

CITY OF ACWORTH, GEORGIA

FINANCIAL REPORT

FOR THE SIX MONTHS ENDED JUNE 30, 2009

DEPARTMENT OF FINANCE

Sharron L. Burtz

City Treasurer

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**CITY OF ACWORTH, GEORGIA
FINANCIAL REPORT
For the Six Months Ended June 30, 2009**

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INDEPENDENT AUDITOR'S REPORT

The Honorable Thomas W. Allegood, Mayor
Board of Aldermen
City of Acworth
Acworth, Georgia

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Acworth, Georgia, as of and for the six months ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

The City of Acworth has not presented the Management Discussion and Analysis Letter, which the Governmental Accounting Standards Board has determined is necessary to supplement, although is not required to be a part of the basic financial statements.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Acworth, Georgia, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the six months then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2009 on our consideration of the City of Acworth, Georgia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Schedule of Funding Progress and the budgetary comparison for the General Fund on page 36 and pages 37 - 38 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Moore & Cubbedge, LLP

Moore & Cubbedge, LLP

November 24, 2009

BASIC FINANCIAL STATEMENTS

CITY OF ACWORTH, GEORGIA
STATEMENT OF NET ASSETS
June 30, 2009

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
Assets:			
Cash and cash equivalents	\$ 383,055	\$ 1,054,674	\$ 1,437,729
Investments	3,038,653	785,056	3,823,709
Receivables, net	265,437	1,408,809	1,674,246
Due from other governments	465,132	-	465,132
Internal balances	(1,704)	1,704	-
Inventories	-	796,169	796,169
Prepaid items	365,982	-	365,982
Other assets, net	176,893	171,466	348,359
Restricted assets	5,706,536	1,002,959	6,709,495
Capital assets, non depreciated	5,011,965	228,954	5,240,919
Capital assets, depreciated, net	35,089,734	6,138,282	41,228,016
Total assets	50,501,683	11,588,073	62,089,756
Liabilities:			
Accounts payable and other current liabilities	1,062,933	766,920	1,829,853
Customer deposits	-	1,007,387	1,007,387
Unearned revenue	320,486	25,290	345,776
Noncurrent liabilities:			
Due within one year	841,803	470,549	1,312,352
Due in more than one year	11,845,120	7,328,380	19,173,500
Total liabilities	14,070,342	9,598,526	23,668,868
Net Assets			
Invested in capital assets, net of related debt	34,171,629	6,095,349	40,266,978
Restricted for:			
Debt service	611,968	-	611,968
Public works	1,704,120	-	1,704,120
Culture and recreation	93,928	-	93,928
Public safety	153,648	-	153,648
Voter appropriation	3,000,000	-	3,000,000
Unrestricted	(3,303,952)	(4,105,802)	(7,409,754)
Total net assets	\$ 36,431,341	\$ 1,989,547	\$ 38,420,888

CITY OF ACWORTH, GEORGIA
STATEMENT OF ACTIVITIES
For the Six Months Ended June 30, 2009

Functions/Programs	Program Revenue			Net (Expense) Revenue and Change in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total
Primary Government							
Governmental activities:							
General government	\$ 981,054	\$ 71,358	\$ -	\$ -	\$ (909,696)	\$ -	\$ (909,696)
Judicial	237,822	538,723	-	-	300,901	-	300,901
Health and welfare	1,456	-	-	-	(1,456)	-	(1,456)
Public works	1,679,483	6,820	-	959,712	(712,951)	-	(712,951)
Culture and recreation	1,174,998	171,720	-	157,279	(845,999)	-	(845,999)
Public safety	1,950,445	11,401	-	-	(1,886,283)	-	(1,886,283)
Housing and development	349,078	70,775	-	-	(278,303)	-	(278,303)
Interest & fiscal charges on long-term debt	313,112	-	-	-	(313,112)	-	(313,112)
Total governmental activities	6,687,448	870,797	52,761	1,116,991	(4,646,899)	-	(4,646,899)
Business-type activities:							
Electric	5,243,322	4,898,922	-	9,531	-	(334,869)	(334,869)
Sanitation	567,482	706,664	-	-	-	139,182	139,182
Total business-type activities	5,810,804	5,605,586	-	9,531	-	(195,687)	(195,687)
Total Primary Government	\$ 12,498,252	\$ 6,476,383	\$ 52,761	\$ 1,126,522	(4,646,899)	(195,687)	(4,842,586)
General Revenues:							
Property taxes					211,192	-	211,192
Alcohol taxes					222,419	-	222,419
Hotel/motel tax					49,262	-	49,262
Franchise taxes					690,534	-	690,534
Financial institution tax					50,373	-	50,373
Business taxes					823	-	823
Contributions not restricted to a specific program					17,767	-	17,767
Unrestricted investment earnings					77,005	17,360	94,365
Transfers					77,387	(77,387)	-
Total general revenues and transfers					1,396,762	(60,027)	1,336,735
Change in net assets					(3,250,137)	(255,714)	(3,505,851)
Net assets - beginning					39,681,478	2,245,261	41,926,739
Net assets - ending					\$ 36,431,341	\$ 1,989,547	\$ 38,420,888

