

City of Adairsville, Georgia

Annual Financial Report

for the

Fiscal Year Ended December 31, 2010

By Authority of

The Mayor and City Council

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CITY OF ADAIRSVILLE, GEORGIA
Annual Financial Report
Year Ended December 31, 2010

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FINANCIAL SECTION

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CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

EARL WILLIAMSON
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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council
Of the City of Adairsville, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Adairsville, Georgia, as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Adairsville, Georgia's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Adairsville, Georgia as of December 31, 2010, and the respective changes in financial position and, where applicable, cash flows, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2011 on our consideration of the City of Adairsville, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying Management's Discussion and Analysis, and Post Employment Healthcare Plan Schedule of Funding Progress and Schedule of Employer Contributions on pages 3 through 9, 46 and 47 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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

Williamson & Company

Williamson and Company
Certified Public Accountants
May 26, 2011

CITY OF ADAIRSVILLE, GEORGIA

Management's Discussion and Analysis

As management of the City of Adairsville, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Adairsville for the fiscal year ended December 31, 2010.

Financial Highlights

- The City of Adairsville's assets exceeded its liabilities at December 31, 2010, by $21,758,631 (net assets), an increase of $769,170 from the prior year. Of this amount, $3,149,319 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- As of December 31, 2010, the City of Adairsville's governmental funds reported combined ending fund balances of $3,195,870, an increase of $508,345 from the prior year. Approximately $1,144,241 is available for spending at the government's discretion (unassigned fund balance).
- At the fiscal year end, unassigned fund balance for the general fund was $1,144,241 or 39 percent of general fund expenditures.
- The City's long-term debt at December 31, 2010, consisted of $250,000 in Water and Sewer Revenue Bonds; $3,283,031 in Georgia Environmental Facilities Authority notes, and $45,400 in capital leases. The City obtained a $29,866 capital lease during the year for a patrol car.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Adairsville's basic financial statements. The City'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 the reader with a broad overview of Adairsville's financial position in a manner similar to private-sector business. These statements include the Statement of Net Assets and the Statement of Activities and can be found on pages 13 through 15 of this report.

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

The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., for uncollected taxes). Because the Statement of Activities separates program, or function revenue (revenue generated by specific functions through charges for services, grants and contributions) from general revenue (revenue provided by taxes and other sources not tied to a specific function), it shows to what extent each function must rely on taxes for funding. All changes in net assets are reported using the accrual basis of accounting which is similar to the method used by most private-sector enterprises. The accrual basis of accounting requires that revenues be reported when they are earned and expenses are reported when the goods and services are received, regardless of the timing of the cash flows. Items such as uncollected taxes and unpaid vendor invoices for items received during the fiscal year are included in the Statement of Activities as revenues and expenses, even though the cash associated with these items were not received nor distributed during the fiscal year.

The City of Adairsville has identified the Adairsville Development Authority as a component unit due to the significance of their operational and financial relationship with the City. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 13 – 15 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 Adairsville, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Adairsville can be divided into two categories: governmental funds and proprietary funds. Governmental funds are used to account for most or all of the City's tax-supported activities. Proprietary funds are used to account for the City's business-like activities, where all or a substantial portion of the costs of activities are supported by fees and charges paid directly by users of the services.

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 expendable resources, as well as on balance of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City'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 the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Adairsville maintains four 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 and the SPLOST (capital projects) fund are considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Adairsville adopts an annual appropriated budget for its governmental funds. Budgetary comparison statements for these funds have been provided to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 16 through 21 of this report.

Proprietary funds. The City of Adairsville maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Adairsville uses enterprise funds to account for its Water and Sewer System and its Natural Gas System.

Individual fund data for the proprietary funds is provided in the form of combining statements. The proprietary fund combining statements follow the governmental fund combining statements in this report, on pages 22 through 25.

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 are on pages 27 through 45.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Adairsville's progress in funding its obligation to provide pension, other post-employment benefits and budgetary comparison information. Required supplementary information can be found on pages 48 and 49 of this report.

Government-wide Financial Analysis

Statement of Net Assets. As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. As of December 31, 2010, the City of Adairsville's combined (government and business-type activities) assets exceeded liabilities by $21,758,631. A significant portion of the City's net assets, 93 percent, is its investment in capital assets (e.g., land, buildings, infrastructure, and equipment), less related outstanding debt that was used to acquire those assets. Because Adairsville uses these capital assets to provide services to its residents, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Adairsville Net Assets
for the year ended December 31,

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	$ 3,689,254	$ 2,943,002	$ 2,696,661	$ 2,651,765	$ 6,385,915	$ 5,594,767
Capital Assets	4,694,139	4,455,449	15,638,769	15,958,119	20,332,908	20,413,568
Total Assets	8,383,393	7,398,451	18,335,430	18,609,884	26,718,823	26,008,335
Lon-term liabilities outstanding	139,528	80,715	1,170,457	3,626,240	$ 1,309,985	$ 3,706,955
Other liabilities	446,144	233,219	3,204,063	1,078,700	3,650,207	1,311,919
Total liabilities	585,672	313,934	4,374,520	4,704,940	4,960,192	5,018,874
Net assets:						
Invested in capital assets, net of related debt	4,648,739	4,404,444	12,086,778	11,899,544	$ 16,735,517	$ 16,303,988
Restricted	1,517,375	1,532,697	356,450	405,088	$ 1,873,825	$ 1,937,785
Unrestricted	1,631,607	1,147,376	1,517,682	1,600,312	3,149,289	2,747,688
Total net assets	$ 7,797,721	$ 7,084,517	$ 13,960,910	$ 13,904,945	$ 21,758,631	$ 20,989,461

An additional portion of the City's net assets for governmental activities, $1,517,375; and for business-type activities, $356,450, represent resources that are subject to external restrictions on how they may be used. Approximately 99 percent of the governmental restricted resources are proceeds from SPLOST funds for capital improvements projects for roads, sidewalks, sewer, and city hall. Approximately 86 percent of the restricted amount for business-type activities is restricted to debt service. The remaining balances of unrestricted assets, $1,631,607 for governmental activities, and $1,517,682 for business-type activities may be used to meet the City's ongoing obligations to its citizens and creditors.

At December 31, 2010, the City of Adairsville is able to report positive balances in all categories of net assets, both for the government as a whole, and for its separate governmental and business-type activities.

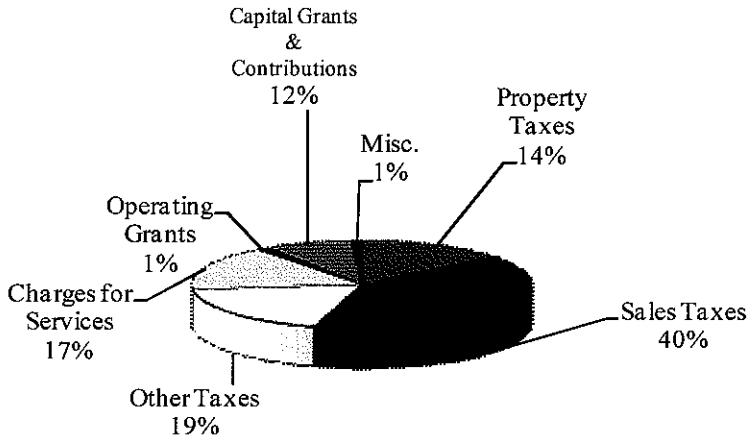
The City's property taxes decreased by $32,271, representing a 6 percent decrease from the prior year. Sales and other taxes increased by $88,003 or about 7 percent from last year. The decrease in property tax revenue is attributable to slowed property tax collections resulting from the economic downturn. Approximately 41 percent of the City's total revenue from governmental activities came from sales tax and 15 percent from property tax. Charges for goods and services provided about 9 percent of governmental revenue.

The City's largest expense is for Public Safety (Police and Fire), at $1,477,585 or 55 percent of total governmental expenses.

