

City of Adairsville, Georgia

Annual Financial Report

for the

Fiscal Year Ended December 31, 2012

By Authority of

The Mayor and City Council

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CITY OF ADAIRSVILLE, GEORGIA
Annual Financial Report
Year Ended December 31, 2012

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FINANCIAL SECTION

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LLOYD WILLIAMSON
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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Council
City of Adairsville
Adairsville, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate 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, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Adairsville, Georgia, as of December 31, 2012, and the respective changes in financial position, and cash flows where applicable 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.

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the budgetary comparison on page 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Adairsville, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the Schedule of Special Local Option Sales Tax Expenditures on pages 40-43 and 50 respectively, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the Schedule of Special Local Option Sales Tax Expenditures are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2014, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Adairsville, Georgia's internal control over financial reporting and compliance.

Williamson and Company

Williamson and Company
Certified Public Accountants
March 10, 2014

BASIC FINANCIAL STATEMENTS

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CITY OF ADAIRSVILLE, GEORGIA
Statement of Net Assets
December 31, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Adairsville Development Authority
Assets				
Cash	$ 3,792,555	$ 1,360,430	$ 5,152,985	$ 41,404
Receivables - Net	444,630	588,059	1,032,689	-
Prepaid Items	39,696	25,574	65,270	-
Inventory	-	81,206	81,206	-
Internal Balances	(1,705,593)	1,705,593	-	-
Due from Other Governments	174,014	-	174,014	-
Restricted Assets:				
Restricted Cash	1,299,324	-	1,299,324	-
Capital Assets				
Land and Construction in Progress	759,307	420,839	1,180,146	112,565
Other Capital Assets-Net	4,993,176	14,773,778	19,766,954	315,657
Total Assets	9,797,109	18,955,479	28,752,588	469,626
Liabilities				
Accounts Payable	448,690	235,126	683,816	-
Customer Deposits	-	464,893	464,893	425
Interest Payable	-	16,962	16,962	-
Noncurrent Liabilities				
Due Within One Year	18,167	293,898	312,065	-
Due In More Than One Year	21,190	2,453,498	2,474,688	9,400
Total Liabilities	488,047	3,464,377	3,952,424	9,825
Net Assets				
Invested In Capital Assets, Net of Related Debt	5,749,875	12,455,264	18,205,139	428,222
Restricted For				
Construction	1,377,890	-	1,377,890	-
Drug Enforcement Activities	11,404	-	11,404	-
Other Purposes	4,246	-	4,246	-
Unrestricted	2,165,647	3,035,838	5,201,485	31,579
Total Net Assets	$ 9,309,062	$ 15,491,102	$ 24,800,164	$ 459,801

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

CITY OF ADAIRSVILLE, GEORGIA
Statement of Activities
For the Year Ended December 31, 2012

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Mayor and Council	$ 58,759	$ -	$ -	$ -
Administration	586,991	439,826	-	569,609
Police	1,152,065	199,844	34,063	-
Court Services	109,263	-	-	-
Contracted Public Safety Services	225,472	-	-	-
Public Services	291,119	57,158	-	-
Streets and Roads	347,533	-	-	57,367
Interest on Long-term Debt	311	-	-	-
Total Governmental Activities	2,771,513	696,828	34,063	626,976
Business-type Activities:				
Water/Sewer	2,031,445	2,563,804	-	-
Gas	2,131,170	2,114,925	-	14,470
Total Business-type Activities	4,162,615	4,678,729	-	14,470
Total Primary Government	$ 6,934,128	$ 5,375,557	$ 34,063	$ 641,446
Component Unit:				
Adairsville Development Authority	$ 27,009	$ 1,325	$ -	$ -
Total Component Unit	$ 27,009	$ 1,325	$ -	$ -

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

CITY OF ADAIRSVILLE, GEORGIA
Statement of Activities
For the Year Ended December 31, 2012

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:				
Mayor and Council	(58,759)		(58,759)	
Administration	422,444		422,444	
Police	(918,158)		(918,158)	
Fire	(109,263)		(109,263)	
Contracted Public Safety Services	(225,472)		(225,472)	
Public Services	(233,961)		(233,961)	
Streets and Roads	(290,166)		(290,166)	
Interest on Long-term Debt	(311)		(311)	
Total Governmental Activities	(1,413,646)		(1,413,646)	
Business-type Activities:				
Water/Sewer		$ 532,359	532,359	
Gas		(1,775)	(1,775)	
Total Business-type Activities		530,584	530,584	
Total Primary Government	(1,413,646)	530,584	(883,062)	
Component Unit:				
Adairsville Development Authority				$ (25,684)
Total Component Unit				(25,684)
General Revenues:				
Taxes:				
Property	546,808	-	546,808	-
Sales	770,323	-	770,323	-
Hotel/Motel	72,231	-	72,231	-
Insurance Premium	231,564	-	231,564	-
Malt & Mixed Beverage	93,901	-	93,901	-
Franchise	336,507	-	336,507	-
Other	25,564	93,752	119,316	-
Miscellaneous	46,219	-	46,219	-
Investment Earnings	6,833	6,815	13,648	481
Gain on Disposal of Capital Assets	-	800	800	-
Transfers	(41,625)	41,625	-	-
Total General Revenues and Transfers	2,088,325	142,992	2,231,317	481
Change in Net Assets	674,679	673,576	1,348,255	(25,203)
Net Assets - Beginning	8,634,383	14,817,526	23,451,909	485,004
Net Assets - Ending	$ 9,309,062	$ 15,491,102	$ 24,800,164	$ 459,801