CITY OF ACWORTH, GEORGIA
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2009

	General Fund	SPLOST	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 371,037	\$ -	\$ 12,018	\$ 383,055
Investments	2,751,434	-	287,219	3,038,653
Restricted assets	4,045,129	1,389,230	272,177	5,706,536
Receivables, net	265,437	-	-	265,437
Prepaid items	283,773	-	1,250	285,023
Due from other funds	348,208	19,817	123,701	491,726
Due from other governments	26,120	153,242	82,890	262,252
Total assets	\$ 8,091,138	\$ 1,562,289	\$ 779,255	\$ 10,432,682
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 749,324	\$ -	\$ 25,727	\$ 775,051
Retainage payable	-	30,401	5,093	35,494
Accrued liabilities	232,291	-	-	232,291
Due to other funds	279,904	169,214	40,715	489,833
Deferred revenue	491,162	-	13,444	504,606
Total liabilities	1,752,681	199,615	84,979	2,037,275
Fund Balances:				
Reserved for:				
Encumbrances	36,270	12,643	173,974	222,887
Appropriations	3,000,000	-	-	3,000,000
Prepays	283,772	-	-	283,772
Projects	83,657	-	-	83,657
Debt service	610,700	-	-	610,700
Unreserved, reported in:				
General fund	2,324,058	-	-	2,324,058
Capital project funds	-	1,350,031	259,461	1,609,492
Special revenue funds	-	-	260,841	260,841
Total fund balances	6,338,457	1,362,674	694,276	8,395,407
Total liabilities and fund balances	\$ 8,091,138	\$ 1,562,289	\$ 779,255	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	40,101,699
Property tax revenue earned but unavailable is not reported in the funds.	184,120
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds.	202,880
The Workers' Compensation Internal Service Fund is used by management to charge the costs of workers compensation insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	57,265
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Unmatured bonds, leases, and contracts	(11,835,070)
Unamortized bond issue costs	176,893
Accrued compensated absences	(149,449)
Net OPEB obligation	(576,424)
Net pension obligation	(125,980)
Net assets of governmental activities	\$ 36,431,341

CITY OF ACWORTH, GEORGIA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Six Months Ended June 30, 2009

	General Fund	SPLOST	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 1,322,058	\$ -	\$ 49,262	\$ 1,371,320
Licenses and permits	89,141	-	-	89,141
Intergovernmental	11,686	977,479	60,498	1,049,663
Charges for services	188,894	-	16,590	205,484
Fines and forfeitures	538,723	-	46,961	585,684
Investment earnings	71,380	3,961	1,664	77,005
Contributions and donations	48,591	-	48,190	96,781
Other	37,539	-	-	37,539
Total revenues	2,308,012	981,440	223,165	3,512,617
Expenditures:				
Current:				
General government	894,250	-	-	894,250
Public safety	1,676,499	-	265	1,676,764
Public works	419,362	-	-	419,362
Health and welfare	1,456	-	-	1,456
Housing and development	326,572	-	-	326,572
Judicial	237,142	-	-	237,142
Culture and recreation	972,517	-	35,935	1,008,452
Capital projects	-	1,066,581	238,755	1,305,336
Debt service	544,327	-	212,965	757,292
Total expenditures	5,072,125	1,066,581	487,920	6,626,626
Excess (deficiency) of revenues over (under) expenditures	(2,764,113)	(85,141)	(264,755)	(3,114,009)
Other financing sources (uses):				
Transfers in	594,931	-	4,579	599,510
Transfers out	(502,113)	-	(20,010)	(522,123)
Debt issued	244,635	-	-	244,635
Sale of capital assets	4,720	-	-	4,720
Total other financing sources (uses)	342,173	-	(15,431)	326,742
Net change in fund balance	(2,421,940)	(85,141)	(280,186)	(2,787,267)
Fund balance at beginning of year, as restated	8,760,397	1,447,815	974,462	11,182,674
Fund balance at end of year	\$ 6,338,457	\$ 1,362,674	\$ 694,276	\$ 8,395,407

