

City of Adairsville, Georgia

Annual Financial Report

for the

Fiscal Year Ended December 31, 2014

By Authority of

The Mayor and City Council

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CITY OF ADAIRSVILLE, GEORGIA
Annual Financial Report
Year Ended December 31, 2014

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FINANCIAL SECTION

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LLOYD WILLIAMSON
CHRISTIAN HATCH

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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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, 2014, 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.

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.

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 fund statements and schedules and the Schedules of Special Local Option Sales Tax Expenditures on pages 36-39 and 45-46 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 Schedules 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 June 8, 2015, 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
June 8, 2015

BASIC FINANCIAL STATEMENTS

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CITY OF ADAIRSVILLE, GEORGIA
Statement of Net Position
December 31, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Adairsville Development Authority
Assets				
Cash	$ 3,361,396	$ 2,826,900	$ 6,188,296	$ 38,292
Receivables - Net	413,674	754,554	1,168,228	-
Prepaid Items	44,769	28,065	72,834	-
Inventory	-	107,512	107,512	-
Internal Balances	(1,705,593)	1,705,593	-	-
Due from Other Governments	229,060	-	229,060	-
Restricted Assets:				
Restricted Cash	1,659,276	-	1,659,276	-
Capital Assets				
Land and Construction in Progress	1,499,272	398,527	1,897,799	112,565
Other Capital Assets-Net	5,156,466	15,583,613	20,740,079	297,104
Total Assets	10,658,320	21,404,764	32,063,084	447,961
Liabilities				
Accounts Payable	294,631	368,736	663,367	-
Customer Deposits	-	467,212	467,212	425
Interest Payable	-	13,331	13,331	-
Noncurrent Liabilities				
Due Within One Year	13,800	326,222	340,022	-
Due In More Than One Year	29,248	1,841,743	1,870,991	9,400
Total Liabilities	337,679	3,017,244	3,354,923	9,825
Net Position				
Net Investment in Capital Assets	6,655,738	13,846,290	20,502,028	409,669
Restricted For				
Construction	1,592,179	-	1,592,179	-
Drug Enforcement Activities	5,740	-	5,740	-
Other Purposes	11,910	-	11,910	-
Unrestricted	2,055,074	4,541,230	6,596,304	28,467
Total Net Position	$ 10,320,641	$ 18,387,520	$ 28,708,161	$ 438,136

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

CITY OF ADAIRSVILLE, GEORGIA
Statement of Activities
For the Year Ended December 31, 2014

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Mayor and Council	$ 90,149	$ -	$ -	$ -
Administration	564,245	381,021	-	753,568
Police	1,302,608	228,900	1,390	-
Court Services	116,336	-	-	-
Contracted Public Safety Services	251,777	-	-	-
Public Services	797,911	57,369	200	18,802
Streets and Roads	524,563	1,962	-	85,717
Water and Sewer	12,985	-	-	-
Interest on Long-term Debt	2,124	-	-	-
Total Governmental Activities	3,662,698	669,252	1,590	858,087
Business-type Activities:				
Water/Sewer	2,253,083	2,837,031	-	-
Gas	2,943,104	3,388,415	-	-
Total Business-type Activities	5,196,187	6,225,446	-	-
Total Primary Government	$ 8,858,885	$ 6,894,698	$ 1,590	$ 858,087
Component Unit:				
Adairsville Development Authority	$ 14,468	$ 5,934	$ -	$ -
Total Component Unit	$ 14,468	$ 5,934	$ -	$ -

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

CITY OF ADAIRSVILLE, GEORGIA
Statement of Activities
For the Year Ended December 31, 2014

Functions/Programs	Net (Expense) Revenue and Changes in Net Position			
	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Totals	Adairsville Development Authority
Primary Government:				
Governmental Activities:				
Mayor and Council	(90,149)		(90,149)	
Administration	570,344		570,344	
Police	(1,072,318)		(1,072,318)	
Fire	(116,336)		(116,336)	
Contracted Public Safety Services	(251,777)		(251,777)	
Public Services	(721,540)		(721,540)	
Streets and Roads	(436,884)		(436,884)	
Water and Sewer	(12,985)			
Interest on Long-term Debt	(2,124)		(2,124)	
Total Governmental Activities	(2,133,769)		(2,120,784)	
Business-type Activities:				
Water/Sewer		$ 583,948	583,948	
Gas		445,311	445,311	
Total Business-type Activities		1,029,259	1,029,259	
Total Primary Government	(2,133,769)	1,029,259	(1,091,525)	
Component Unit:				
Adairsville Development Authority				$ (8,534)
Total Component Unit				(8,534)
General Revenues:				
Taxes:				
Property	607,362	-	607,362	-
Sales	951,244	-	951,244	-
Hotel/Motel	165,876	-	165,876	-
Insurance Premium	250,689	-	250,689	-
Malt & Mixed Beverage	80,266	-	80,266	-
Franchise	340,380	-	340,380	-
Other	59,193	-	59,193	-
Miscellaneous	37,579	-	37,579	-
Investment Earnings	4,323	4,499	8,822	29
Insurance Recoveries	18,401	-	18,401	-
Gain on Disposal of Capital Assets	20,100	-	20,100	-
Total General Revenues	2,535,413	4,499	2,539,912	29
Change in Net Position	401,644	1,033,758	1,448,387	(8,505)
Net Position - Beginning	9,918,997	17,353,762	27,272,759	446,641
Net Position - Ending	$ 10,320,641	$ 18,387,520	$ 28,721,146	$ 438,136