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

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

	General Fund	Capital Projects SPLOST 2008	Nonmajor Special Revenue Funds	Total Governmental Funds
Assets				
Cash	$ 3,792,555	$ -	$ -	$ 3,792,555
Receivables, Net				
Accounts	5,939	-	-	5,939
Taxes	425,045	-	4,246	429,291
Loan	9,400	-	-	9,400
Prepaid Items	39,696	-	-	39,696
Due from Other Governments	84,044	89,970	-	174,014
Cash - Restricted	-	1,287,920	11,404	1,299,324
Total Assets	$ 4,356,679	$ 1,377,890	$ 15,650	$ 5,750,219
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	$ 412,765	$ -	$ -	$ 412,765
Accrued Wages Payable and Withholdings	35,925	-	-	35,925
Due to Other Funds	1,705,593	-	-	1,705,593
Deferred Revenues	31,105	-	-	31,105
Compensated Absences - Short-term	2,831	-	-	2,831
OPEB Liability - Short-term	12,728	-	-	12,728
Total Liabilities	2,200,947	-	-	2,200,947
Fund Balance:				
Nonspendable:				
Prepaid Items	39,696	-	-	39,696
Loans Receivable	9,400	-	-	9,400
Restricted For:				
Drug Enforcement Activities	-	-	11,404	11,404
Construction	-	1,377,890	-	1,377,890
Other Purposes	-	-	4,246	4,246
Unassigned	2,106,636	-	-	2,106,636
Total Fund Balances	2,155,732	1,377,890	15,650	3,549,272
Total Liabilities and Fund Balances	$ 4,356,679	$ 1,377,890	$ 15,650	$ 5,750,219

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, 2012

Fund Balances - Total Governmental Funds		$ 3,549,272
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	7,885,163	
Less Accumulated Depreciation	(2,132,680)	5,752,483
Deferred revenue in the general fund represents property tax billed but uncollected and is eliminated in the statement of net assets.		31,105
Long-term liabilites are not due and payable in the current perod and therefore are not reported in the governmental funds.		
Compensated Absences	(21,191)	
Leases Payable	(2,607)	(23,798)
Net Assets of Governmental Activities		$ 9,309,062

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, 2012

	General	Capital Projects SPLOST 2008	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	$ 2,045,367	$ -	$ 72,231	$ 2,117,598
Licenses and Permits	78,691	-	-	78,691
Intergovernmental	86,430	564,839	-	651,269
Fines and Forfeitures	198,201	-	1,643	199,844
Charges for Services	418,293	-	-	418,293
Contributions	5,000	-	-	5,000
Miscellaneous Income	46,219	-	-	46,219
Interest Income	6,804	4,770	29	11,603
Total Revenues	2,885,005	569,609	73,903	3,528,517
Expenditures				
Current Operating:				
Mayor and Council	58,759	-	-	58,759
Administration	500,156	-	-	500,156
Police	1,103,681	-	17,826	1,121,507
Court Service	108,363	-	-	108,363
Contracted Public Safety Services	225,472	-	-	225,472
Public Services	281,125	-	-	281,125
Streets and Roads	313,480	-	-	313,480
Debt Service:				
Principal	14,510	-	-	14,510
Interest	311	-	-	311
Capital Outlay:				
Streets and Roads	-	9,472	-	9,472
Water and Sewer	-	41,625	-	41,625
Total Expenditures	2,605,857	51,097	17,826	2,674,780
Excess (Deficiency) of Revenues Over Expenditures	279,148	518,512	56,077	853,737
Other Financing Sources (Uses)				
Transfers - Out	-	-	(72,482)	(72,482)
Transfers - In	72,482	-	-	72,482
Total Other Financing Sources (Uses)	72,482	-	(72,482)	-
Net Change in Fund Balances	351,630	518,512	(16,405)	853,737
Fund Balance - Beginning of Year	1,804,102	859,378	32,055	2,695,535
Fund Balance - End of Year	$ 2,155,732	$ 1,377,890	$ 15,650	$ 3,549,272