CITY OF ACWORTH, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Six Months Ended June 30, 2009

Net change in fund balances - total governmental funds \$ (2,787,267)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. When assets are sold or retired, the difference between the sales proceeds, if any, and the net book value of the assets is reported in the statement of activities as a gain or loss.

Depreciation expense	(1,615,914)	
Capital outlays	1,370,135	
Loss on disposal of assets	<u>(17,872)</u>	(263,651)

The issuance of long-term debt provides current financial resources and the repayment of principal on long-term debt consumes current financial resources in the governmental funds.

Proceeds from capital leases	(244,635)	
Matured principal on bonds payable	<u>449,332</u>	204,697

The net effect of revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (152,693)

The Workers' Compensation Internal Service Fund is used by management to charge the cost of workers' compensation insurance to individual funds. 4,142

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.

Amortization of bond issuance costs	(5,152)	
Net pension obligation	(52,376)	
Net OPEB obligation	(193,027)	
Accrued compensated absences	<u>(4,810)</u>	<u>(255,365)</u>

Change in net assets of governmental activities \$ (3,250,137)

CITY OF ACWORTH, GEORGIA
PROPRIETARY FUNDS
BALANCE SHEET
June 30, 2009

	Enterprise Funds			Internal Service Funds
	Major		Totals	
	Electrical Power	Sanitation		
ASSETS				
Current assets:				
Cash	\$ 842,105	\$ 207,015	\$ 1,049,120	\$ 5,554
Investments	685,056	100,000	785,056	-
Restricted assets:				
Cash	838,611	164,348	1,002,959	-
Receivables, net				
Utility accounts	1,290,480	118,264	1,408,744	-
Other	-	-	-	65
Due from other funds	184,065	42,379	226,444	33,805
Inventory	796,169	-	796,169	-
Prepaid expenses	-	-	-	80,959
Total current assets	4,636,486	632,006	5,268,492	120,383
Noncurrent assets:				
Property, plant and equipment, net	6,076,405	279,828	6,356,233	11,003
Other assets:				
Bond issue costs	171,466	-	171,466	-
Total other assets	171,466	-	171,466	-
Total noncurrent assets	6,247,871	279,828	6,527,699	11,003
Total assets	\$ 10,884,357	\$ 911,834	\$ 11,796,191	\$ 131,386
LIABILITIES AND FUND EQUITY				
Current liabilities:				
Accounts payable	\$ 663,929	\$ -	\$ 663,929	\$ 20,097
Customer deposits	843,039	164,348	1,007,387	-
Accrued liabilities	69,629	19,305	88,934	14,058
Unearned revenue	25,290	-	25,290	-
Due to other funds	246,539	12,006	258,545	3,597
Capital leases - current	389,204	24,607	413,811	-
Total current liabilities	2,237,630	220,266	2,457,896	37,752
Long-term liabilities (net of current portion):				
Net OPEB obligation	102,255	38,896	141,151	37,713
Accrued compensated absences	33,514	13,235	46,749	9,989
Capital lease obligations	7,038,382	111,134	7,149,516	-
Total long-term liabilities	7,174,151	163,265	7,337,416	47,702
Total liabilities	9,411,781	383,531	9,795,312	85,454
Fund equity:				
Invested in capital assets, net of related debt	5,940,259	144,087	6,084,346	11,003
Unrestricted	(4,467,683)	384,216	(4,083,467)	34,930
Total fund equity	1,472,576	528,303	2,000,879	45,933
Total liabilities and fund equity	\$ 10,884,357	\$ 911,834	\$ 11,796,191	\$ 131,387
Adjustment to reflect the consolidation of the customer service internal service fund activities related to the enterprise funds			(11,332)	
Net assets of business-type activities			\$ 1,989,547	