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

CITY OF ADAIRSVILLE, GEORGIA
Balance Sheet
Governmental Funds
December 31, 2014

	General Fund	Capital Projects SPLOST 2008	Capital Projects SPLOST 2014	Nonmajor Special Revenue Funds	Total Governmental Funds
Assets					
Cash	$ 3,361,396	$ -	$ -	$ -	$ 3,361,396
Receivables, Net					
Accounts	17,288	-	-	-	17,288
Taxes	375,076	-	-	11,910	386,986
Loan	9,400	-	-	-	9,400
Prepaid Items	44,769	-	-	-	44,769
Due from Other Governments	102,945	-	126,115	-	229,060
Cash - Restricted	-	1,418,405	233,399	7,472	1,659,276
Total Assets	$ 3,910,874	$ 1,418,405	$ 359,514	$ 19,382	$ 5,708,175
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities:					
Accounts Payable	$ 37,630	$ 180,702	$ 5,038	$ 1,732	$ 225,102
Retainage Payable	-	29,499	-	-	29,499
Accrued Wages Payable and Withholdings	40,030	-	-	-	40,030
Due to Other Funds	1,705,593	-	-	-	1,705,593
OPEB Liability - Short-term	13,800	-	-	-	13,800
Total Liabilities	1,797,053	210,201	5,038	1,732	2,014,024
Deferred Inflows of Resources:					
Unearned Tax Revenue	16,785	-	-	-	16,785
Total Deferred Inflows of Resources	16,785	-	-	-	16,785
Fund Balance:					
Nonspendable:					
Prepaid Items	44,769	-	-	-	44,769
Loans Receivable	9,400	-	-	-	9,400
Restricted For:					
Drug Enforcement Activities	-	-	-	5,740	5,740
Construction	-	1,208,204	354,476	-	1,562,680
Other Purposes	-	-	-	11,910	11,910
Unassigned	2,042,867	-	-	-	2,042,867
Total Fund Balances	2,097,036	1,208,204	354,476	17,650	3,677,366
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 3,910,874	$ 1,418,405	$ 359,514	$ 19,382	$ 5,708,175

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 Position
December 31, 2014

Fund Balances - Total Governmental Funds		$ 3,677,366
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and are therefore not reported in the governmental funds.		
Governmental Capital Assets	9,278,417	
Less Accumulated Depreciation	(2,622,679)	6,655,738
Deferred revenue in the general fund represents property tax billed but uncollected and is eliminated in the Statement of Net Position.		16,785
Long-term liabilites are not due and payable in the current perod and therefore are not reported in the governmental funds.		
Compensated Absences		(29,248)
Net Position of Governmental Activities		$ 10,320,641

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, 2014

	General	Capital Projects SPLOST 2008	Capital Projects SPLOST 2014	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	$ 2,314,232	$ -	$ -	$ 165,876	$ 2,480,108
Licenses and Permits	58,883	-	-	-	58,883
Intergovernmental	105,909	-	747,282	-	853,191
Fines and Forfeitures	189,499	-	-	39,201	228,700
Charges for Services	381,469	-	-	-	381,469
Contributions	200	-	-	-	200
Miscellaneous Income	26,379	-	-	-	26,379
Interest Income	4,312	5,655	631	11	10,609
Total Revenues	3,080,883	5,655	747,913	205,088	4,039,539
Expenditures					
Current Operating:					
Mayor and Council	90,149	-	-	-	90,149
Administration	480,899	-	-	-	480,899
Police	1,140,297	-	54,453	25,820	1,220,570
Court Service	115,358	-	-	-	115,358
Contracted Public Safety Services	251,777	-	-	-	251,777
Public Services	644,818	-	-	-	644,818
Streets and Roads	525,757	13,904	61,903	-	601,564
Water and Sewer	-	-	12,985	-	12,985
Debt Service:					
Principal	17,091	-	70,766	-	87,857
Interest	1,154	-	970	-	2,124
Capital Outlay:					
Administration	-	646,138	-	-	646,138
Police	-	-	57,298	15,800	73,098
Streets and Roads	-	-	135,062	-	135,062
Total Expenditures	3,267,300	660,042	393,437	41,620	4,362,399
Excess (Deficiency) of Revenues Over Expenditures	(186,417)	(654,387)	354,476	163,468	(322,860)
Other Financing Sources (Uses)					
Proceeds from Sale of Surplus Supplies	11,200	-	-	-	11,200
Proceeds from Sale of Capital Assets	20,300	-	-	-	20,300
Insurance Proceeds	18,401	-	-	-	18,401
Transfers - Out	-	-	-	(164,769)	(164,769)
Transfers - In	164,769	-	-	-	164,769
Total Other Financing Sources (Uses)	214,670	-	-	(164,769)	49,901
Net Change in Fund Balances	28,253	(654,387)	354,476	(1,301)	(272,959)
Fund Balance - Beginning of Year	2,068,783	1,862,591	-	18,951	3,950,325
Fund Balance - End of Year	$ 2,097,036	$ 1,208,204	$ 354,476	$ 17,650	$ 3,677,366