City of Adairsville's Changes in Net Assets
For the year ended December 31,
(as restated)

	Governmental Activities		Business-type Activities		Total	
Revenues:	2010	2009	2010	2009	2010	2009
Program Revenues:						
Charges for services	$ 579,134	$ 531,895	$ 4,018,672	$ 3,674,432	$ 4,597,806	$ 4,206,327
Operating grants and contributions	39,412	12,729	-	-	$ 39,412	$ 12,729
Capital grants and contributions	947,043	386,406	2,128	1,956	$ 949,171	$ 388,362
General Revenues:			-	-	$ -	$ -
Property taxes	500,899	533,170	-	-	$ 500,899	$ 533,170
Other taxes	1,417,962	1,938,180	-	-	$ 1,417,962	$ 1,938,180
Other	37,547	163,362	-	22,599	37,547	185,961
Total Revenues	3,521,997	3,565,742	4,020,800	3,698,987	7,542,797	7,264,729
Expenses:						
General government	794,062	765,469	-	-	$ 794,062	$ 765,469
Public safety	1,477,585	1,408,567	-	-	$ 1,477,585	$ 1,408,567
Public works	315,672	360,345	-	-	$ 315,672	$ 360,345
Public Services	129,802	150,241	-	-	$ 129,802	$ 150,241
Interest on long-term debt	1,415	2,675	-	-	$ 1,415	$ 2,675
Water and sewer	-	-	1,950,307	1,901,960	$ 1,950,307	$ 1,901,960
Gas	-	-	2,092,463	1,845,065	2,092,463	1,845,065
Total Expenses	2,718,536	2,687,297	4,042,770	3,747,025	6,761,306	6,434,322
Increase in net assets before transfers	803,461	878,445	(21,970)	(48,038)	781,491	830,407
Transfers	(90,257)	(800,792)	90,257	800,792	-	-
Change in net assets	713,204	77,653	68,287	752,754	781,491	830,407
Net assets - beginning, before restatement	-	-	-	-	20,989,461	-
Restatement	7,084,517	7,006,864	13,904,944	13,152,190	(12,321)	20,159,054
Net assets -beginning, after restatement	7,084,517	7,006,864	13,892,623	13,152,190	20,977,140	20,159,054
Net assets ending	$ 7,797,721	$ 7,084,517	$ 13,960,910	$ 13,904,944	$ 21,758,631	$ 20,989,461

The $713,204 increase in net assets for governmental activities was attributable to revenues exceeding expenditures, primarily in the SPLOST capital projects fund. The $68,287 increase in net assets for business-type activities was the result of a capital contribution from the SPLOST capital projects fund for sewer improvements. After a reconciliation of accounts receivable in the Water and Sewer System, a prior period adjustment reducing receivables by $12,231, resulted in a restated amount for beginning net assets at $13,892,623 for business-type activities.



Revenues by Source for Governmental Activities

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the City'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's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Adairsville ended the 2010 fiscal year with sound fund balances in its governmental funds. The combined fund balance for the governmental funds is $3,195,870. Of that amount, fund balances in the City's two major funds are $1,681,069 in the General Fund, $1,498,400 in the SPLOST (capital projects) Fund. Approximately 83 percent of total governmental fund balances, $1,144,241 in the General, major and non-major funds, is unassigned and available for spending in the coming year, $1,498,400 of which is restricted to SPLOST capital projects. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed, assigned, or is un-spendable: 1) prepaid expenses ($ 21,809); 2) long-term receivable ($9,400); 3) assigned for economic development efforts ($503,075); and 4) for other restricted purposes ($1,075).

The General Fund is the primary operating fund of the City of Adairsville. At the end of the current fiscal year, unassigned fund balance of the General Fund was $1,144,241, while total fund balance was $1,681,069. As a measure of the City's liquidity, it may be useful to compare both the unassigned and total fund balance to total fund expenditures. Unassigned fund balance represents 41 percent of total General Fund expenditures, while total fund balance represents 59 percent of that same amount.

The fund balance of the General Fund increased by $27,006 during the fiscal year. Key factors in this increase are as follows:

- Total revenue decreased by $73,743 from the prior year, which amount is the approximate amount of an insurance claim received by the City in the prior year.
- Property tax revenue decreased by $32,271, but was offset by increases in other taxes.
- Charges for services increased $47,239, of which $26,974 was attributable to an increase in fines and forfeitures.

Proprietary Funds

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

Two of the City's Enterprise Funds, the Water and Sewer System Natural Gas System, provide services to the general public and require periodic evaluation and determination of revenues.

The City's two Enterprise Funds are the Water and Sewer System and Gas System Funds. Total revenue from the Water and Sewer System for 2010 (excluding interest) was $1,804,952, representing a 2 percent decrease from 2009. While revenues for the System were down 2 percent, operating expenses increased by 4 percent. Just prior to 2010 year-end, the City approved a two-phase water and sewer service rate increase with the first increase effective February 2011 and the second effective January 2012. Total revenue from the gas system was $2,106,479, representing an increase of 14 percent, while expenses also increased by 14 percent.

General Fund Budgetary Highlights

The legal level of control (the level at which expenditures cannot legally exceed appropriations) is at the department level. The City's primary budgeted fund is the General Fund. The Mayor and Council are required to adopt the City's budget in December of each year. The General Fund Budget was amended during the year for a decrease in appropriations of $34,582. The most notable expenditure amendments are as follows:

- The appropriation to Administration was decreased by $253,352 when an anticipated streetscape project was deferred to the subsequent fiscal year.
- The appropriation to Public Services was increased by $129,608 for a public works project scheduled to be completed in 2009 that was delayed until the current year.
- There was also a re-allocation of personnel from an Enterprise Fund to the General Fund, Streets and Roads, along with the addition of a state-assisted road project, resulting in an increased appropriation of $65,601.

At December 31, 2010, General Fund revenues were $118,980 less than estimated. Expenditures were $82,388 less than estimated. After a capital lease and operating transfer of hotel/motel tax into the general fund, there was an increase to fund balance of $27,006.

Capital Assets and Debt Administration

The City's investment in capital assets, for its governmental and business-type activities as of December 31, 2010, amounts to $16,735,517 (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings and systems, machinery and equipment, and construction in progress.

The total increase Adairsville's investment in capital assets for the current fiscal year was 4 percent. Additional information on the City's capital assets can be found in note 7 on pages 33 through 35 of this report.

Long-term debt. At December 31, 2010, the City of Adairsville had a total of $250,000 in outstanding bonded debt-water and sewer revenue bonds. The City also had four installment purchase agreements with a total outstanding balance of $45,400, and four Georgia Environmental Facilities Authority loans totaling $3,283,031.

Additional information on the City's long-term debt can be found in notes 8 and 9 on pages 35 through 38.

Economic Factors and Next year's Budgets and Rates

- The unemployment rate for Adairsville is 11 percent, compared to the state average of 9.8 percent is down from 11.7 percent in 2009.
- For the tax year 2010, the City's net tax digest increased by $3,176,985 or 3 percent, allowing the City to maintain its 2009 tax year millage rate.

Requests for Information

This financial report is designed to provide a general overview of the City of Adairsville's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to City of Adairsville, City Manager, 116 Public Square, Adairsville, Georgia 30103.

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BASIC FINANCIAL STATEMENTS

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CITY OF ADAIRSVILLE, GEORGIA
Statement of Net Assets
December 31, 2010

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Adairsville Development Authority
Assets				
Cash	$ 2,298,828	$ 845,139	$ 3,143,967	$ 56,057
Receivables - Net	465,908	694,137	1,160,045	-
Prepaid Items	21,809	24,267	46,076	-
Inventory	-	74,162	74,162	-
Internal Balances	(696,715)	696,715	-	-
Due from Other Governments	178,577	-	178,577	-
Restricted Assets:				
Restricted Cash	1,420,847	356,450	1,777,297	-
Capital Assets				
Other Capital Assets-Net	4,015,161	15,491,398	19,506,559	330,798
Land and Construction in Progress	678,978	147,371	826,349	112,565
Unamortized Bond Issue Costs	-	5,791	5,791	-
Total Assets	8,383,393	18,335,430	26,718,823	499,420
Liabilities				
Accounts Payable	410,164	276,583	686,747	-
Accrued Liabilities	545	-	545	-
Customer Deposits	-	464,893	464,893	100
Interest Payable	-	21,617	21,617	-
Noncurrent Liabilities:				
Due Within One Year	35,435	407,364	442,799	-
Due In More Than One Year	139,528	3,204,063	3,343,591	9,400
Total Liabilities	585,672	4,374,520	4,960,192	9,500
Net Assets				
Invested In Capital Assets, Net of Related Debt	4,648,739	12,086,778	16,735,517	443,363
Restricted For:				
Construction	1,499,869	315,866	1,815,735	-
Debt Service	-	40,584	40,584	-
Drug Enforcement Activities	9,870	-	9,870	-
Other Purposes	7,606	-	7,606	-
Unrestricted	1,631,637	1,517,682	3,149,319	46,557
Total Net Assets	$ 7,797,721	$ 13,960,910	$ 21,758,631	$ 489,920

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

CITY OF ADAIRSVILLE, GEORGIA
Statement of Activities
For the Year Ended December 31, 2010

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Administration	$ 794,062	$ 334,587	$ -	$ 653,943
Police	1,299,337	176,689	39,412	-
Fire	178,248	-	-	-
Public Services	129,802	57,497	-	268,582
Streets and Roads	315,672	10,361	-	24,518
Interest on Long-term Debt	1,415	-	-	-
Total Governmental Activities	2,718,536	579,134	39,412	947,043
Business-type Activities:				
Water/Sewer	1,950,307	1,810,382	-	2,128
Gas	2,092,463	2,208,290	-	-
Total Business-type Activities	4,042,770	4,018,672	-	2,128
Total Primary Government	$ 6,761,306	$ 4,597,806	$ 39,412	$ 949,171
Component Unit:				
Adairsville Development Authority	$ 4,719	$ 2,277	$ -	$ -
Total Component Unit	$ 4,719	$ 2,277	$ -	$ -

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

CITY OF ADAIRSVILLE, GEORGIA
Statement of Activities
For the Year Ended December 31, 2010