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, 2012

Net Change in Fund Balances - Total Governmental Funds		$ 853,737
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	54,027	
Less Current Year Depreciation	(197,689)	(143,662)
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		(39,031)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in the governmental funds.		
Repayment of Principal	14,510	
Net Change in Long-term Compensated Absences	(10,875)	3,635
Change in Net Assets of Governmental Activities		$ 674,679

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, 2012

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
Revenues				
Taxes	$ 1,918,500	$ 1,943,200	$ 2,045,367	$ 102,167
Licenses and Permits	72,900	75,500	78,691	3,191
Intergovernmental	30,000	34,000	86,430	52,430
Fines and Forfeitures	192,200	192,500	198,201	5,701
Charges for Services	422,500	311,800	418,293	106,493
Contributions	-	-	5,000	5,000
Miscellaneous Income	56,500	129,000	46,219	(82,781)
Interest Income	-	-	6,804	6,804
Total Revenues	2,692,600	2,686,000	2,885,005	199,005
Expenditures				
Current:				
Mayor and Council	74,200	63,700	58,759	4,941
Administration	529,800	540,400	500,156	40,244
Police	1,171,800	1,183,000	1,103,681	79,319
Court Services	111,600	111,100	108,363	2,737
Contracted Public Safety Services	221,500	231,500	225,472	6,028
Public Services	296,500	297,800	281,125	16,675
Streets and Roads	320,200	301,500	313,480	(11,980)
Debt Service:				
Principal	28,000	26,000	14,510	11,490
Interest	1,000	1,000	311	689
Total Expenditures	2,754,600	2,756,000	2,605,857	150,143
Excess (Deficiency) of Revenues Over Expenditures	(62,000)	(70,000)	279,148	349,148
Other Financing Sources (Uses)				
Transfers - In	62,000	70,000	72,482	2,482
Total Other Financing Sources (Uses)	62,000	70,000	72,482	2,482
Net Change in Fund Balance	-	-	351,630	351,630
Fund Balance - Beginning of Year	1,804,102	1,804,102	1,804,102	-
Fund Balance - End of Year	$ 1,804,102	$ 1,804,102	$ 2,155,732	$ 351,630

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

CITY OF ADAIRSVILLE, GEORGIA
Statement on Net Assets
Proprietary Funds
December 31, 2012

	Gas	Water & Sewer	Total
Assets			
Current Assets:			
Cash	$ 768,106	$ 592,324	$ 1,360,430
Accounts Receivable - Net	275,907	312,152	588,059
Prepaid Items	5,443	20,131	25,574
Due From Other Funds	677,560	1,028,033	1,705,593
Inventory	46,416	34,790	81,206
Total Current Assets	1,773,432	1,987,430	3,760,862
Non-Current Assets:			
Capital Assets:			
Equipment	587,803	1,406,389	1,994,192
Buildings and Structures	79,510	105,490	185,000
Distribution and Collection Systems	2,481,300	18,350,371	20,831,671
Less Accumulated Depreciation	(1,487,323)	(6,749,762)	(8,237,085)
Land and Easements	3,500	16,852	20,352
Construction in Progress	59,550	340,937	400,487
Total Non-Current Assets	1,724,340	13,470,277	15,194,617
Total Assets	$ 3,497,772	$ 15,457,707	$ 18,955,479

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

CITY OF ADAIRSVILLE, GEORGIA
Statement of Net Assets
Proprietary Funds
December 31, 2012

	Gas	Water & Sewer	Total
Liabilities			
Current Liabilities:			
Accounts Payable	$ 200,723	$ 34,403	$ 235,126
Customer Deposits	231,245	233,648	464,893
Interest Payable	-	16,962	16,962
Notes Payable	-	293,898	293,898
Total Current Liabilities	431,968	578,911	1,010,879
Noncurrent Liabilities:			
Compensated Absences	3,167	4,876	8,043
Notes Payable	-	2,445,455	2,445,455
Total Noncurrent Liabilities	3,167	2,450,331	2,453,498
Total Liabilities	435,135	3,029,242	3,464,377
Net Assets			
Invested In Capital Assets, Net Of Related Debt	1,724,340	10,730,924	12,455,264
Unrestricted	1,338,297	1,697,541	3,035,838
Total Net Assets	$ 3,062,637	$ 12,428,465	$ 15,491,102