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, 2014

Net Change in Fund Balances - Total Governmental Funds		$ (272,959)
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	890,934	
Less Current Year Depreciation	(268,197)	622,737
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		(25,098)
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	87,857	
Net Change in Long-term Compensated Absences	(10,893)	76,964
Change in Net Position of Governmental Activities		$ 401,644

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, 2014

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
Revenues				
Taxes	$ 2,033,000	$ 2,190,000	$ 2,314,232	$ 124,232
Licenses and Permits	64,500	58,000	58,883	883
Intergovernmental	122,000	87,000	105,909	18,909
Fines and Forfeitures	165,000	185,000	189,499	4,499
Charges for Services	386,500	381,500	381,469	(31)
Contributions	-	300	200	(100)
Miscellaneous Income	21,000	42,300	26,379	(15,921)
Interest Income	5,000	4,300	4,312	12
Total Revenues	2,797,000	2,948,400	3,080,883	132,483
Expenditures				
Current:				
Mayor and Council	78,293	95,000	90,149	4,851
Administration	520,091	500,000	480,899	19,101
Police	1,176,216	1,152,755	1,140,297	12,458
Court Services	111,381	120,000	115,358	4,642
Contracted Public Safety Services	241,500	252,000	251,777	223
Public Services	320,606	669,907	644,818	25,089
Streets and Roads	439,913	530,000	525,757	4,243
Debt Service:				
Principal	-	17,091	17,091	-
Interest	-	1,154	1,154	-
Total Expenditures	2,888,000	3,337,907	3,267,300	70,607
Excess (Deficiency) of Revenues Over Expenditures	(91,000)	(389,507)	(186,417)	203,090
Other Financing Sources (Uses)				
Proceeds from Sale of Surplus Supplies	-	-	11,200	11,200
Proceeds from Sale of Capital Assets	-	-	20,300	20,300
Insurance Proceeds	-	-	18,401	18,401
Fund Balance Reserves	-	223,631	-	(223,631)
Transfers - In	91,000	165,876	164,769	(1,107)
Total Other Financing Sources (Uses)	91,000	389,507	214,670	(174,837)
Net Change in Fund Balance	-	-	28,253	28,253
Fund Balance - Beginning of Year	2,068,783	2,068,783	2,068,783	-
Fund Balance - End of Year	$ 2,068,783	$ 2,068,783	$ 2,097,036	$ 28,253

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

CITY OF ADAIRSVILLE, GEORGIA
Statement of Net Position
Proprietary Funds
December 31, 2014

	Gas	Water & Sewer	Total
Assets			
Current Assets:			
Cash	$ 1,685,002	$ 1,141,898	$ 2,826,900
Accounts Receivable - Net	418,317	336,237	754,554
Prepaid Items	6,527	21,538	28,065
Due From Other Funds	677,560	1,028,033	1,705,593
Inventory	57,516	49,996	107,512
Total Current Assets	2,844,922	2,577,702	5,422,624
Non-Current Assets:			
Capital Assets:			
Equipment	632,518	1,536,417	2,168,935
Buildings and Structures	85,455	162,517	247,972
Distribution and Collection Systems	2,491,534	19,941,766	22,433,300
Less Accumulated Depreciation	(1,607,798)	(7,658,796)	(9,266,594)
Land and Easements	3,500	16,852	20,352
Construction in Progress	269,942	108,233	378,175
Total Non-Current Assets	1,875,151	14,106,989	15,982,140
Total Assets	$ 4,720,073	$ 16,684,691	$ 21,404,764
Liabilities			
Current Liabilities:			
Accounts Payable	$ 282,814	$ 85,922	$ 368,736
Customer Deposits	216,374	250,838	467,212
Interest Payable	-	13,331	13,331
Notes Payable	-	326,222	326,222
Total Current Liabilities	499,188	676,313	1,175,501
Noncurrent Liabilities:			
Compensated Absences	7,221	24,894	32,115
Notes Payable	-	1,809,628	1,809,628
Total Noncurrent Liabilities	7,221	1,834,522	1,841,743
Total Liabilities	506,409	2,510,835	3,017,244
Net Position			
Net Investment in Capital Assets	1,875,151	11,971,139	13,846,290
Unrestricted	2,338,513	2,202,717	4,541,230
Total Net Position	$ 4,213,664	$ 14,173,856	$ 18,387,520