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets			
	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Totals	Adairsville Development Authority
Primary Government:				
Governmental Activities:				
Administration	$ 194,468		$ 194,468	
Police	(1,083,236)		(1,083,236)	
Fire	(178,248)		(178,248)	
Public Services	196,277		196,277	
Streets and Roads	(280,793)		(280,793)	
Interest on Long-term Debt	(1,415)		(1,415)	
Total Governmental Activities	(1,152,947)		(1,152,947)	
Business-type Activities:				
Water/Sewer		$ (137,797)	(137,797)	
Gas		115,827	115,827	
Total Business-type Activities		(21,970)	(21,970)	
Total Primary Government	(1,152,947)	(21,970)	(1,174,917)	
Component Unit:				
Adairsville Development Authority				$ (2,442)
Total Component Unit				(2,442)
General Revenues:				
Taxes:				
Property	500,899	-	500,899	-
Sales	765,514	-	765,514	-
Hotel/Motel	57,604	-	57,604	-
Insurance Premium	136,840	-	136,840	-
Malt & Mixed Beverage	97,543	-	97,543	-
Franchise	333,631	-	333,631	-
Other	26,830	-	26,830	-
Miscellaneous	22,176	-	22,176	-
Investment Earnings	15,371	-	15,371	-
Transfers	(90,257)	90,257	-	-
Total General Revenues and Transfers	1,866,151	90,257	1,956,408	-
Change in Net Assets	713,204	68,287	781,491	(2,442)
Net Assets - Beginning	7,084,517	13,904,944	20,989,461	492,362
Prior Period Adjustment	-	(12,321)	(12,321)	-
Net Assets - Ending	$ 7,797,721	$ 13,960,910	$ 21,758,631	$ 489,920

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

CITY OF ADAIRSVILLE, GEORGIA
Balance Sheet
Governmental Funds
December 31, 2010

	General	Capital Projects SPLOST 2008	Nonmajor Special Revenue Funds	Total Governmental Funds
Assets				
Cash	$2,298,828	$ -	$ -	$ 2,298,828
Receivables (Net of Allowance for Uncollectibles):				
Accounts	11,512	-	-	11,512
Taxes	447,865	-	6,531	454,396
Prepaid Items	21,809	-	-	21,809
Due from Other Governments	79,549	99,028	-	178,577
Cash - Restricted	2,544	1,408,433	9,870	1,420,847
Total Assets	$2,862,107	$1,507,461	$ 16,401	$ 4,385,969
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	$ 401,103	$ 9,061	$ -	$ 410,164
Accrued Wages Payable and Withholdings	545	-	-	545
Due to Other Funds	696,715	-	-	696,715
Deferred Revenues	75,523	-	-	75,523
OPEB Liability - Short Term	7,152	-	-	7,152
Total Liabilities	1,181,038	9,061	-	1,190,099
Fund Balance:				
Nonspendable:				
Prepaid Items	21,809	-	-	21,809
Loans Receivable	9,400	-	-	9,400
Restricted For:				
Drug Enforcement Activities	-	-	9,870	9,870
Construction	1,469	1,498,400	-	1,499,869
Other Purposes	1,075	-	6,531	7,606
Assigned - Other Purposes	503,075	-	-	503,075
Unassigned	1,144,241	-	-	1,144,241
Total Fund Balances	1,681,069	1,498,400	16,401	3,195,870
Total Liabilities and Fund Balances	$2,862,107	$1,507,461	$ 16,401	$ 4,385,969

(Continued)

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

CITY OF ADAIRSVILLE, GEORGIA
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Assets
December 31, 2010

(Continued)

Fund Balances - Total Governmental Funds		$ 3,195,870
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and are therefore not reported in the governmental funds.		
Governmental Capital Assets	6,609,044	
Less Accumulated Depreciation	(1,914,905)	4,694,139
Deferred revenue in the general fund represents property tax billed but uncollected and is eliminated in the statement of net assets.		75,523
Long-term liabilites are not due and payable in the current perod and therefore are not reported in the governmental funds.		
Leases Payable	(45,400)	
OPEB Liability - Long Term	(122,411)	(167,811)
Net Assets of Governmental Activities		$ 7,797,721

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

CITY OF ADAIRSVILLE, GEORGIA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2010

	General	Capital Projects SPLOST 2008	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	$ 1,836,281	$ -	$ 57,604	$ 1,893,885
Licenses and Permits	74,121	-	-	74,121
Intergovernmental	331,731	653,943	-	985,674
Fines and Forfeitures	170,613	-	2,516	173,129
Charges for Services	314,915	-	-	314,915
Contributions	781	-	-	781
Miscellaneous Income	22,176	-	-	22,176
Interest Income	15,318	16,976	53	32,347
Total Revenues	2,765,936	670,919	60,173	3,497,028
Expenditures				
Current Operating:				
Administration	702,591	-	-	702,591
Police	1,218,824	-	3,556	1,222,380
Fire	178,248	-	-	178,248
Public Services	395,541	-	-	395,541
Streets and Roads	294,730	-	-	294,730
Debt Service:				-
Principal	35,471	-	-	35,471
Interest	1,415	-	-	1,415
Capital Outlay:				-
Streets and Roads	-	81,105	-	81,105
Police	-	-	16,811	16,811
Water and Sewer	-	90,257	-	90,257
Total Expenditures	2,826,820	171,362	20,367	3,018,549
Excess (Deficiency) of Revenues Over Expenditures	(60,884)	499,557	39,806	478,479
Other Financing Sources (Uses)				
Capital Lease Proceeds	29,866	-	-	29,866
Transfers - Out	-	-	(58,024)	(58,024)
Transfers - In	58,024	-	-	58,024
Total Other Financing Sources (Uses)	87,890	-	(58,024)	29,866
Net Change in Fund Balances	27,006	499,557	(18,218)	508,345
Fund Balance (Deficit) - Beginning of Year	1,654,063	998,843	34,619	2,687,525
Fund Balance (Deficit) - End of Year	$ 1,681,069	$ 1,498,400	$ 16,401	$ 3,195,870

(Continued)

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

CITY OF ADAIRSVILLE, GEORGIA
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds To the Statement on Activities for the Year Ended December 31, 2010

(Continued)

Net Change in Fund Balances - Total Governmental Funds		$ 508,345
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which capital outlays exceeded depreciation in the current period.		
Expenditures for Capital Assets	420,041	
Less Current Year Depreciation	(181,350)	238,691
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		
Unavailable Deferred Property Tax Revenue		24,969
Capital lease proceeds provide current financial resources to governmental funds, but issuance of debt increases long-term liabilities in the Statement of Net Asets. Repayment of lease capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		
Lease Proceeds	(29,866)	
Repayment of Principal	35,471	
Change in Long Term OPEB Liability	(64,406)	(58,801)
Change in Net Assets of Governmental Activities		$ 713,204

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

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CITY OF ADAIRSVILLE, GEORGIA
Statement of Revenues, Expenditures, and Changes in Fund Balance
General Fund - Budget and Actual
For the Year Ended December 31, 2010

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
Revenues				
Taxes	$ 1,916,810	$ 1,932,104	$ 1,836,281	$ (95,823)
Licenses and Permits	76,050	74,700	74,121	(579)
Intergovernmental	405,000	340,982	331,731	(9,251)
Fines and Forfeitures	141,300	182,200	170,613	(11,587)
Charges for Services	307,500	314,750	314,915	165
Contributions	4,500	800	781	(19)
Miscellaneous Income	51,130	23,080	22,176	(904)
Interest Income	21,700	16,300	15,318	(982)
Total Revenues	2,923,990	2,884,916	2,765,936	(118,980)
Expenditures				
Current:				
Administration	992,807	739,455	702,591	36,864
Police	1,238,214	1,261,574	1,218,824	42,750
Fire	178,248	178,248	178,248	-
Public Services	261,107	390,715	395,541	(4,826)
Streets and Roads	235,887	301,488	294,730	6,758
Debt Service:				
Principal	35,471	35,471	35,471	-
Interest	2,056	2,257	1,415	842
Total Expenditures	2,943,790	2,909,208	2,826,820	82,388
Excess (Deficiency) of Revenues Over Expenditures	(19,800)	(24,292)	(60,884)	(36,592)
Other Financing Sources (Uses)				
Capital Lease Proceeds	29,616	29,866	29,866	-
Transfers - In	-	-	58,024	58,024
Total Other Financing Sources (Uses)	29,616	29,866	87,890	58,024
Net Change in Fund Balance	9,816	5,574	27,006	21,432
Fund Balance (Deficit) - Beginning of Year	1,654,063	1,654,063	1,654,063	-
Fund Balance (Deficit) - End of Year	$ 1,663,879	$ 1,659,637	$ 1,681,069	$ 21,432

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

CITY OF ADAIRSVILLE, GEORGIA
Statement on Net Assets
Proprietary Funds
December 31, 2010