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, 2012

	Gas	Water & Sewer	Total
Operating Revenues			
Charges for Services	$ 2,112,839	$ 2,442,739	$ 4,555,578
Fees	250	119,952	120,202
Other Revenues	1,836	1,113	2,949
Total Operating Revenues	2,114,925	2,563,804	4,678,729
Operating Expenses			
Salaries, Wages and Employee Benefits	218,564	446,074	664,638
Cost of Gas for Resale	1,484,593	-	1,484,593
Services and Supplies	167,088	762,061	929,149
Insurance Expense	9,213	35,147	44,360
Administrative Expense	168,700	168,700	337,400
Depreciation Expense	83,012	469,220	552,232
Total Operating Expenses	2,131,170	1,881,202	4,012,372
Operating Income (Loss)	(16,245)	682,602	666,357
Nonoperating Revenues (Expenses)			
Interest Revenue	4,897	1,918	6,815
Interest Expense	-	(147,348)	(147,348)
Gas Rebates	93,752	-	93,752
Gain on Capital Asset Disposal	400	400	800
Bond Issue Cost Amortization	-	(2,895)	(2,895)
Total Nonoperating Revenues (Expenses)	99,049	(147,925)	(48,876)
Income Before Contributions and Transfers	82,804	534,677	617,481
Capital Contributions - Capital Projects Funds	-	41,625	41,625
Capital Contributions - Other	14,470	-	14,470
	14,470	41,625	56,095
Change in Net Assets	97,274	576,302	673,576
Net Assets - Beginning	2,965,363	11,852,163	14,817,526
Net Assets - Ending	$ 3,062,637	$ 12,428,465	$ 15,491,102

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, 2012

	Gas	Water & Sewer	Total
Cash Flows From Operations			
Receipts from Customers and Users	$ 2,193,070	$ 2,551,310	$ 4,744,380
Payments to Suppliers	(1,747,769)	(960,249)	(2,708,018)
Payments to/for Employees	(218,089)	(443,483)	(661,572)
Net cash Provided by (Used in) Operating Activities	227,212	1,147,578	1,374,790
Cash Flows from Noncapital Financing Activities			
Payments from Other Funds	(118,914)	(346,892)	(465,806)
Net Cash from Noncapital Financing Activities	(118,914)	(346,892)	(465,806)
Cash Flows from Capital and Related Financing Activities			
Principal Payments - Bonds	-	(130,000)	(130,000)
Principal Payments - Notes	-	(278,866)	(278,866)
Acquisition and Construction of Capital Assets	(15,007)	(259,829)	(274,836)
Proceeds from Sale of Capital Assets	400	1,200	1,600
Interest Paid	-	(150,375)	(150,375)
Net Cash from Capital and Related Financing Activities	(14,607)	(817,870)	(832,477)
Cash Flows from Investing Activities			
Interest Received	4,897	1,918	6,815
Net Increase (Decrease) in Cash	98,588	(15,266)	83,322
Cash - January 1 (including $137,801 in restricted cash)	669,518	607,590	1,277,108
Cash - December 31 (including $306,184 in restricted cash)	$ 768,106	$ 592,324	$ 1,360,430
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities:			
Operating Income	$ (16,245)	$ 682,602	$ 666,357
Adjustments of Reconcile to Net Cash Provided by Operating Activities			
Depreciation	83,012	469,220	552,232
Gas Rebates	93,752	-	93,752
(Increase) Decrease in Accounts Receivable	79,695	(12,117)	67,578
(Increase) Decrease in Prepaid Items	(117)	637	520
(Increase) Decrease in Inventory	(4,993)	(1,627)	(6,620)
Increase (Decrease) in Accounts Payable & Accrued Payables	(6,818)	6,649	(169)
Increase (Decrease) in Compensated Absences	476	2,591	3,067
Increase (Decrease) in Customer Deposits	(1,550)	(377)	(1,927)
Net Cash Provided by (Used in) Operating Activities	$ 227,212	$ 1,147,578	$ 1,374,790
Noncash Investing, Capital and Financing Activities			
Capital Contributions - Other	$ -	$ 41,625	$ 41,625
Capital Contributions - SPLOST	14,470	-	14,470
Acquisition of Capital Assets	(14,470)	(41,625)	(56,095)
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 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 Fund and the 2008 SPLOST Capital Project Fund 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 nonmajor 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 2008 SPLOST 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 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 2008 SPLOST 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. **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.** 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 allows employees to carryover a maximum of 240 hours of unused vacation.

8. **Long-term Debt, Bond Discounts/Premiums, 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 2012 General Fund budget was voted upon and adopted by the City Council.

Expenditures exceeded budgeted appropriations in the following General Fund department.

Streets and Roads	$ 11,980

Note 3. Deposits and Investments

Cash as of December 31, 2012 is as follows:

Statement of Net Assets:	
Cash	$ 5,152,985
Restricted Cash	1,299,324
Total	$ 6,452,309

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, 2012 is as follows:

Statement of Net Assets:	
Cash	$ 41,404

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

Note 4. Receivables

Receivables as of December 31, 2012 consist of the following:

	General	Hotel/ Motel	Gas	Water and Sewer	Total
Receivables:					
Accounts	$ 5,939	$ --	$ 308,342	$ 339,782	$ 714,391
Property Tax	98,664	--	--	--	98,764
Hotel/Motel Tax	--	4,246	--	--	4,246
Franchise Tax	331,342	--	--	--	331,342
Allowances for Uncollectibles	(4,961)	--	(32,435)	(27,630)	(65,026)
Net	$ 430,984	$ 4,246	$ 275,907	$ 312,152	$ 1,032,689

Due from other governments includes $80,751 of Local Option Sales Taxes due from the State of Georgia, and $93,097 due from Bartow County.