CITY OF ACWORTH, GEORGIA
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY
For the Six Months Ended June 30, 2009

	Enterprise Funds			Internal Service Funds
	Major			
	Electrical Power	Sanitation	Totals	
Operating revenues:				
Charges for services	\$ 4,686,416	\$ 706,664	\$ 5,393,080	\$ 390,937
Other	212,506	-	212,506	9,924
Total operating revenues	4,898,922	706,664	5,605,586	400,861
Operating expenses:				
Personal services	520,317	313,178	833,495	201,770
Operating	4,188,427	210,498	4,398,925	173,269
Depreciation	228,437	40,843	269,280	2,360
Total operating expenses	4,937,181	564,519	5,501,700	377,399
Operating income	(38,259)	142,145	103,886	23,462
Nonoperating revenues (expenses):				
Gain (loss) on sale of capital assets	-	(93)	(93)	-
Interest income	17,124	236	17,360	-
Interest expense	(325,461)	(2,870)	(328,331)	-
Total nonoperating revenues (expenses)	(308,337)	(2,727)	(311,064)	-
Income before contributions and transfers	(346,596)	139,418	(207,178)	23,462
Contributed capital from developers	9,531	-	9,531	-
Transfers in	499,113	-	499,113	-
Transfers out	(470,000)	(77,500)	(547,500)	(29,000)
Increase (decrease) in fund equity	(307,952)	61,918	(246,034)	(5,538)
Fund equity at beginning of year	1,780,528	466,385		51,471
Fund equity at end of year	\$ 1,472,576	\$ 528,303		\$ 45,933
Adjustment to reflect the consolidation of the customer service internal service fund activities related to enterprise funds			(9,680)	
Change in net assets of business-type activities			\$ (255,714)	

**CITY OF ACWORTH, GEORGIA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 For the Six Months Ended June 30, 2009**

	Enterprise Funds			Internal Service Funds
	Major			
	Electrical Power	Sanitation	Totals	
Cash flows from (to) operating activities:				
Cash received from customers	\$ 4,643,807	\$ 703,438	\$ 5,347,245	\$ 504,886
Cash payments for goods and services	(4,038,249)	(239,016)	(4,277,265)	(143,847)
Cash payments for benefits and claims	-	-	-	(138,244)
Cash payments for employee services and fringe benefits	(490,657)	(304,928)	(795,585)	(188,941)
Net cash from (to) operating activities	114,901	159,494	274,395	33,854
Cash flows from (to) noncapital financing activities:				
Transfers in	499,113	-	499,113	-
Transfers out	(470,000)	(77,500)	(547,500)	(29,000)
Net cash from (to) noncapital financing activities	29,113	(77,500)	(48,387)	(29,000)
Cash flows from (to) capital and related financing activities:				
Contributed capital	9,531	-	9,531	-
Interest paid	(191,455)	(2,870)	(194,325)	-
Payments for capital acquisitions	(55,669)	(5,260)	(60,929)	-
Principal payments on long-term obligations	(352,611)	(11,929)	(364,540)	-
Net cash from (to) capital and related financing activities	(590,204)	(20,059)	(610,263)	-
Cash flows from (to) investing activities:				
Proceeds from investments	745,533	-	745,533	-
Investment purchases	-	(100,000)	(100,000)	-
Interest received from investments	17,580	236	17,816	-
Net cash from (to) investing activities	763,113	(99,764)	663,349	-
Net increase (decrease) in cash	316,923	(37,829)	279,094	4,854
Cash at beginning of year (including \$1,012,427 in restricted cash)	1,363,793	409,192	1,772,985	700
Cash at end of year (including \$1,002,959 in restricted cash)	\$ 1,680,716	\$ 371,363	\$ 2,052,079	\$ 5,554

See accompanying notes to financial statements.
 Continued on next page.