	Gas	Water & Sewer	Total
Assets			
Current Assets:			
Cash	$ 572,770	$ 272,369	$ 845,139
Accounts Receivable - Net	474,874	219,263	694,137
Prepaid Items	4,824	19,443	24,267
Due from other Funds	373,342	323,373	696,715
Inventory	41,397	32,765	74,162
Total Current Assets	1,467,207	867,213	2,334,420
Non-Current Assets:			
Restricted Assets:			
Construction - Cash	-	40,584	40,584
Bond Debt Service Cash	-	51,911	51,911
Bond Debt Service Reserve Cash	-	263,955	263,955
Capital Assets:			
Equipment	593,766	1,234,770	1,828,536
Buildings and Structures	79,510	105,490	185,000
Distribution and Collection Systems	2,466,718	18,171,729	20,638,447
Less Accumulated Depreciation	(1,325,119)	(5,835,466)	(7,160,585)
Land and Easements	3,500	16,852	20,352
Construction in Progress	-	127,019	127,019
Unamortized Bond Issue Costs	-	5,791	5,791
Total Non-Current Assets	1,818,375	14,182,635	16,001,010
Total Assets	$ 3,285,582	$ 15,049,848	$ 18,335,430

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

CITY OF ADAIRSVILLE, GEORGIA
Statement of Net Assets
Proprietary Funds
December 31, 2010

	Gas	Water & Sewer	Total
Liabilities			
Current Liabilities:			
Accounts Payable	$ 258,059	$ 18,524	$ 276,583
OPEB Liability - Short Term	2,750	-	2,750
Customer Deposits	231,245	233,648	464,893
Notes Payable	-	284,614	284,614
Interest Payable	-	21,617	21,617
Revenue Bonds Payable	-	120,000	120,000
Total Current Liabilities	492,054	678,403	1,170,457
Noncurrent Liabilities:			
Notes Payable	-	3,018,280	3,018,280
Revenue Bonds Payable (Net of Unamortized Discount)	-	129,097	129,097
OPEB Liability - Long Term	5,353	51,333	56,686
Total Noncurrent Liabilities	5,353	3,198,710	3,204,063
Total Liabilities	497,407	3,877,113	4,374,520
Net Assets			
Invested in Capital Assets, net of related debt	1,818,375	10,268,402	12,086,777
Restricted			
Debt Service	-	315,866	315,866
Construction	-	40,584	40,584
Unrestricted	969,800	547,883	1,517,683
Total Net Assets	$ 2,788,175	$ 11,172,735	$ 13,960,910

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

CITY OF ADAIRSVILLE, GEORGIA
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
For the Year Ended December 31, 2010

	Gas	Water & Sewer	Total
Operating Revenues			
Charges for Services	$ 2,099,255	$ 1,654,345	$ 3,753,600
Fees	5,842	149,241	155,083
Other Revenues	1,382	1,366	2,748
Total Operating Revenues	2,106,479	1,804,952	3,911,431
Operating Expenses			
Salaries, Wages and Employee Benefits	251,364	495,794	747,158
Cost of Gas for Resale	1,451,910	-	1,451,910
Services and Supplies	163,488	620,027	783,515
Insurance Expense	17,010	48,892	65,902
Administrative Expense	120,500	120,500	241,000
Depreciation Expense	88,191	472,093	560,284
Total Operating Expenses	2,092,463	1,757,306	3,849,769
Operating Income (Loss)	14,016	47,646	61,662
Nonoperating Revenues (Expenses)			
Interest Revenue	10,786	5,430	16,216
Interest Expense	-	(190,106)	(190,106)
Gas Rebates	91,025	-	91,025
Bond Issue Cost Amortization	-	(2,895)	(2,895)
Total Nonoperating Revenues (Expenses)	101,811	(187,571)	(85,760)
Income Before Contributions and Transfers	115,827	(139,925)	(24,098)
Capital Contributions - Capital Projects Funds	-	90,257	90,257
Capital Contributions - Other	-	2,128	2,128
	-	92,385	92,385
Change in Net Assets	115,827	(47,540)	68,287
Net Assets - Beginning	2,672,348	11,232,596	13,904,944
Prior Period Adjustment	-	(12,321)	(12,321)
Net Assets - Ending	$ 2,788,175	$ 11,172,735	$ 13,960,910

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

CITY OF ADAIRSVILLE, GEORGIA
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2010

	Gas	Water & Sewer	Total
Cash Flows From Operations			
Receipts from Customers and Users	$ 2,117,491	$ 1,787,358	$ 3,904,849
Payments to Suppliers	(1,699,770)	(833,699)	(2,533,469)
Payments to/for Employees	(247,201)	(469,924)	(717,125)
Net cash Provided by (Used in) Operating Activities	170,520	483,735	654,255
Cash Flows from Noncapital Financing Activities			
Payments from Other Funds	41,114	99,541	140,655
Payments to Other Funds	(38,507)	-	(38,507)
Net Cash from Noncapital Financing Activities	2,607	99,541	102,148
Cash Flows from Capital and Related Financing Activities			
Principal Payments - Bonds	-	(115,000)	(115,000)
Principal Payments - Notes	-	(251,330)	(251,330)
Proceeds from Notes	-	-	-
Acquisition and Construction of Fixed Assets	(110,668)	(40,010)	(150,678)
Interest Paid	-	(189,329)	(189,329)
Net Cash from Capital and Related Financing Activities	(110,668)	(595,669)	(706,337)
Cash Flows from Investing Activities			
Interest Received	10,786	5,430	16,216
Net Increase (Decrease) in Cash	73,245	(6,963)	66,282
Cash - January 1 (including $356,450 in restricted cash)	499,525	635,782	1,135,307
Cash - December 31 (including $405,088 in restricted cash)	$ 572,770	$ 628,819	$ 1,201,589
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities:			
Operating Income	$ 14,016	$ 47,646	$ 61,662
Adjustments of Reconcile to Net Cash Provided by Operating Activities			
Depreciation	88,191	472,093	560,284
Note Reduction in Lieu of Cash	-	(48,611)	(48,611)
Gas Rebates	91,025	-	91,025
(Increase) Decrease in Accounts Receivable	(79,394)	(23,409)	(102,803)
(Increase) Decrease in Prepaid Items	417	(693)	(276)
(Increase) Decrease in Inventory	6,241	1,108	7,349
Increase (Decrease) in Accounts Payable & Accrued Payables	46,479	3,916	50,395
Increase (Decrease) in OPEB Liability	4,163	25,870	30,033
Increase (Decrease) in Customer Deposits	(618)	5,815	5,197
Net Cash Provided by (Used in) Operating Activities	$ 170,520	$ 483,735	$ 654,255
Noncash Investing, Capital and Financing Activities			
Acquisition of Fixed Assets	$ -	$ (92,385)	$ (92,385)
Capital Contributions	-	92,385	92,385
Net Cash from Noncash Activities	$ -	$ -	$ -

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

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Note 1. Summary of Significant Accounting Policies

The City of Adairsville was incorporated in February 1854. The City operates under an elected mayor and council. The City provides the following services: Public Works (Streets), Public Utilities (Gas and Water), Public Safety (Police), Public Services (which includes library and cultural) and General and Administrative Services.

A. Reporting Entity

The financial statements of the reporting entity include those of the City (the primary government) and its component units. In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. As required by generally accepted accounting principles, certain potential component units are considered for inclusion in the reporting entity because of the significance of their operational or financial relationships with the City. The discretely presented component unit described below is presented in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government:

Adairsville Development Authority - The Development Authority's was created in 1986 for the purpose of improving the local economic base by promoting industrial and commercial development in the City of Adairsville. The Development Authority's board consists of 5 members appointed by the Mayor and City Council Members. The Authority has a December year-end and is presented as a governmental fund type. The Authority does not issue separate financial statements.

Related organization

The Etowah Area Consolidated Housing Authority is a related organization that has not been included in the reporting entity. The Etowah Area Consolidated Housing Authority was formed when the Adairsville Housing Authority and the Cartersville Housing Authority were consolidated on April 1, 1998. The Authority provides low-income housing to eligible families in the Cities of Adairsville and Cartersville. The Authority's Board consists of five members, two appointed by the Adairsville City Council and three that are appointed by the Cartersville City Council. The City is not financially accountable (does not impose will or have a financial benefit or burden relationship) for the Authority.

B. Government-wide and Fund Financial Statements

The basic financial statements include both government-wide and fund financial statements, each of which present different views of the City. The government-wide and fund financial statements categorize primary activities as either governmental or business type. Fiduciary funds (if any) are not included in the government-wide statements.

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

In the government-wide statement of net assets, governmental and business-type activities are presented on a consolidated basis and reflect full accrual, economic resources basis, which includes long-term assets and receivables as well as long-term debt and obligations.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly

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

Fund financial statements emphasize major funds in either the governmental or business-type category. Non-major governmental funds (if any) are reported as a separate column in the fund financial statements.

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

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to the governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

The financial transactions of the City are recorded in individual funds which provide a separate set of self-balancing accounts that is comprised of assets, liabilities, reserves, fund equity, revenues and expenditures.

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

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

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

The general and the capital project funds are the major governmental funds that the City reports. The City has elected to present two special revenue funds – confiscated assets and hotel/motel tax as major funds. The general fund is the primary fund of the City and accounts for all financial resources of the general government except those required to be reported in the other funds. The capital projects fund accounts for the acquisition and construction of major capital assets other than those accounted for by proprietary funds. The confiscated assets fund accounts for cash received from

confiscation or sale of capital assets acquired through confiscation. The hotel/motel tax fund accounts tax proceeds from the hotel/motel tax.