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 August 15, 2012. The levy date was September 15, 2012 and taxes were due by November 15, 2012. After November 15, interest and penalties begin to accrue on unpaid balances and property is subject to lien.

All property tax 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, 2012 were $ 1,705,593.

Due To	Due From	Amount
Gas	General	$ 677,560
Water	General	1,028,033
		$ 1,705,593

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 fund capital asset acquisitions. Interfund capital contributions for the year ending December 31, 2012 were as follows:

Between Governmental and Enterprise Funds:

Source Fund	Transfer to Fund	Amount
2008 SPLOST Capital Projects	Water/Sewer	$ 41,625

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	$ 72,482

Note 7. Capital Assets

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

Governmental Activities

	January 1 2012	Additions	Deletions and Transfers	December 31 2012
Capital Assets Not Being Depreciated				
Land	$ 546,377	$ -	$ -	$ 546,377
Construction In Progress-Streetscape	180,889	16,422	-	197,311
Construction In Progress-Trail Grant	6,865	1,640	-	8,505
Construction In Progress-Capital Projects	796,915	8,600	(798,401)	7,114
Total Capital Assets Not Being Depreciated	1,531,046	26,662	(798,401)	759,307
Capital Assets Being Depreciated				
Buildings	2,206,780	-	-	2,206,780
Infrastructure	3,111,938	1,486	798,401	3,911,825
Equipment	1,148,907	25,879	(167,535)	1,007,251
Total Capital Assets Being Depreciated	6,467,625	27,365	630,866	7,125,856
Less Accumulated Depreciation For				
Buildings	(763,418)	(72,851)	-	(836,269)
Infrastructure	(290,002)	(91,389)	-	(381,391)
Equipment	(1,049,106)	(33,449)	167,535	(915,020)
Total Accumulated Depreciation	(2,102,526)	(197,689)	167,535	(2,132,680)
Capital Assets, Net	$ 5,896,145	$ (143,662)	$ -	$ 5,752,483

During the fiscal year, the Curb, Gutter, and Sidewalk projects at MLK and Summer Street were finalized and put into service.

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

Administration	$ 82,153
Court Services	262
Police	39,058
Public Services	17,091
Streets and Roads	59,125
Total Depreciation Expense	$ 197,689

Business-type Activities

	January 1 2012	Additions	Deletions and Transfers	December 31 2012
Capital Assets Not Being Depreciated				
Land	$ 20,352	$ -	$ -	$ 20,352
Construction In Progress-Capital Projects	151,530	207,332	41,625	400,487
Total Capital Assets Not Being Depreciated	171,882	207,332	41,625	420,839
Capital Assets Being Depreciated				
Equipment	1,989,529	17,089	(12,426)	1,994,192
Buildings	185,000	-	-	185,000
Utility Systems	20,766,784	64,887	-	20,831,671
Total Capital Assets Being Depreciated	22,941,313	81,976	(12,426)	23,010,863
Less Accumulated Depreciation For				
Equipment	(1,103,514)	(118,569)	12,426	(1,209,657)
Buildings	(68,526)	(6,455)	-	(74,981)
Utility Systems	(6,525,238)	(427,209)	-	(6,952,447)
Total Accumulated Depreciation	(7,697,278)	(552,233)	12,426	(8,237,085)
Capital Assets, Net	$ 15,415,917	$ (262,925)	$ 41,625	$ 15,194,617

Business-type activities construction in progress at year-end consists of various water/sewer system and gas system improvements totaling $400,487 and were funded partially by the 2008 SPLOST fund.

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:

Adairsville Development Authority

	January 1 2012	Additions	Deletions and Transfers	December 31 2012
Capital Assets Not Being Depreciated				
Land	$ 112,565	$ -	$ -	$ 112,565
Total Capital Assets Not Being Depreciated	112,565	-	-	112,565
Capital Assets Being Depreciated				
Buildings	350,080	-	-	350,080
Total Capital Assets Being Depreciated	350,080	-	-	350,080
Less Accumulated Depreciation For				
Buildings	(23,309)	(11,114)	-	(34,423)
Total Accumulated Depreciation	(23,309)	(11,114)	-	(34,423)
Capital Assets, Net	$ 439,336	$ (11,114)	$ -	$ 428,222

Note 8. Lease Obligations

The City has entered into a capital lease agreement with Northside Bank as lessee for financing the acquisition of a police car. The interest rate on this lease is 3.87%. If the lease is paid in full, the title to the property is transferred to the City. The City's equipment under lease has a cost of $29,866 with accumulated depreciation of $11,946. The following is a schedule of the future minimum lease payments under the capital lease, and the present value of the net minimum lease payments at December 31, 2012:

Year Ending December 31	General Fund
2012	$ 2,622
Minimum lease payments for all capital leases	2,622
Less Interest	(15)
Present value of minimum lease payments	$ 2,607

The City has no operating lease obligations.