CITY OF ACWORTH, GEORGIA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS (Cont'd)
For the Six Months Ended June 30, 2009

	Enterprise Funds		Totals	Internal Service Funds
	Major			
	Electrical Power	Sanitation		
Reconciliation of operating income (loss)				
to net cash from operating activities:				
Operating income (loss)	\$ (38,259)	\$ 142,145	\$ 103,886	\$ 23,462
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation	228,437	40,843	269,280	2,360
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	(260,671)	(4,868)	(265,539)	(9)
(Increase) decrease in prepaid expenses	-	-	-	(80,959)
(Increase) decrease in inventory	22,659	-	22,659	-
(Increase) decrease in due from other funds	(184,065)	(40,524)	(224,589)	104,033
Increase (decrease) in net OPEB liability	28,498	11,506	40,004	12,816
Increase (decrease) in accounts payable	194,399	-	194,399	(31,459)
Increase (decrease) in accrued liabilities	1,162	(3,256)	(2,094)	13
Increase (decrease) in due to other funds	117,185	12,006	129,191	3,597
Increase (decrease) in customer deposits	5,556	1,642	7,198	-
Net cash from (to) operating activities	\$ 114,901	\$ 159,494	\$ 274,395	\$ 33,854

Supplemental disclosure of cash flow information:

Cash paid during the year for interest was \$194,325

CITY OF ACWORTH, GEORGIA
NOTES TO FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2009

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

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City was created in 1860 and operates under an elected Mayor/Council (Board of Aldermen) form of government. The City's major operations include public safety, culture-recreation, regulation and control of the electrical power system, highways and streets, sanitation, public improvements, planning and zoning, and general administrative services.

The financial statements of the reporting entity include those of the City of Acworth (the primary government).

In accordance with generally accepted accounting principles, as set forth in Statement of Governmental Accounting Standards No. 14. "The Financial Reporting Entity", the financial statements of the City's component units have previously been included as discretely presented component units due to financial accountability. However, the City's component unit assets, liabilities, net assets and change in net assets individually and in the aggregate, are not material to the City's financial statements and have not been included in this presentation. A brief description of the City's potential component units follows:

Acworth Downtown Development Authority: The Acworth Downtown Development Authority was created by the City of Acworth, pursuant to the resolution of the Georgia General Assembly on January 15, 1981. The purpose of the Authority is the redevelopment of the downtown Acworth district. The City Council appoints all members of the Authority and has provided a majority of the resources for current year expenditures of the Authority.

Acworth Lake Authority: The Acworth Lake Authority was created by the City of Acworth, pursuant to the resolution of the Georgia General Assembly on February 19, 1951. The purpose of the Authority is to develop Lake Acworth shore and adjoining land areas as a public park, providing recreational facilities for citizens. The City Council appoints a majority of the members of the Authority and provided the resources for all of the expenditures of the Authority.

Acworth Area Convention and Visitors Bureau Authority: The Acworth Area Convention and Visitors Bureau Authority was created by the City of Acworth, pursuant to the resolution of the Georgia General Assembly. The purpose of the Authority is to promote tourism, conventions, and trade shows within the area. The City Council appoints all members of the Authority and the City is able to impose its will on the Authority.

Related Organizations: The Acworth Housing Authority and the Special Needs Development Group are related organizations which have not been included in the reporting entity. The Authority, which is managed by the Marietta Housing Authority, provides low-income housing to eligible families in the City. The Development Group provides funding for special needs parks. The Authority's board consists of 5 members appointed by the City Council. The Development Group's board consists of 8 members of which 3 are appointed by the City. The City does not have the ability to impose its will or have a financial benefit or burden relationship with the organizations. The debts of the organizations are not secured by the City and deficits are not financed by the City. No budgetary or financial relationship exists between the City and the organizations.

CITY OF ACWORTH, GEORGIA
NOTES TO FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2009

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from the legally separate *component units* for which the primary government is financially accountable. The City's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

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

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

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

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

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 all revenues except intergovernmental revenue to be available if they are collected within 60 days of the end of the current fiscal period. Intergovernmental revenue is considered available if it is collected within 6 months after year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when a payment is due.

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

The City reports the following major governmental funds:

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

CITY OF ACWORTH, GEORGIA
NOTES TO FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2009

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

SPLOST - The SPLOST fund is used to account for the proceeds of a 1 percent local option sales tax approved for various projects throughout the City.

The City reports the following major proprietary funds:

Electrical Power Fund - The Electrical Power Fund accounts for the operations of the City's electric distribution services.

Sanitation Fund - The Sanitation Fund accounts for the City's solid waste sanitation services.

Additionally, the City reports the following fund types:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The City's special revenue funds account for activity related to the acquisition and maintenance of recreational park areas, for tax allocation district redevelopment projects and debt service, for the promotion of tourism, for law enforcement expenditures, and for protection and enhancement of local historic and aesthetic areas within the City.