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

CITY OF ADAIRSVILLE, GEORGIA
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2014

	Gas	Water & Sewer	Total
Operating Revenues			
Charges for Services	$ 3,381,355	$ 2,727,615	$ 6,108,970
Fees	7,025	108,088	115,113
Other Revenues	35	1,328	1,363
Total Operating Revenues	3,388,415	2,837,031	6,225,446
Operating Expenses			
Salaries, Wages and Employee Benefits	227,066	581,401	808,467
Cost of Gas for Resale	2,456,832	-	2,456,832
Services and Supplies	135,478	802,542	938,020
Insurance Expense	9,913	37,412	47,325
Administrative Expense	182,285	255,513	437,798
Depreciation Expense	56,400	463,705	520,105
Total Operating Expenses	3,067,974	2,140,573	5,208,547
Operating Income (Loss)	320,441	696,458	1,016,899
Nonoperating Revenues (Expenses)			
Interest Revenue	3,264	1,235	4,499
Interest Expense	-	(112,510)	(112,510)
Gas Rebates	124,870	-	124,870
Total Nonoperating Revenues (Expenses)	128,134	(111,275)	16,859
Change in Net Position	448,575	585,183	1,033,758
Net Position - Beginning	3,765,089	13,588,673	17,353,762
Net Position - Ending	$ 4,213,664	$ 14,173,856	$ 18,387,520

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, 2014

	Gas	Water & Sewer	Total
Cash Flows From Operations			
Receipts from Customers and Users	$ 3,474,605	$ 2,839,030	$ 6,313,635
Payments to Suppliers	(2,642,944)	(1,098,599)	(3,741,543)
Payments to/for Employees	(227,937)	(564,415)	(792,352)
Net Cash Provided by (Used in) Operating Activities	603,724	1,176,016	1,779,740
Cash Flows from Noncapital Financing Activities			
No Noncapital Financing Activities	-	-	-
Net Cash from Noncapital Financing Activities	-	-	-
Cash Flows from Capital and Related Financing Activities			
Principal Payments - Notes	-	(309,605)	(309,605)
Acquisition and Construction of Capital Assets	(205,005)	(595,828)	(800,833)
Interest Paid	-	(111,035)	(111,035)
Net Cash from Capital and Related Financing Activities	(205,005)	(1,016,468)	(1,221,473)
Cash Flows from Investing Activities			
Interest Received	3,264	1,235	4,499
Net Increase (Decrease) in Cash	401,983	160,783	562,766
Cash - January 1 (Including $0 in Restricted Cash)	1,283,019	981,115	2,264,134
Cash - December 31 (Including $0 in Restricted Cash)	$ 1,685,002	$ 1,141,898	$ 2,826,900
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities:			
Operating Income	$ 320,441	$ 696,458	$ 1,016,899
Adjustments of Reconcile to Net Cash Provided by Operating Activities			
Depreciation	56,400	463,705	520,105
Gas Rebates	124,870	-	124,870
(Increase) Decrease in Accounts Receivable	107,060	(2,401)	104,659
(Increase) Decrease in Prepaid Items	(92)	1,150	1,058
(Increase) Decrease in Inventory	(3,955)	6,322	2,367
Increase (Decrease) in Accounts Payable & Accrued Payables	20,741	(10,604)	10,137
Increase (Decrease) in Compensated Absences	(871)	16,986	16,115
Increase (Decrease) in Customer Deposits	(20,870)	4,400	(16,470)
Net Cash Provided by (Used in) Operating Activities	$ 603,724	$ 1,176,016	$ 1,779,740
Noncash Capital and Related Financing Activities			
2014 SPLOST Contributions	$ -	$ 12,985	$ 12,985
System Repairs and Maintenace Expenditures	-	(12,985)	(12,985)
Net Cash from Noncash Activities	$ -	$ -	$ -

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

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 31 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 Position 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 Position, 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, deferred outflows/inflows of resources, 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 and 2014 SPLOST 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 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 and 2014 SPLOST Capital Projects Funds account 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.

The City reports the following major proprietary funds:

The Water and Sewer Fund accounts for those operations of the City which involve water distribution, sewage pumping stations and collection systems, and the sewage treatment plant. A fee is charged to external users for goods or services and the activity is intended to be self-supporting.

The Gas Fund accounts for those operations of the City which involve natural gas distribution, including gas line and meter maintenance and additions. A fee is charged to external users for goods or services and this activity is also intended to be self-supporting.