Note 9. Outstanding Debt

Debt outstanding as of December 31, 2012 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	$ 0

The 1993 Water and Sewer Revenue Bonds matured and were paid off during fiscal 2012.

Notes Payable

	Date of Issue	Interest Rate	Date Final Payment Due	Amount Issued	Amount Outstanding
Business-type Activities:					
Water and Sewer Fund					
GEFA Note – System Additions	08-01-96	5.12%	05-01-2016	510,854	131,454
GEFA Note – System Additions	06-01-98	5.86%	06-01-2018	2,745,554	1,093,587
GEFA Note – System Additions	08-25-03	3.98%	10-01-2024	1,172,080	810,361
GEFA Note – System Additions	07-26-05	4.20%	02-01-2029	809,928	703,951
Total Water and Sewer Fund					2,739,353
Total Business-type Activities					$ 2,739,353

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

Year Ending December 31	Business-type Activities	
	Principal	Interest
2013	$ 293,898	$ 126,743
2014	309,608	111,032
2015	326,222	94,418
2016	322,932	77,066
2017	219,245	14,798
2018-2022	778,683	164,740
2023-2027	420,761	50,110
2028-2029	68,004	1,794
Total	$ 2,739,353	$ 640,701

Leases Payable

	Date of Issue	Interest Rate	Date Final Payment Due	Amount Issued	Amount Outstanding
Governmental Activities:					
Police – Vehicles	03/10	3.87%	03/15/13	29,866	2,607
					$ 2,607

Changes in long-term liabilities

The following is a summary of the City's debt transactions for the year ended December 31, 2012:

	Balance January 1	Additions	Reductions	Balance December 1	Due Within One Year
Governmental Activities					
Capital Leases	$ 17,117	$ -	$ 14,510	$ 2,607	$ 2,607
Compensated Absences	13,147	29,652	18,778	24,021	2,831
OPEB Liability	13,703	12,728	13,703	12,728	12,728
Total Governmental Activities	$ 43,967	$ 42,380	$ 46,991	$ 39,356	$ 18,166
Business-type Activities					
Revenue Bonds 1993 Issue	$ 130,000	$ -	$ 130,000	$ -	$ -
Less Deferred Amounts					
Issuance Discount	(208)	-	208	-	-
Notes Payable	3,018,218	-	278,865	2,739,353	293,898
Compensated Absences	4,976	13,452	10,385	8,043	-
Total Business-type Activities	$ 3,152,986	$ 13,452	$ 419,458	$ 2,747,396	$ 293,898

Compensated absences for governmental activities are liquidated in the General Fund.

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, 2012 the Development Authority owed $9,400. There are no specific terms for repayment of the loan and no interest rate.

	Balances 01/01/12	Additions	Reductions	Balances 12/31/12	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 annual plan valuation dated July 1, 2011, the recommended contribution to the plan for the fiscal 2012 was $100,934 ($0 employee and $100,934 employer; 0% employee and 8.22% employer of covered payroll respectively), and the recommended contribution to the plan for the previous year was $154,853 ($0 employee and $154,853 employer, 0% employee and 12.20% employer of covered payroll). Covered payroll for each year was calculated at $1,206,999 and $1,247,642 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
2012	$ 100,934	100.0%	$ 0
2011	154,853	100.0%	0
2010	173,354	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, 2011, employee membership data related to the current plan membership was as follows:

Number of retirees and beneficiaries currently receiving benefits	24
Number of terminated employees entitled to benefits, but not yet receiving them	14
Number of Active Plan Participants	
Vested	16
Nonvested	26
Total	80

Information regarding the funding status of the plan as of the July 1, 2011 valuation is as follows:

Valuation Date	Actuarial Value Of Assets	Actuarial Accrued Liability	Unfunded Actuarial Liability	Actuarial Value Of Assets As A % Of Actuarial Accrued Liability	Annual Covered Payroll	Ratio Of The Unfunded Actuarial Accrued Liability To Annual Covered Payroll
July 1, 2011	$ 2,619,022	$ 2,795,548	$ 176,526	93.69%	$ 1,206,999	14.63%
July 1, 2010	2,438,973	2,748,812	309,839	88.73%	1,247,642	24.83%
October 1, 2009	2,194,978	2,630,217	435,239	83.45%	1,432,751	30.38%

Note 11. Restricted Assets and Restricted Net Assets

Restricted Assets

The City is required to establish and maintain restricted cash accounts to comply with external legal requirements. The cash accounts of the confiscated asset special revenue fund, the hotel/motel tax special revenue fund, and the 2008 SPLOST capital projects fund are such accounts. The balances of these accounts are presented as restricted cash in their respective financial statement.