Proprietary funds are used to account for operations for which a fee is charged to external users for goods or services and the activity is intended to be self-supporting. The City has gas and water/sewer funds, both of which are presented as major funds. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the gas and water/sewer enterprise funds are charges to customers for sales and services. Both funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

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

D. Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets were adopted for the general, confiscated assets and hotel/motel tax special revenue funds. Annual appropriations lapse at fiscal year end.

The capital projects fund has a project length budget that was adopted when voters approved the SPLOST referendum. This budget is prepared based on the projected total of SPLOST revenues and capital outlays.

Encumbrance or commitments related to the unperformed contract for goods or services (if any) were for immaterial amounts and therefore are not reported as reservations of fund balances.

E. Assets, Liabilities, Net Assets or Equity

1. **Cash and Investments.** Cash includes amounts in demand and time deposits that must be by law insured or collateralized, and investments, if any, are limited by law and bond ordinances, to federal and state securities and stated at fair value.

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

3. **Due to and Due from Other Funds/Internal Balances.** During the course of operations, numerous transactions occur between individual funds for goods provided, services rendered or interfund loans. The balances which represent receivables and payables between governmental and business-type activities are reported as internal balances. As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are administrative charges between the general fund and the gas and water/sewer funds. Elimination of these charges would distort the direct costs and revenues reported for the two funds. In the government-wide financial statements these balances are reported as internal balances.

4. **Restricted Cash.** Demand and time deposits set-aside for repayment of water and sewer revenue bonds are classified as restricted on the balance sheet because their use is limited by applicable bond covenants. The construction accounts are used to report proceeds restricted for use in construction. The "revenue bond debt service" accounts are used to segregate resources accumulated for debt service payments over the next twelve months. The "revenue bond debt service reserve" accounts are used to report resources set aside to make up potential future deficiencies in the revenue bond debt service accounts.

5. **Inventories and Prepaid Items.** Inventory is valued at the lower of cost (first-in, first-out) or market. The Water and Sewer Fund and Gas Fund inventories, if applicable, are valued at lower of cost or market using the first-in, first-out method. Prepaid items represent the amount paid in advance for insurance.

6. **Capital Assets.** Capital assets that cost more than $5,000 with an estimated useful life of more than one year are capitalized and depreciated. Capital assets, including property, plant, vehicles, equipment and infrastructure (streets, bridges, curbs, sidewalks, drainage and lighting systems) are reported in the applicable governmental or business-type activities columns in the government-wide statements. All capital assets are carried at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair value on the date of acquisition. Depreciation is computed on the straight-line basis over the estimated useful life of the asset.

   The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

   Interest is capitalized on proprietary fund assets acquired with debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

   General infrastructure assets acquired prior to July 1, 2003 are not reported in the basic financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to July 1, 2003.

7. **Compensated Absences.** Vested or accumulated vacation leave is recorded as an expense and a liability when incurred in the proprietary fund financial statements and as a liability in the governmental funds only in the government-wide financial statements. For the governmental activities, compensated absences are generally liquidated by the general fund. The City's current policy does not allow carryover of unused vacation.

8. **Long-term Debt, Bond Discounts and Issuance Costs.** Outstanding debt and other obligations are reported as a liability in the government-wide and proprietary financial statements. Bond discounts/premiums and issuance costs for proprietary funds are capitalized and amortized over the term of the respective bonds using a method that approximates the effective interest method. Bond discounts are presented as a reduction in the face amount of bonds payable and issuance costs are recorded as deferred charges.

   In the fund financial statements, governmental funds recognize bond premiums, discounts and bond issuance costs, during the current period. The face amount of the debt issued is reported as an other financing source.

9. **Pensions.** The provision for pension costs is recorded on the accrual basis and it is the City's policy to fund pension costs as they accrue.

10. **Fund Equity/Net Assets.** The governmental fund financial statements report restricted fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. The unassigned portion represents an amount available for future operations.

    Unrestricted net assets for proprietary funds represent the net assets available for future operation. Restricted net assets represent assets that have been legally identified for specific purposes.

Note 2. Legal Compliance - Budgets

Georgia Law requires an annual balanced budget for the general and special revenue funds and a project length budget for each capital project fund. All departments of the City submit requests for appropriation to the City Finance Director so that a budget may be prepared. The budget is prepared by fund, function (department), and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year.

No later than 45 days prior to the beginning of the fiscal year, the proposed budget is presented to the mayor and council for review. The council holds public hearings and may add to, subtract from or change appropriations, but may not change the form of the budget. Department heads may make transfers of appropriations within a department. The legal level of budgetary control is at the department level. Transfers of appropriations between departments must be approved by an affirmative vote of a majority of the council, except for emergencies as defined by the charter and unanimously voted by council. The 2010 General Fund budget was voted upon and adopted by the city council.

Expenditures exceeded budgeted appropriations in the following General Fund department.

Public Services	$ 4,826

Note 3. Deposits and Investments

Cash as of December 31, 2010 is as follows:

Statement of Net Assets:	
Cash	$ 3,143,967
Restricted Cash	1,777,297
Total	$ 4,921,264

The City has no investments other than cash.

The City does not have a formal policy that addresses custodial credit risk.

Component Unit:

Adairsville Development Authority:

Cash as of December 31, 2010 is as follows:

Statement of Net Assets:	
Cash	$ 56,057

The Authority does not have a formal policy that addresses custodial credit risk.

Note 4. Receivables

Receivables as of December 31, 2010 consist of the following:

	General	Hotel/ Motel	Gas	Water and Sewer	Total
Receivables:					
Accounts	$ 11,512	$ --	$ 497,553	$ 231,757	$ 740,822
Property Tax	128,952	--	--	--	128,952
Hotel/Motel Tax	--	6,531	--	--	6,531
Franchise Tax	329,079	--	--	--	329,079
Allowances for Uncollectibles	(10,166)	--	(22,679)	(12,494)	(45,339)
Net	$ 459,377	$ 6,531	$ 474,874	$ 219,263	$ 1,160,045

Due from other governments includes $61,290 of Local Option Sales Taxes due from the State of Georgia, $99,028 due from Bartow County, and $9,489 due from COPS Grant.

Note 5. Property Tax

Bartow County bills and collects the City's real and personal property taxes. The Bartow County Tax Assessors Office assesses property values as of January 1 each year. The City's millage rate of 3.64 mils was approved by the City Council July 28, 2010 the levy date was September 15, 2010 and taxes were due by November 15, 2010. After November 15, interest and penalties begin to accrue on unpaid balances and property is subject to lien.

All property taxes revenue is recorded when it becomes measurable and available. Available means due, or past due, and receivable within the current period, and collected no later than 60 days after the close of the fiscal year.

Note 6. Interfund Receivables, Payables and Transfers

Due to/from other funds:

Interfund receivable and payable balances at December 31, 2010 were $ 696,715.

Due To	Due From	Amount
Gas	General	$ 373,342
Water	General	323,373
		$ 696,715

Interfund balances consist of routine transfers for payroll and related benefits that are reimbursed on a monthly basis.

Capital Contributions, Transfers and Payments:

Routine transfers and payments between funds are to subsidize operations and capital asset acquisition. Interfund capital contributions for the year ending December 31, 2010 were as follows:

Source Fund	Contribution to Fund	Amount
Capital Projects 2008 SPLOST	Water/Sewer	$ 90,257

Transfers on the fund level statements are different because transfers of capital assets to a business-type fund are not reported in governmental funds.

Between Governmental Funds:

Source Fund	Transfer to Fund	Amount
Hotel/Motel	General Fund	$ 58,024

Note 7. Capital Assets

The following is a summary of the primary government capital asset activity during the fiscal year:

	Balance 01/01/2010	Additions	Transfers/ Deletions	Balance 12/31/2010
Governmental activities:				
Capital assets, not being depreciated				
Land	$ 546,377	$ --	$ --	$ 546,377
Construction in Progress-Streetscape	212,335	24,457	219,058	17,734
Construction in Progress-Comm Svc Ctr	244,933	267,801	512,734	--
Construction in Progress-Capital Projects	33,762	81,105	--	114,867
Total capital assets not being depreciated	1,037,407	373,363	731,792	678,978
Capital assets, being depreciated				
Buildings	1,694,046	512,734	--	2,206,780
Infrastructure	2,369,121	219,058	--	2,588,179
Equipment	1,088,430	46,677	--	1,135,107
Total capital assets being depreciated	5,151,597	778,469	--	5,930,066

Less accumulated depreciation for:				
Buildings	643,972	57,822	--	701,794
Infrastructure	151,324	65,688	--	217,012
Equipment	938,259	57,840	--	996,099
Total accumulated depreciation	1,733,555	181,350	--	1,914,905
Capital Assets – Net	$ 4,455,449	$ 970,482	$ 731,792	$ 4,694,139

Included in additions are Capital Projects construction of sidewalks and road improvements at a cost of $81,105, $267,801 in construction on the Community Services Center which was completed and transferred into Buildings at a total cost of $512,734 and the purchase of police cars for $29,866.