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition, renovation, and construction of major capital assets.

Internal Service Funds - The Internal Service Funds account for services performed by a central service department for other departments or agencies of the governmental unit. The City has a Customer Service internal service fund which performs customer service functions relating to the Electrical Power fund, Sanitation fund, and General fund. The City also has a Workers' Compensation internal service fund which is used to charge the cost of workers' compensation insurance to the various City departments.

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

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

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

CITY OF ACWORTH, GEORGIA
NOTES TO FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2009

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

D. Budgets and Budgetary Accounting

An operating budget is legally adopted each fiscal year for the General Fund, Special Revenue Funds and Capital Projects Funds.

The budget is adopted on a basis consistent with generally accepted accounting principles (GAAP) except that certain capital outlay expenditures and capital lease proceeds were not budgeted for in the general fund.

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

1. A proposed operating budget including proposed expenditures and the means of financing them is submitted to the Board of Aldermen and the citizens by the City Manager by publication in the official Marietta Daily Journal newspaper.
2. A public hearing on the budget is held, giving notice thereof at least ten days in advance.
3. The budget is then revised and adopted or amended by the Board of Aldermen at the first regular meeting following the hearing.
4. The level of control (the level at which expenditures may not legally exceed appropriations) for each of the above adopted budgets is at the department level. The City's department heads may make transfers of appropriations within a department. Certain transfers of appropriations between departments require the approval of the Mayor and Board of Aldermen. The total budget so adopted may be revised during the year only by formal action of the Board of Aldermen in a regular meeting and no increase shall be made therein without provision also being made for financing the same. For a non-budgeted activity or item, or one which has a high likelihood of exceeding the budget appropriation, approval must come from the Mayor and Board of Aldermen.
5. Formal budgetary integration is employed as a management control device during the year for all funds.

Budgeted amounts reflected in the accompanying budget and actual comparisons are as originally adopted, or as amended, by the Board of Aldermen. Individual amendments were not material in relation to the original appropriations which were amended.

Unencumbered appropriations lapse at year end.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General, Special Revenue and Capital Projects Funds. Encumbrances outstanding at year end are reported as reservations of fund balances

CITY OF ACWORTH, GEORGIA
NOTES TO FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2009

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgets and Budgetary Accounting (continued)

and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

E. Cash and Investments

For the purpose of the statement of cash flows, cash and cash equivalents include restricted and unrestricted amounts in demand deposits.

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

The City's investments include Georgia Fund 1. Georgia Fund 1 is managed by the Office of the Treasury and Fiscal Services under the policies included in Georgia Law (O.C.G.A. 36-83-4). The entire portfolio, including the City's pro-rata portion, consists of collateralized certificates of deposit and government or governmental agency securities owned outright and under agreement to resell. The reported value of Georgia Fund 1 is the same as the fair value of the pool shares.

The City invests in an external investment pool, the Municipal Competitive Trust, which is administered by the Municipal Electric Authority of Georgia ("MEAG"), a governmental entity. The City is a beneficiary of this trust. The Municipal Competitive Trust permits the investment of funds in direct obligations of the United States Government, direct and general obligations of states, certain Federal agency discount notes and repurchase agreements collateralized by securities, which would otherwise be permissible under the laws of the State of Georgia. The fair value of the City's position in the pool changes with market conditions, and is calculated based on the fair market value of net assets held in the pool at the close of each business day.

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

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

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Noncurrent portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation.

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

CITY OF ACWORTH, GEORGIA
NOTES TO FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2009

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Inventories

Inventories are valued at the lower of average cost or market. Inventory in the Enterprise Funds consists of expendable supplies held for consumption and items needed for repairs or improvements to the utility system. The purchase method is used to account for inventories within the City's Enterprise Funds. There are no inventories in the Governmental Funds.

H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

GASBS No. 34 requires the City to report and depreciate infrastructure assets. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. Neither their historical cost nor related depreciation has historically been reported in the financial statements.

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. The capitalization threshold for capital assets is \$2,500.