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 and 2014 SPLOST Capital Projects Funds have 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.

E. Assets, Liabilities, Net Position or Fund Balances

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 certain payments are classified as restricted on the Balance Sheet and the Statement of Net Position because their use is limited by funding sources, debt covenants, or legal regulations. The construction accounts are used to report proceeds restricted for use in construction. The confiscated asset cash is restricted for use by the City's police department.

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. In the Entity-wide statements, bond premiums and discounts, as well as the gain or loss on bond refundings are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are recognized as an outflow of resources in the fiscal year in which the bonds are issued. Bonds payable are reported net of the applicable bond premium or discount and the gain or loss on the bond refunding.

   In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the fiscal period the bonds are issued. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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. **Deferred Outflows/Inflows Of Resources.** In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City had no items that qualified as a deferred outflow of resources for fiscal 2014.

    In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies as a deferred inflow of resources for fiscal 2014 and arises under the modified accrual basis on accounting only. The source of the deferred inflow reported is property tax revenue that is considered unavailable at year end.

11. **Fund Equity/Net Position.** 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 position for proprietary funds represents the net position available for future operation. Restricted net position represents assets that have been legally identified for specific purposes.

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

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 2014 General Fund budget was voted upon and adopted by the City Council.

No expenditures exceeded budgeted appropriations in the General Fund or Special Revenue Funds.

Note 3. Deposits and Investments

Cash as of December 31, 2014 is as follows:

Statement of Net Position:	
Cash	$ 6,188,296
Restricted Cash	1,659,276
Total	$ 7,847,572

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, 2014 is as follows:

Statement of Net Position:	
Cash	$ 38,292

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

Note 4. Receivables

Receivables as of December 31, 2014 consist of the following:

	General	Hotel/ Motel	Gas	Water and Sewer	Total
Receivables:					
Accounts	$ 26,688	$ --	$ 474,308	$ 377,040	$ 878,036
Property Tax	39,548	--	--	--	39,548
Hotel/Motel Tax	--	11,910	--	--	11,910
Franchise Tax	337,206	--	--	--	337,206
Allowances for Uncollectibles	(1,678)	--	(55,991)	(40,803)	(98,472)
Net	$ 401,764	$11,910	$ 418,317	$ 336,237	$ 1,168,228

Due from other governments includes $86,962 of Local Option Sales Taxes due from the State of Georgia, and $126,115 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 3.63 mils was approved by the City Council August 14, 2014. The levy date was September 15, 2014 and taxes were due by November 15, 2014. 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, 2014 were $ 1,705,593.

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

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

Transfers:

Routine transfers and payments between funds are to subsidize operations and fund capital asset acquisitions. Interfund transfers for the year ending December 31, 2014 were as follows:

Between Governmental Funds:

Source Fund	Transfer to Fund	Amount
Hotel/Motel Tax Fund	General Fund	$ 164,769

Note 7. Capital Assets

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

Governmental Activities

Capital Assets Not Being Depreciated	January 1 2014	Additions and Transfers	Deletions and Transfers	December 2014
Land	$ 708,501	$ -	$ (200)	$ 708,301
Construction in Progress - Streetscape	28,647	17,435	-	46,082
Construction in Progress - Trail Grant	21,990	-	-	21,990
Construction in Progress - City Hall	69,648	646,138	-	715,786
Construction in Progress - Logtown	7,114	-	-	7,114
Total Capital Assets Not Being Depreciated	835,900	663,573	(200)	1,499,273
Capital Assets Being Depreciated				
Buildings	2,221,780	-	-	2,221,780
Infrastructure	4,095,661	-	-	4,095,661
Equipment	1,234,143	227,561	-	1,461,704
Total Capital Assets Being Depreciated	7,551,584	227,561	-	7,779,145
Less Accumulated Depreciation For				
Buildings	(910,062)	(73,350)	-	(983,412)
Infrastructure	(497,562)	(123,240)	-	(620,802)
Equipment	(946,859)	(71,607)	-	(1,018,466)
Total Accumulated Depreciation	(2,354,483)	(268,197)	-	(2,622,680)
Total Capital Assets Being Depreciated, Net	5,197,101	(40,636)	-	5,156,465
Governmental Activities Capital Assets, Net	$6,033,001	$ 622,937	$ (200)	$6,655,738

During the fiscal year, the expended $646,138 on the City Hall renovation. Equipment capital outlays include $154,263 for Streets and Roads Equipment.