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 Fund's 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 and Sick Leave

City employee's vacation days accrue at a rate of 6.67 hours per month for one through nine years of service; 10 hours per month for ten through nineteen years of service; and 13.38 hours per month for twenty years of service and above. Up to a maximum of 240 hours of vacation may be accrued. Sick leave accrues at a rate of 5 hours per month.

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; injuries to employees; 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 Northwest Regional Commission (NWRGC). The NWRGC was created under the laws of the State of Georgia and cities and counties in the area served by the NWRGC are required to be members. The membership of the NWRGC includes 15 counties and 49 municipalities. Bartow County pays annual membership dues on behalf of the City. The City has no equity interest in the NWRGC nor does the City materially contribute to the continued existence of the NWRGC. The Official Code of Georgia Annotated Section §50-8-39.1 states that in the event the NWRGC ceases operation, the membership can be assessed for any debt or obligation of the NWRGC. Separate financial statements may be obtained from the Northwest Regional Commission, P. O. Box 1798, 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, 2012, the total amount the City collected was $72,231 and the amount collected above the 3 percent rate was $28,892. 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

In February 2011, the City modified its Post Employment 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 service and have reached the age of fifty-five before December 31, 2011. Based on the new plan, the City is recognizing a short-term OPEB liability in the General Fund for the three active plan participants. Three additional employees could qualify for the benefit under the new plan if they elect to do so. The City does not consider the potential long-term liability for the current or potential participants as material to the financial statements and will continue to report the short-term liability in the financial statements until the plan has expired in 2020.

Note 19. Construction Commitments

The City had no outstanding construction commitments as of December 31, 2012.

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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, 2012

	Project Length Budgeted Amounts			
	Original	Final	Current Year Actual	Variance with Final Budget
Revenues				
Intergovernmental	$ 6,012,000	$ 6,012,000	$ 564,839	$ (5,447,161)
Interest Income	-	-	4,770	4,770
Total Revenues	6,012,000	6,012,000	569,609	(5,442,391)
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	9,472	1,542,528
Water and Sewer Projects	2,960,000	2,960,000	41,625	2,918,375
Total Expenditures	6,012,000	6,012,000	51,097	5,960,903
Excess of Revenues Over Expenditures	-	-	518,512	518,512
Net Change in Fund Balance	-	-	518,512	518,512
Fund Balance - Beginning of Year	859,378	859,378	859,378	-
Fund Balance - End of Year	$ 859,378	$ 859,378	$ 1,377,890	$ 518,512

CITY OF ADAIRSVILLE, GEORGIA
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2012

	Special Revenue Funds		
	Confiscated Assets	Hotel/Motel Tax	Total Nonmajor Governmental Funds
Assets			
Receivables, Net			
Taxes	$ -	$ 4,246	$ 4,246
Cash - Restricted	11,404	-	11,404
Total Assets	$ 11,404	$ 4,246	$ 15,650
Fund Balances			
Restricted For:			
Drug Enforcement Activities	$ 11,404	-	$ 11,404
Other Purposes	-	4,246	4,246
Total Fund Balances	$ 11,404	$ 4,246	$ 15,650

CITY OF ADAIRSVILLE, GEORGIA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2012

	Special Revenue Funds		
	Confiscated Assets	Hotel/Motel Tax	Total Nonmajor Governmental Funds
Revenues			
Taxes	$ -	$ 72,231	$ 72,231
Fines and Forfeitures	1,643	-	1,643
Interest Income	29	-	29
Total Revenues	1,672	72,231	73,903
Expenditures			
Current:			
Police	17,826	-	17,826
Total Expenditures	17,826	-	17,826
Excess (Deficiency) of Revenues Over Expenditures	(16,154)	72,231	56,077
Other Financing Sources (Uses)			
Transfers - Out	-	(72,482)	(72,482)
Total Other Financing Sources (Uses)	-	(72,482)	(72,482)
Net Change in Fund Balances	(16,154)	(251)	(16,405)
Fund Balance - Beginning of Year	27,558	4,497	32,055
Fund Balance - End of Year	$ 11,404	$ 4,246	$ 15,650

