cost, and the current and prior year expenditures for each project in the City of Ringgold, Georgia's resolution or ordinance calling for the tax for the year ended December 31, 2012, in conformity with accounting principles generally accepted in the United States of America.

Johnson, Murphey & Wright, P.C.

Chattanooga, Tennessee
April 18, 2013

CITY OF RINGGOLD, GEORGIA
Schedule of Special Purpose Local Option Sales Tax
Year Ended December 31, 2012

Project	Original Estimated Cost	Expenditures			Estimated Percentage of Completion
		Prior Years	Current Year	Total	
2004 SPLOST -					
Ringgold water and sewer projects	$ 1,935,000	$ 1,955,551	$ -	$ 1,955,551	100%
Ringgold Sewer Basin	$ 3,000,000	$ 2,317,619	$ -	$ 2,317,619	77%
Peavine Basin	$ 8,000,000	$ 205,116	$ 1,109	$ 206,225	3%
2009 SPLOST -					
Ringgold water and sewer projects	$ 13,270,000	$ 2,321,522	$ 2,592,766	$ 4,914,288	37%
Ringgold projects	$ 2,520,000	$ -	$ 518,375	$ 518,375	21%