Total governmental activities depreciation expense charged to functions/programs of the government are as follows:

Administration	$ 85,881
Police	54,526
Public Services	2,062
Streets and Roads	38,881
Total Depreciation Expense	$ 181,350

	Balance 01/01/10	Additions	Transfers/ Deletions	Balance 12/31/10
Business-type activities				
Capital assets, not being depreciated				
Land	$ 20,352	$ --	$ --	$ 20,352
Construction in Progress	17,846	219,841	110,668	127,019
Total capital assets not being depreciated	38,198	219,841	110,668	147,371
Capital assets, being depreciated				
Equipment	$ 1,828,536	$ --	$ --	$ 1,828,536
Buildings	185,000	--	--	185,000
Utility Systems	20,506,685	131,762	--	20,638,447
Total capital assets being depreciated	22,520,221	131,762	--	22,651,983
Less accumulated depreciation for:				
Equipment	853,936	136,432	--	990,368
Buildings	55,616	6,455	--	62,071
Utility Systems	5,690,748	417,398	--	6,108,146
Total accumulated depreciation	6,600,300	560,285	--	7,160,585
Capital Assets, - Net	$ 15,958,119	$ (208,682)	$ 110,668	$ 15,638,769

Business-type activities construction in progress at year-end consists of various water/sewer system improvements totaling $127,019.

The primary government uses the following estimated useful lives to compute depreciation (straight-line method):

Equipment	3-10 years
Buildings	20-50 years
Utility System	20-75 years
Infrastructure	50 years

The following is a summary of component unit capital asset activity during the fiscal year:

	Balance 01/01/10	Additions	Transfers/ Deletions	Balance 12/31/10
Component Unit – Development Authority				
Capital assets, not being depreciated				
Land	$ 112,565	$ --	$ --	$ 112,565
Construction in Progress	223,215	--	223,215	--
Total capital assets not being depreciated	335,780	--	223,215	112,565
Capital assets, depreciated				
Buildings	126,865	223,215	--	350,080
Total capital assets being depreciated	126,865	223,215	--	350,080
Less accumulated depreciation for:				
Buildings	15,254	4,028	--	19,282
Total accumulated depreciation	15,254	4,028	--	19,282
Capital Assets – Net	$ 447,391	$ 219,187	$ 223,215	$ 443,363

Note 8. Lease Obligations

The City has entered into various capital lease agreements through Ford Motor Credit, United Community Bank and Northside Bank as lessee for financing the acquisition of vehicles and equipment. The interest rates on these leases range from 2.67% to 4.80%. If the leases are paid in full, the title to the property is transferred to the City. The City's equipment under lease has a cost of $106,600 with accumulated depreciation of $20,941. The following is a schedule of the future minimum lease payments under capital leases, and the present value of the net minimum lease payments at December 31, 2010:

Year Ending December 31	General Fund
2011	$ 29,457
2012	14,822
2013	2,625
Minimum lease payments for all capital leases	46,904
Less Interest	(1,504)
Present value of minimum lease payments	$ 45,400

The City has no operating lease obligations.

Note 9. Outstanding Debt

Debt outstanding as of December 31, 2010 is composed of the following:

Primary Government

Revenue Bonds

	Date of Issue	Interest Rate	Date Final Payment Due	Amount Issued	Amount Outstanding
Business-type Activities:					
Water & Sewer Revenue Bonds – System Additions	03-25-93	3.5 – 6.0%	12-01-2012	$ 2,180,000	$ 250,000

The following schedule presents debt service requirements to maturity for revenue bonds:

	Business-type Activities	
Year Ending December 31	Principal	Interest
2011	120,000	15,000
2012	130,000	7,800
Total	$ 250,000	$ 22,800

Notes payable

	Date of Issue	Interest Rate	Date Final Payment Due	Amount Issued	Amount Outstanding
Business-type Activities:					
Water and Sewer Fund					
Bartow County – Waterline	04-09-98	*	*	$ 667,794	$ 19,863
GEFA Note – System Additions	08-01-96	5.12%	05-01-2016	510,854	196,705
GEFA Note – System Additions	06-01-98	5.86%	06-01-2018	2,745,554	1,412,179
GEFA Note – System Additions	08-25-03	3.98%	10-01-2024	1,172,080	911,818
GEFA Note – System Additions	07-26-05	4.20%	02-01-2029	809,928	762,329
Total Water and Sewer Fund					3,302,894
Total Business-type Activities					$ 3,302,894

* None stated

The following schedule presents debt service requirements to maturity for notes payable:

Year Ending December 31	Business-type Activities Principal	Interest
2011	284,614	155,889
2012	278,899	141,742
2013	293,845	126,796
2014	309,586	111,054
2015	326,200	312,806
2016-2020	1,081,408	251,000
2021-2025	550,765	90,640
2026-2029	177,577	12,360
Total	$ 3,302,894	$ 983,920

Note Payable – Bartow County

During 2000, the City took ownership of the newly constructed Hall Station Road waterline extension. Under terms of an agreement dated April 8, 1998, Bartow County constructed the waterline at a cost of $667,793.87, and upon completion transferred ownership to the City, with the City to supply water to the County until such time as the County has been reimbursed for the full cost of constructing the line. Under the terms of the agreement the City assumes an obligation to repay the county, credits the County for its monthly water charges and applies the amount to the outstanding principal balance. There are no stated payment amounts, payment date, number of payments or interest rate. The repayment of this note is entirely contingent upon the quantity of water used by the County on a monthly basis. The schedule above assumes an average water usage of $50,000 per year until pay-off. The outstanding balance on December 31, 2010 was $19,863.

Leases Payable

	Date of Issue	Interest Rate	Date Final Payment Due	Amount Issued	Amount Outstanding
Governmental Activities:					
Police – Vehicles	03/08	5.20%	02/07/11	$ 27,970	1,664
Police – Vehicles	03/09	3.87%	03/04/12	$ 28,659	12,369
Police – Vehicles	03/09	3.87%	03/04/12	$ 20,105	8,677
Police – Vehicles	03/10	3.87%	03/15/13	$ 29,866	22,690
					$ 45,400

Changes in long-term liabilities

The following is a summary of the City's debt transactions for the year ended December 31, 2010:

	Balances 01/01/10	Additions	Reductions	Balances 12/31/10	Amounts Due Within One Year
Governmental Activities					
Capital Leases	$ 51,005	$ 29,866	$ 35,471	$ 45,400	$ 28,283
OPEB Liability	63,597	71,558	5,592	129,563	7,152
Total Governmental Activities	$ 114,602	$ 101,424	$ 41,063	$ 174,963	$ 35,435
Business-type Activities					
Revenue Bonds 1993 Issue	$ 365,000	$ --	$ 115,000	$ 250,000	$ 120,000
Less Deferred Amounts:					
Issuance Discount	(1,917)	--	(1,014)	(903)	--
Total Revenue Bonds	363,083	--	113,986	249,097	120,000
Notes Payable	3,602,835	--	299,942	3,302,893	284,614
OPEB Liability	29,403	32,783	2,750	59,436	2,750
Total Business-type activities	$ 3,995,321	$ 32,783	$ 416,678	$ 3,611,426	$ 407,364

Prior Years' Debt Defeasance

In prior years, the City defeased the 1983 Water and Sewer revenue bonds by placing a portion of the proceeds from new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the City's financial statements. On December 31, 2010, $345,000 of outstanding 1983 bonds is considered defeased.

Component Unit

Notes Payable

The Development Authority borrowed money from the City in order to purchase, develop and market property in the Georgia North Industrial Park. As of December 31, 2010 the Development Authority owed $9,400. There are no specific terms for repayment of the loan and no interest rate.

	Balances 01/01/10	Additions	Reductions	Balances 12/31/10	Amounts Due Within One Year
Development Authority					
Due to General Fund-Land	$ 9,400	$ --	$ --	$ 9,400	$ --

Note 10. Pension Plan

Plan Description. The City has a non-contributory defined benefit plan covering all full time employees. The plan, the City of Adairsville Retirement Plan, is administered by the Georgia Municipal Employees Benefit System (GMEBS), a statewide, agent multiple-employer type plan. GMEBS policy direction and oversight for the fund is provided by a 15 member board comprised of elected and appointed officials from the fund's membership. GMEBS handles all administrative and investment functions relative to the plan. The City established its plan effective June 1, 1985, and the authority to establish, amend or discontinue the plan remains with the City. The plan provides pension benefits and death and disability benefits for all employees that have been employed full time for one year. Members may retire at 65 years of age with 5 years of service or 60 years of age with

25 years of service. Early retirement is possible at age 55 with 10 years of service. Elected officials may retire at age 65. Benefits are calculated at 1.25% to 2.0% of the average monthly earnings for the period of the five highest years prior to retirement.