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

Administration	$ 80,935
Court Services	262
Police	74,998
Public Services	17,591
Streets and Roads	94,410
Total Depreciation Expense	$ 268,196

Business-type Activities

Capital Assets Not Being Depreciated	January 1 2014	Additions and Transfers	Deletions and Transfers	December 2014
Land	$ 20,352	$ -	$ -	$ 20,352
Construction in Progress - System	172,125	439,973	(233,923)	378,175
Total Capital Assets Not Being Depreciated	192,477	439,973	(233,923)	398,527
Capital Assets Being Depreciated				
Buildings	190,945	57,027	-	247,972
Infrastructure	22,041,573	391,727	-	22,433,300
Equipment	2,022,906	146,029	-	2,168,935
Total Capital Assets Being Depreciated	24,255,424	594,783	-	24,850,207
Less Accumulated Depreciation For				
Buildings	(81,436)	(6,740)	-	(88,176)
Infrastructure	(7,372,013)	(455,045)	-	(7,827,058)
Equipment	(1,293,040)	(58,320)	-	(1,351,360)
Total Accumulated Depreciation	(8,746,489)	(520,105)	-	(9,266,594)
Total Capital Assets Being Depreciated, Net	15,508,935	74,678	-	15,583,613
Business-type Activities Capital Assets, Net	$ 15,701,412	$ 514,651	$ (233,923)	$ 15,982,140

Business-type activities construction in progress at year-end consists of various water/sewer system and gas system improvements totaling $378,175. Major system repairs improvements of $391,727 were added to infrastructure during the year.

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

Capital Assets Not Being Depreciated	January 1 2014	Additions and Transfers	Deletions and Transfers	December 31 2014
Land	$ 112,565	$ -	$ -	$ 112,565
Total Capital Assets Not Being Depreciated	112,565	-	-	112,565
Capital Assets Being Depreciated				
Buildings	350,080	3,250	-	353,330
Total Capital Assets Being Depreciated	350,080	3,250	-	353,330
Less Accumulated Depreciation For				
Buildings	(45,112)	(11,114)	-	(56,226)
Total Accumulated Depreciation	(45,112)	(11,114)	-	(56,226)
Total Capital Assets Being Depreciated, Net	304,968	(7,864)	-	297,104
Governmental Activities Capital Assets, Net	$ 417,533	$ (7,864)	$ -	$ 409,669

Note 8. Lease Obligations

In 2013 the City entered into a capital lease agreement with Branch Banking and Trust as lessee for financing the acquisition of _ police cars. The cost of the leased equipment was $104,715. The balance of the lease at December 31, 2013 was $87,857. The balance of the lease was paid off in 2014, and the title to the equipment transferred to the City.

The City has no operating lease obligations.

Note 9. Outstanding Debt

Debt outstanding as of December 31, 2014 is composed of the following:

Primary Government

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	514,323	$ 59,206
GEFA Note – System Additions	06-01-98	5.86%	06-01-2018	2,745,554	735,675
GEFA Note – System Additions	08-25-03	3.98%	10-01-2024	1,172,080	700,540
GEFA Note – System Additions	07-26-05	4.20%	02-01-2029	811,853	640,429
Total Water and Sewer Fund					2,135,850
Total Business-type Activities					$ 2,135,850

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

Year Ending December 31	Business-type Activities Principal	Interest
2015	$ 326,222	$ 94,418
2016	322,932	77,066
2017	319,111	60,267
2018	218,311	43,892
2019	108,237	37,097
2020-2024	611,948	114,643
2025-2029	229,089	21,013
	$2,135,850	$ 448,396

Changes in long-term liabilities

The following is a summary of the City's debt transactions for the year ended December 31, 2014:

	Balance January 1	Additions	Reductions	Balance December 31	Due Within One Year
Governmental Activities					
Capital Leases	$ 87,857	$ -	$ 87,857	$ -	$ -
Compensated Abscences	18,356	38,236	27,344	29,248	-
OPEB Liability	10,842	13,800	10,842	13,800	13,800
Total Governmental Activities	$ 117,055	$ 52,036	$ 126,043	$ 43,048	$ 13,800
Business-type Activities					
Notes Payable	$ 2,445,455	$ -	$ 309,605	$ 2,135,850	$ 326,222
Compensated Abscences	16,000	28,857	12,742	32,115	-
Total Business-type Activities	$ 2,461,455	$ 28,857	$ 322,347	$ 2,167,965	$ 326,222

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, 2014 the Development Authority owed $9,400. There are no specific terms for repayment of the loan and no interest rate.

	Balances 01/01/14	Additions	Reductions	Balances 12/31/14	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 GASB 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, 2013, the recommended contribution to the plan for the fiscal 2014 was $81,101 ($0 employee and $81,101 employer; 0% employee and 8.55% employer of covered payroll respectively), and the recommended contribution to the plan for the previous year was $98,862 ($0 employee and $98,862 employer, 0% employee and 9.31% employer of covered payroll). Covered payroll for 2014 was calculated at $931,931 and for 2013 was calculated at $1,043,878.