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, 2012

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
Revenues				
Fines and Forfeitures	$ -	$ -	$ 1,643	$ 1,643
Interest Income	-	-	29	29
Total Revenues	-	-	1,672	1,672
Expenditures				
Current:				
Police	25,000	25,000	17,826	7,174
Total Expenditures	25,000	25,000	17,826	7,174
Excess (Deficiency) of Revenues Over (Under) Expenditures	(25,000)	(25,000)	(16,154)	8,846
Other Financing Sources (Uses)				
Appropriated Prior Year Fund Balance	27,500	27,500	-	(27,500)
Total Other Financing Sources (Uses)	27,500	27,500	-	(27,500)
Net Change in Fund Balance	(25,000)	(25,000)	(16,154)	8,846
Fund Balance - Beginning of Year	27,558	27,558	27,558	-
Fund Balance - End of Year	$ 2,558	$ 2,558	$ 11,404	$ 8,846

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, 2012

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
Revenues				
Taxes	$ 62,000	$ 75,000	$ 72,231	$ (2,769)
Total Revenues	62,000	75,000	72,231	(2,769)
Excess of Revenues Over Expenditures	62,000	75,000	72,231	(2,769)
Other Financing Sources (Uses)				
Transfers - Out	(62,000)	(75,000)	(72,482)	2,518
Total Other Financing Sources (Uses)	(62,000)	(75,000)	(72,482)	2,518
Net Change in Fund Balance	-	-	(251)	(251)
Fund Balance - Beginning of Year	4,497	4,497	4,497	-
Fund Balance - End of Year	$ 4,497	$ 4,497	$ 4,246	$ (251)

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COMPLIANCE SECTION

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CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

LLOYD WILLIAMSON
CHRISTIAN HATCH

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

To the Honorable Mayor and Council
City of Adairsville, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate 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, 2012, and the related notes to the financial statements, which collectively comprise City of Adairsville, Georgia's basic financial statements and have issued our report thereon dated March 10, 2014

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS AND GEORGIA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Adairsville, Georgia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items (2012-1 and 2012-2).

City of Adairsville, Georgia's Response to Finding

The City of Adairsville, Georgia's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City of Adairsville, Georgia's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Management Letter

We noted certain matters that we reported to management of City of Adairsville, Georgia, in a separate letter dated March 10, 2014.

Purpose of this Report

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

Williamson and Company

Williamson and Company
Certified Public Accountants
March 10, 2014

Finding 12-1 Timely Financial Reporting – Noncompliance

Criteria: Management should have policies and procedures in place to ensure that all financial records for each fiscal year are finalized and closed out within a reasonable amount of time after year end in order to complete the annual financial statement audit within six months of the end of the fiscal year.

Condition: The City was unable to close out the financial records for fiscal 2012 in order to complete the required financial statement and compliance audit within the extended deadline of December 31, 2013 provided by the Georgia Department of Audits and Accounts.

Effect: The delay in the financial closeout of fiscal 2012 resulted in the City not complying with the State of Georgia's requirements for local governments to submit their audited financial report within six months of the fiscal year end, or within twelve months of the fiscal year end if an extension is granted.

Cause: No disaster plan in place to ensure that financial records are kept current for accurate financial reporting throughout the year and timely submission of the year end audit within the required time frame.

Recommendation: We recommend the City design and implement a disaster plan for financial records and accounting in order to facilitate uninterrupted general ledger processing and timely close out procedures in future fiscal periods.

Response: The City will devote the necessary resources in the future to ensure that the annual audit is completed in a timely manner.

Finding 12-2 Expenditures Exceeding Appropriations - Noncompliance

Criteria: The Council approved budget should control the expenditures of each department in the General Fund.

Condition: In the General Fund, actual expenditures exceeded budgeted amounts in the Streets and Roads department by $11,980.

Effect: Streets and Roads department went over budget.

Cause: The City overspent the Council approved budgeted amount allocated for Streets and Roads expenditures for the year and did not utilize available budget amendments at year end to eliminate the overage.

Recommendation: Management continuously monitors budgeted expenditures, including accruals. Make amendments when available and necessary.

Response: The City will amend its budget at year end to ensure that the effect of year end accruals are recognized and budgeted.

CITY OF ADAIRSVILLE, GEORGIA

Schedule of Special Purpose Local Option Sales Tax Expenditures

Year Ended December 31, 2012

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	226,936	41,625	268,561
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	79,863	-	79,863
Emergency Power Supply-Sewer Plant #2	150,000	150,000	79,949	-	79,949
Total Water and Sewer	2,960,000	2,960,000	386,748	41,625	428,373
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	-	6,500	6,500
Curb & Gutter Summer Street and Sidewalk	517,000	517,000	471,554	743	472,297
Curb & Gutter Martin Luther King and Sidewalk	400,000	400,000	317,396	743	318,139
Curb & Gutter King Street and Sidewalk	344,000	344,000	523,759	1,486	525,245
Total Street and Road Projects	1,552,000	1,552,000	1,320,674	9,472	1,330,146
Total for SPLOST II Projects	$ 6,012,000	$ 6,012,000	$ 1,707,422	$ 51,097	$ 1,758,519

This schedule is presented on the accrual basis of accounting.