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

Funding Policy and Annual Contributions. The funding policy for the plan is to contribute an amount equal to the recommended contribution in each year. The recommended contribution meets the guidelines for calculating an annual required contribution set forth in Paragraphs 9-10 of the Statement No. 27. The annual minimum contribution is the sum of 1) the normal cost, 2) the level dollar amortization of the unfunded actuarial accrued liability (initial unfunded accrued liability over 30 years from 1985 and changes in the unfunded actuarial accrued liabilities over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods from the end of the year which such changes arise, and 3) interest on these amounts from the valuation date to the date contributions are paid(assumed monthly). These amortization periods, if applicable, are closed for this plan year.

The Plan is subject to the minimum funding standards of the Public Retirement Systems Standards Law (Georgia Code Section 47-20-10). According to the latest actuarial valuation, dated July 1, 2010, the estimated minimum annual contribution under these funding standards is $154,853.

According to the annual plan valuation dated July 1, 2010, the recommended contribution to the plan for the coming year is $154,853 ($0 employee and $154,853 employer; 0% employee and 12.20% employer of covered payroll respectively), and the recommended contribution to the plan for the previous year was $173,354 ($0 employee and $173,354 employer, 0% employee and 12.1% employer of covered payroll). Covered payroll for each year is $1,247,642 and $1,432,751 respectively.

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

Three-Year Trend information

Fiscal Year Ending	Employer Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
2010	$ 173,354	100.0%	$ 0
2009	177,158	100.0%	0
2008	141,327	100.0%	0

Significant Actuarial Assumptions. A variety of significant actuarial assumptions are used to compute the actuarial accrued liability and the annual recommended contribution and these assumptions are summarized below:

Investment rate of return	7.75% per year
Projected salary increases for	
Cost of Living Adjustments	3.5% per year
Merit or seniority	3.5% per year
Annual rates of increase in:	
Salaries	3.5%
Future Social Security Wage Base	3.5%
Cost of living adjustment	3.5%
Post retirement benefit increases	3.5% per year
Actuarial Methods:	
Normal Cost and Actuarial Accrued Liability	Projected Unit Credit
Actuarial Value of Assets	Sum of the actuarial value at the beginning of the year and the cash flow during year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at the end of the year. The actuarial value is adjusted, if necessary, to be within 50% of market value for 2009, 44% of market value for 2010, 38% of market value for 2011, 32% of market value for 2012, 26% of market value for 2013, and 20% of market value for 2014 and later years.

As of July 1, 2010, employee membership data related to the current plan membership was as follows:

Number of retirees and beneficiaries currently receiving benefits	26
Number of terminated employees entitled to benefits, but not yet receiving them	12
Number of Active Plan Participants	
Vested	16
Nonvested	27
Total	81

Information regarding the funding status of the plan as of the July 1, 2010 valuation is as follows:

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Liability	Actuarial Value of Assets as % of Actuarial Accrued Liability	Annual Covered Payroll	Ratio of the Unfunded Actuarial Liability to Annual Annual Covered Payroll
7/1/2010	$2,438,973	$2,748,812	$309,839	88.73%	$1,247,642	24.83%

Note 11. Restricted Assets and Restricted Net Assets

Restricted Assets

The City is required to establish and maintain restricted cash accounts to comply with bond covenants and external legal requirements. The revenue bond debt service and reserve cash accounts are restricted for payment of bond principal and interest and certain construction funds are restricted for specified capital projects or improvements.

The balances of the Water and Sewer fund restricted asset accounts are as follows:

Revenue Bond Debt Service Cash Account	$ 51,911
Revenue Bond Reserve Cash Account	263,955
Construction Cash Account	40,584
Total Restricted Assets	$ 356,450

Based on the required balances and the actual balance in the revenue bond and construction cash accounts, the City is in compliance with the bond ordinance and grant requirements.

Restricted Net Assets

Restrictions are used to indicate that a portion of the net assets is not available for expenditures or expenses and is legally segregated for a specific future use. The City uses the following:

Governmental Funds:

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

Restricted for construction – Created to segregate money received from SPLOST and certain grant proceeds.

Restricted for hotel/motel tax – Created to segregate money received from hotel/motel tax.

An additional reserve for other purposes includes money that the City has designated for economic development purposes. There are no external restrictions on these funds so they are not restricted in the government-wide statements.

Business-type activities:

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

Restricted for construction – Revenues are restricted for use on specific projects.

Note 12. Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

Note 13. Other Information

Vacation

City employee's vacation days accrue at a rate of 3 1/3 hours per month, up to a maximum of 160 total hours. Sick leave accrues at one (1) day every two (2) months up to six (6) days maximum in any one year.

Note 14. Risk Management

At year-end, there were no legal actions taken by or against the City that would have an adverse effect on the City's financial condition. The City is exposed to various risk of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. This City is self insured related to unemployment compensation. There have been no significant reductions in insurance coverage from the prior year.

During the past three years, the costs of any settlements have not exceeded insurance coverage.

The City has joined with other municipalities in the state as part of the Worker's Compensation Self-Insurance Fund (WCSIF) to provide risk coverage for injuries to employees. The fund is considered a public entity risk pool operating common risk management and insurance programs for member local governments. The Georgia Municipal Association (GMA) administers the risk pool.

As part of this risk pool, the City is obligated to pay all contributions and assessments as prescribed by the pool, cooperate with the pools' agents and attorneys, follow loss reduction procedures established by the fund, and to promptly report all incidents that could result in the fund being required to pay any claim of loss. The City is also to allow the fund's agents and attorneys to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the City that is within the scope of loss protection furnished by the fund.

The fund is to defend and protect its members against liability or loss as prescribed in the member governments' contracts and in accordance with the worker's compensation laws of Georgia. The funds are 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.

Note 15. Joint Venture

The City of Adairsville is a member of the Coosa Valley Regional Development Center (RDC). The RDC was created under the laws of the State of Georgia and cities and counties in the area served by the RDC are required to be members. The membership of the RDC includes 10 counties and 35 municipalities. Bartow County pays annual membership dues on behalf of the City. The City has no equity interest in the RDC nor does the City materially contribute to the continued existence of the RDC. The Official Code of Georgia Annotated Section 50-8-39.1 states that in the event the RDC ceases operation, the membership can be assessed for any debt or obligation of the RDC. Separate

financial statements may be obtained from Coosa Valley Regional Development Center, P. O. Box 1793, Rome, Georgia 30162.

Note 16. Hotel/Motel Tax Revenues and Tourism Expenditures

The City of Adairsville levies a 5 percent hotel/motel tax in accordance with the provisions of the Official Code of Georgia section 48-13-51. This code section requires that the City expend an amount equal to the amount by which the total taxes collected under this section exceed the taxes that would be collected at a rate of 3 percent. For the year ended December 31, 2010, the total amount the City collected was $57,604 and the amount collected above the 3 percent rate was $23,042. In accordance with a contractual agreement, 100% of this amount was paid from the general fund to the Cartersville-Bartow County Convention and Visitors Bureau for tourism promotion.

Note 17. Special Purpose Local Option Sales Tax

In November 2008, Bartow County voters approved a referendum on the question of "yes/no shall a special one percent sales and use tax be imposed in Bartow County for a period of time not to exceed twenty calendar quarters, or until there is collected net proceeds of $200,000,000, for various capital outlay purposes". Actual collection of the tax began April 1, 2008 and is projected to end March 31, 2014. The City of Adairsville's distributive share of this amount is projected to be $6,012,000 or 3.34%. The City is to use the proceeds from the tax for various infrastructure and water/sewer improvements.

Note 18. Post Employment Health Care Benefits

Plan Description. In addition to providing pension benefits, the City provides, through passage of local ordinance, certain healthcare benefits for retired employees and their dependents. Effective January 1, 2004 any employee who retires with 10 years of service or more and age 55 or older can maintain their current health coverage. The City will contribute 50 percent of the cost until the retiree becomes eligible for Medicare, then the City contribution will stop. Coverage under this provision must be elected at the time of retirement. The plan is administered by the City of Adairsville.

Funding Policy. The city currently funds the plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation. The city's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45 as of September 30, 2010. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a 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:

Annual required contribution	$ 132,000
Interest on net OPEB obligation	4,000
Adjustment to annual required contribution	(8,000)
Annual OPEB cost (expense)	128,000
Contributions made	(31,000)
Interest on Employer Contributions	(1,000)
Increase in net OPEB obligation	96,000
Net OPEB obligation – beginning of year	93,000
Net OPEB obligation – end of year	$ 189,000

The city's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 and 2010 were as follows (preceding two years not shown as GASB 45 was implemented in 2009):

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/09	$126,000	26%	$ 93,000
9/30/10	128,000	25%	189,000

Funding Status and Funding Progress. As of September 30, 2009, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was $691,000, resulting in an unfunded actuarial accrued liability of $691,000. The covered payroll was $1,328,000, and the ratio of the UAAL to the covered payroll was 52.0%. Actuarial valuations of an ongoing plan involve estimates of the value of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the September 30, 2009, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return, which is based on the city's surplus funds, and an annual healthcare cost trend rate of 10.0% initially, reduced by decrements to an ultimate rate of 5.0 percent after ten years. Both rates included a 2.75% inflation assumption. The UAAL is being amortized over a 15-year open period, level-dollar payment. The remaining amortization period at September 30, 2009, was fourteen years.