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
2014	$ 81,101	100.0%	$ 0
2013	98,862	100.0%	0
2012	100,934	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%
Inflation	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, 2013, employee membership data related to the current plan membership was as follows:

Number of retirees and beneficiaries currently receiving benefits	28
Number of terminated employees entitled to benefits, but not yet receiving them	14
Number of Active Plan Participants	
Vested	11
Nonvested	20
Total	73

Information regarding the funding status of the plan as of the July 1, 2013 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, 2013	$ 2,814,052	$ 2,976,244	$ 162,192	94.55%	$ 931,931	17.40%
July 1, 2012	2,742,802	2,939,035	196,233	93.32%	1,043,878	18.80%
July 1, 2011	2,619,022	2,795,548	176,526	93.69%	1,206,999	14.63%

Note 11. Restricted Assets and Restricted Net Position

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 and 2014 SPLOST capital projects funds are such accounts. The balances of these accounts are presented as restricted cash in their respective financial statement.

Restricted Net Position

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

Governmental Activities:

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 other purposes – Created to segregate money received from hotel/motel tax.

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, 2014, the total amount the City collected was $165,876 and the amount collected above the 3 percent rate was $66,350. 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 2006, 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 four calendar quarters, or until there is collected net proceeds of $200,000,000, for various capital outlay purposes". Actual collection of the tax began January 1, 2008 and ended December 31, 2013. The City of Adairsville's distributive share of this amount was projected to be $6,012,000. The City is to use the proceeds from the tax for various infrastructure and water/sewer improvements.

In November 2011, 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 four calendar quarters, or until there is collected net proceeds of $220,000,000, for various capital outlay purposes". Actual collection of the tax began January 1, 2014 and is projected to end December 31, 2019. The City of Adairsville's distributive share of this amount is projected to be $8,932,000. 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 achieved twenty years of continuous service and 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 general fund at the fund level, and the governmental activities at the entity-wide level financial statements until the plan has expired in 2020.

Note 19. Construction Commitments

The City had a construction commitment under contract for the completion of the City Hall renovation project. The total contract commitment was $1,232,106, with $294,990 expended to date leaving an open commitment of $937,115.

COMBINING AND INDIVIDUAL FUND STATEMENTS

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, 2014

	Project Length Budgeted Amounts			
	Original	Final	Current Year Actual	Variance with Final Budget
Revenues				
Intergovernmental	$ 6,012,000	$ 6,012,000	$ -	$ (6,012,000)
Interest Income	-	-	5,655	5,655
Total Revenues	6,012,000	6,012,000	5,655	(6,006,345)
Expenditures				
Current:				
Streets and Roads	13,904	13,904	13,904	-
Capital Outlay:				
Administration	1,500,000	1,500,000	646,138	853,862
Streets and Roads	1,538,096	1,538,096	-	1,538,096
Water and Sewer	2,960,000	2,960,000	-	2,960,000
Total Expenditures	6,012,000	6,012,000	660,042	5,351,958
Excess of Revenues Over Expenditures	-	-	(654,387)	(654,387)
Net Change in Fund Balance	-	-	(654,387)	(654,387)
Fund Balance - Beginning of Year	1,377,890	1,377,890	1,862,591	484,701
Fund Balance - End of Year	$ 1,377,890	$ 1,377,890	$ 1,208,204	$ (169,686)

CITY OF ADAIRSVILLE, GEORGIA

Schedule of Revenues, Expenditures, and Changes in Fund Balance
2014 SPLOST Capital Projects Fund Budget and Actual
From Inception and For the Year Ended December 31, 2014

	Acutal			
	Prior Years	Current Year	Total to Date	Project Authorization
Revenues				
Intergovernmental	$ -	$ 747,282	$ 747,282	$ 8,932,000
Investment Earnings	-	631	631	-
Total Revenues	-	747,913	747,913	8,932,000
Expenditures				
Current:				
Police	-	54,453	54,453	54,453
Streets and Roads	-	61,903	61,903	61,903
Water and Sewer	-	12,985	12,985	12,985
Debt Service				
Principle	-	70,766	70,766	70,766
Interest	-	970	970	970
Capital Outlays:				
Police	-	57,298	57,298	1,073,811
Streets	-	135,062	135,062	6,657,112
Culture and Recreation	-	-	-	1,000,000
Total Expenditures	-	393,437	393,437	8,932,000
Excess of Revenues Over Expenditures	-	354,476	354,476	-
Net Change in Fund Balance	$ -	354,476	$ 354,476	$ -
Fund Balance - Beginning of Year		-		
Fund Balance - End of Year		$ 354,476		

CITY OF ADAIRSVILLE, GEORGIA
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2014

	Special Revenue Funds		
	Confiscated Assets	Hotel/Motel Tax	Total Nonmajor Governmental Funds
Assets			
Receivables, Net			
Taxes	$ -	$ 11,910	$ 11,910
Cash - Restricted	7,472	-	7,472
Total Assets	7,472	11,910	19,382
Liabilities			
Accounts Payable	1,732	-	1,732
Total Liabilities	1,732	-	1,732
Fund Balances			
Restricted For:			
Drug Enforcement Activities	5,740	-	5,740
Other Purposes	-	11,910	11,910
Total Fund Balances	5,740	11,910	17,650
Total Liabilities and Fund Balances	$ 7,472	$ 11,910	$ 19,382