Note 18. Construction Commitments

The City had no outstanding construction commitments as of December 31, 2010.

Note 19. Prior Period Adjustment

The City implemented a change in utility billing systems during the fiscal year ended December 31, 2009. As a result of the change, Water Fund accounts receivable was overstated by $ 31,132 and the allowance for estimated uncollectible accounts was overstated by $18,811.

Note 20. Subsequent Event

On February 10, 2011, the City modified its Post Employment Health Care Benefits Plan which discontinued benefits except for retired employees already participating in the plan and current employees who will have achieved twenty years of continuous City service and have reached the age of fifty-five before December 31, 2011.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ADAIRSVILLE, GEORGIA
Required Supplementary Information
Postemployment Healthcare Plan - Schedule of Funding Progress
December 31, 2010

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL As % of Covered Payroll
July 1, 2010	$ -	$ 691,000	$ 691,000	0.0%	$ 1,328,000	52.0%

Note: The City implemented GASB 45 prospectively in 2009.

CITY OF ADAIRSVILLE, GEORGIA
Required Supplementary Information
Postemployment Health Benefit Plan- Schedule of Employer Contributions
December 31, 2010

Year Ended September 30	ARC	% Contributed	Annual OPEB Cost	% Contributed
2009	$ 126,000	26%	$ 126,000	26%
2010	132,000	24%	128,000	25%

Note: The City implemented GASB 45 prospectively in 2009.

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COMBINING AND INDIVIDUAL FUND STATEMENTS

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CITY OF ADAIRSVILLE, GEORGIA
Schedule of Revenues, Expenditures, and Changes in Fund Balance
2008 SPLOST Capital Project Fund - Budget and Actual
For the Year Ended December 31, 2010

	Project Length Budgeted Amounts			
	Original	Final	Current Year Actual	Variance with Final Budget
Revenues				
Intergovernmental	$ 6,012,000	$ 6,012,000	$ 653,943	$ (5,358,057)
Interest Income	-	-	16,976	16,976
Total Revenues	6,012,000	6,012,000	670,919	(5,341,081)
Expenditures				
Capital Outlay:				
General Government Projects	1,500,000	1,500,000	-	1,500,000
Streets and Roads Projects	1,552,000	1,552,000	81,105	1,470,895
Total Expenditures	3,052,000	3,052,000	81,105	2,970,895
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,960,000	2,960,000	589,814	(2,370,186)
Other Financing Sources (Uses)				
Capital Contributions (Water and Sewer Projects)	(2,960,000)	(2,960,000)	(90,257)	2,869,743
Total Other Financing Sources (Uses)	(2,960,000)	(2,960,000)	(90,257)	2,869,743
Net Change in Fund Balance	-	-	499,557	499,557
Fund Balance (Deficit) - Beginning of Year	998,843	998,843	998,843	-
Fund Balance (Deficit) - End of Year	$ 998,843	$ 998,843	$ 1,498,400	$ 499,557

CITY OF ADAIRSVILLE, GEORGIA
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2010

	Special Revenue Funds		
	Confiscated Assets	Hotel/Motel Tax	Total Nonmajor Governmental Funds
Assets			
Receivables (Net of Allowance for Uncollectibles):			
Taxes	$ -	$ 6,531	$ 6,531
Cash - Restricted	9,870	-	9,870
Total Assets	$ 9,870	$ 6,531	$ 16,401
Fund Balances			
Restricted For:			
Drug Enforcement Activities	$ 9,870	-	$ 9,870
Other Purposes	-	6,531	6,531
Total Fund Balances	$ 9,870	$ 6,531	$ 16,401

CITY OF ADAIRSVILLE, GEORGIA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2010

	Special Revenue Funds		
	Confiscated Assets	Hotel/Motel Tax	Total Nonmajor Governmental Funds
Revenues			
Taxes	$ -	$ 57,604	$ 57,604
Fines and Forfeitures	2,516	-	2,516
Interest Income	53	-	53
Total Revenues	2,569	57,604	60,173
Expenditures			
Current:			
Police	3,556	-	3,556
Capital Outlay:			
Police	16,811	-	16,811
Total Expenditures	20,367	-	20,367
Excess (Deficiency) of Revenues Over Expenditures	(17,798)	57,604	39,806
Other Financing Sources (Uses)			
Transfers - Out	-	(58,024)	(58,024)
Total Other Financing Sources (Uses)	-	(58,024)	(58,024)
Net Change in Fund Balances	(17,798)	(420)	(18,218)
Fund Balance (Deficit) - Beginning of Year	27,668	6,951	34,619
Fund Balance (Deficit) - End of Year	$ 9,870	$ 6,531	$ 16,401

CITY OF ADAIRSVILLE, GEORGIA
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Confiscated Asset Special Revenue Fund - Budget and Actual
For the Year Ended December 31, 2010

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
Revenues				
Fines and Forfeitures	$ 2,516	$ 2,516	$ 2,516	$ -
Interest Income	53	53	53	-
Total Revenues	2,569	2,569	2,569	-
Expenditures				
Current:				
Police	3,556	3,556	3,556	-
Capital Outlay:				
Police	16,811	16,811	16,811	-
Total Expenditures	20,367	20,367	20,367	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(17,798)	(17,798)	(17,798)	-
Other Financing Sources (Uses)				
Appropriated Fund Balance	17,798	17,798	-	(17,798)
Total Other Financing Sources (Uses)	17,798	17,798	-	(17,798)
Net Change in Fund Balance	-	-	(17,798)	(17,798)
Fund Balance (Deficit) - Beginning of Year	27,668	27,668	27,668	-
Fund Balance (Deficit) - End of Year	$ 27,668	$ 27,668	$ 9,870	$ (17,798)

CITY OF ADAIRSVILLE, GEORGIA
Schedule of Revenues, Expenditures, and Changes In Fund Balance
Hotel/Motel Tax Special Revenue Fund - Budget and Actual
For the Year Ended December 31, 2010

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
Revenues				
Taxes	$ 55,000	$ 56,000	$ 57,604	$ 1,604
Total Revenues	55,000	56,000	57,604	1,604
Excess (Deficiency) of Revenues Over (Under) Expenditures	55,000	56,000	57,604	1,604
Other Financing Sources (Uses)				
Transfers - Out	(55,000)	(56,000)	(58,024)	(2,024)
Total Other Financing Sources (Uses)	(55,000)	(56,000)	(58,024)	(2,024)
Net Change in Fund Balance	-	-	(420)	(420)
Fund Balance (Deficit) - Beginning of Year	6,951	6,951	6,951	-
Fund Balance (Deficit) - End of Year	$ 6,951	$ 6,951	$ 6,531	$ (420)

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COMPLIANCE SECTION

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

EARL WILLIAMSON
LLOYD WILLIAMSON

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Mayor and City Council
Adairsville, Georgia

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Adairsville, Georgia, as of and for the year ended December 31, 2010, which collectively comprise the City of Adairsville, Georgia's basic financial statements and have issued our report thereon dated May 26, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of City of Adairsville, Georgia, in a separate letter dated May 26, 2011.

This report is intended solely for the information and use of the Mayor, City Council, management, and the Georgia Department of Audits and Accounts and is not intended to be and should not be used by anyone other than these specified parties.

Williamson & Company

Williamson and Company
Certified Public Accountants
May 26, 2011

CITY OF ADAIRSVILLE, GEORGIA
Schedule of Special Purpose Local Option Sales Tax
Year Ended December 31, 2010

Project	Estimated Cost		Expenditures		
	Original	Current	Prior Years	Current Year	Total
SPLOST II (2008-2013)					
General Government Projects					
New City Hall	$ 1,500,000	$ 1,500,000	$ -	$ -	$ -
Water and Sewer Projects					
Upgrade Capacity at Waster Water Plant #1	1,000,000	1,000,000	-	-	-
Two-Million Gallon Water Reservoir	650,000	650,000	213,552		213,552
Two-Million Gallon Relief Tank	650,000	650,000	-	-	-
Jarrett Loop Water Main Extension	300,000	300,000	-	-	-
Pleasant Valley Waterline Loop	60,000	60,000	-	-	-
Emergency Power Supply-Sewer Plant #1	150,000	150,000	-	45,128	45,128
Emergency Power Supply-Sewer Plant #2	150,000	150,000	-	45,129	45,129
Total Water and Sewer	2,960,000	2,960,000	213,552	90,257	303,809
Street and Road Projects					
Rebuild Martin Luther King Blvd.	207,000	207,000	-	7,965	7,965
Road Stripping and Incidentals	84,000	84,000	-	-	-
Curb & Gutter Summer Street and Sidewalk	517,000	517,000	-	35,499	35,499
Curb & Gutter Martin Luther King and Sidewalk	400,000	400,000	33,762	20,757	54,519
Curb & Gutter King Street and Sidewalk	344,000	344,000	-	16,884	16,884
Total Miscellaneous Projects	1,552,000	1,552,000	33,762	81,105	114,867
Total for SPLOST II projects	$ 6,012,000	$ 6,012,000	$ 247,314	$ 171,362	$ 418,676

This schedule is presented on the accrual basis of accounting.