CITY OF ADAIRSVILLE, GEORGIA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2014

	Special Revenue Funds		
	Confiscated Assets	Hotel/Motel Tax	Total Nonmajor Governmental Funds
Revenues			
Taxes	$ -	$ 165,876	$ 165,876
Fines and Forfeitures	39,201	-	39,201
Interest Income	11	-	11
Total Revenues	39,212	165,876	205,088
Expenditures			
Current:			
Police	25,820	-	25,820
Capital Outlay:			
Police	15,800	-	15,800
Total Expenditures	41,620	-	41,620
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,408)	165,876	163,468
Other Financing Sources (Uses)			
Transfers - Out	-	(164,769)	(164,769)
Total Other Financing Sources (Uses)	-	(164,769)	(164,769)
Net Change in Fund Balances	(2,408)	1,107	(1,301)
Fund Balance - Beginning of Year	8,148	10,803	18,951
Fund Balance - End of Year	$ 5,740	$ 11,910	$ 17,650

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, 2014

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
Revenues				
Fines and Forfeitures	$ 39,201	$ 39,201	$ 39,201	$ -
Interest Income	11	11	11	-
Total Revenues	39,212	39,212	39,212	-
Expenditures				
Current:				
Police	25,820	25,820	25,820	-
Capital Outlay:				
Police	15,800	15,800	15,800	-
Total Expenditures	41,620	41,620	41,620	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,408)	(2,408)	(2,408)	-
Other Financing Sources (Uses)				
Appropriated Prior Year Fund Balance	2,408	2,408	-	(2,408)
Total Other Financing Sources (Uses)	2,408	2,408	-	(2,408)
Net Change in Fund Balance	-	-	(2,408)	-
Fund Balance - Beginning of Year	8,148	8,148	8,148	-
Fund Balance - End of Year	$ 8,148	$ 8,148	$ 5,740	$ -

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, 2014

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
Revenues				
Taxes	$ 120,000	$ 165,876	$ 165,876	$ -
Total Revenues	120,000	165,876	165,876	-
Excess of Revenues Over Expenditures	120,000	165,876	165,876	-
Other Financing Sources (Uses)				
Transfers - Out	(29,000)	(165,876)	(164,769)	1,107
Total Other Financing Sources (Uses)	(29,000)	(165,876)	(164,769)	1,107
Net Change in Fund Balance	91,000	-	1,107	1,107
Fund Balance - Beginning of Year	10,803	10,803	10,803	-
Fund Balance - End of Year	$ 101,803	$ 10,803	$ 11,910	$ 1,107

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COMPLIANCE SECTION

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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, 2014, 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 June 8, 2015

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 was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Williamson and Company

Williamson and Company
Certified Public Accountants
June 8, 2015

CITY OF ADAIRSVILLE, GEORGIA
Schedule of Special Purpose Local Option Sales Tax Expenditures
Year Ended December 31, 2014

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	$ 32,970	$ 646,138	$ 679,108
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	268,561	-	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	428,373	-	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	13,904	20,404
Curb & Gutter Summer Street and Sidewalk	517,000	517,000	472,297	-	472,297
Curb & Gutter Martin Luther King and Sidewalk	400,000	400,000	318,139	-	318,139
Curb & Gutter King Street and Sidewalk	344,000	344,000	525,245	-	525,245
Total Street and Road Projects	1,552,000	1,552,000	1,330,146	13,904	1,344,050
Total for SPLOST II Projects	$ 6,012,000	$ 6,012,000	$ 1,791,489	$ 660,042	$ 2,451,531

This schedule is presented on the modified accrual basis of accounting.

CITY OF ADAIRSVILLE, GEORGIA
Schedule of Special Purpose Local Option Sales Tax Expenditures
Year Ended December 31, 2014

Project	Estimated Cost		Expenditures		
	Original	Current	Prior Years	Current Year	Total
SPLOST III (2014-2019)					
Public Safety Facilities Projects					
Public Safety Facilities Projects	$ 1,200,000	$ 1,200,000	$ -	$ 183,487	$ 183,487
Recreational and Cultural Facilities Projects					
Recreational and Cultural Facilities Projects	1,000,000	1,000,000	-	-	-
Roads, Streets and Stormwater Projects					
Roads, Streets and Stormwater Projects	6,732,000	6,732,000	-	209,950	209,950
Total for SPLOST III Projects	$ 8,932,000	$ 8,932,000	$ -	$ 393,437	$ 393,437

This schedule is presented on the modified accrual basis of accounting.