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

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

	Electrical Power Fund	Sanitation Fund	Customer Service Fund	Governmental Activities
Buildings	10-20 years	—	—	5-40 years
Improvements other than buildings	—	—	—	7-30 years
Electrical utility system	25 years	—	—	—
Vehicles and equipment	3-10 years	2-10 years	2-5 years	2-15 years
Infrastructure	—	—	—	20-25 years

I. Compensated Absences

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

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

CITY OF ACWORTH, GEORGIA
NOTES TO FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2009

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Prepaid Items

Payments made to vendors that will benefit periods beyond the current fiscal period are recorded as prepaid items.

K. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

L. Long-Term Obligations

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

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

M. Use of Estimates

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

(2) DEPOSITS AND INVESTMENTS

Custodial credit risk – deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City reduces its exposure to custodial credit risk by requiring deposits to be collateralized in accordance with state law, which requires uninsured deposits to be collateralized at 110%. As of June 30, 2009, all of the City's deposits were insured and collateralized.

Credit and interest rate risk - investments

In accordance with its investment policy, the City manages its exposure to the risk of declines in fair values by limiting the maturities of its investments to a maximum of five years for U.S. Treasury and agency obligations; obligations of the State of Georgia; obligations of other U.S. states; and obligations of other political subdivisions of the State of Georgia. All other securities, including certificates of deposit, banker's notes, and repurchase agreements are limited to maturities of one year or less.

CITY OF ACWORTH, GEORGIA
NOTES TO FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2009

(2) DEPOSITS AND INVESTMENTS (continued)

As of June 30, 2009, the City had the following investments:

Type of Investment	Rating	Investment Maturities (in Years)				Total Fair Value
		Less than 1	1-5	6-10	More than 10	
Georgia Fund 1	AAAm	\$ 4,469,969	\$ -	\$ -	\$ -	\$ 4,469,969
Money market mutual funds	AAAm	237,343	-	-	-	237,343
Municipal Competitive Trust	not rated	769,905	-	-	-	769,905
Total		\$ 5,477,217	\$ -	\$ -	\$ -	\$ 5,477,217

See also Note 1 for disclosure of the types of investments authorized by legal provisions.

Concentration of credit risk

The City limits the amount that may be invested in any one issuer to 60% of the City's total portfolio.

(3) RECEIVABLES

Receivables at June 30, 2009 consist of the following:

	Taxes and Fines	Accrued Interest	Utility Accounts	Other	Allowance for Uncollectibles	Net Receivables
General Fund	\$ 230,249	\$ 35,584	\$ -	\$ 1,041	\$ (1,437)	\$ 265,437
Electrical Power Fund	-	-	1,320,480	-	(30,000)	1,290,480
Sanitation Fund	-	-	118,264	-	-	118,264
Nonmajor Funds:						
Internal Service Funds	-	-	-	65	-	65
Total	\$ 230,249	\$ 35,584	\$ 1,438,744	\$ 1,106	\$ (31,437)	\$ 1,674,246

(4) DUE FROM OTHER GOVERNMENTS

Amounts due from other governments at June 30, 2009 consist of the following:

	Cobb County, GA	Cobb County Tax Commissioner	State of Georgia Department of Transportation	Other	Total
General Fund	\$ -	\$ 15,364	\$ -	\$ 10,756	\$ 26,120
SPLOST Fund	153,242	-	-	-	153,242
Nonmajor Funds:					
Capital Projects Funds	42,698	-	40,192	-	82,890
	\$ 195,940	\$ 15,364	\$ 40,192	\$ 10,756	\$ 262,252

CITY OF ACWORTH, GEORGIA
NOTES TO FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2009

(5) INTERFUND BALANCES AND TRANSFERS

Interfund balances at June 30, 2009 (due to/from other funds) are summarized as follows:

PAYABLE FROM	RECEIVABLE TO						Total
	General Fund	SPLOST Fund	Electrical Power Fund	Sanitation Fund	Nonmajor Governmental Funds	Internal Service Funds	
General Fund	\$ -	\$ 19,817	\$ 184,065	\$ 12,000	\$ 63,735	\$ 287	\$ 279,904
SPLOST Fund	109,248	-	-	-	59,966	-	169,214
Electrical Power Fund	182,642	-	-	30,379	-	33,518	246,539
Sanitation Fund	12,006	-	-	-	-	-	12,006
Internal Service Funds	3,597	-	-	-	-	-	3,597
Nonmajor Governmental Funds	40,715	-	-	-	-	-	40,715
Total	\$ 348,208	\$ 19,817	\$ 184,065	\$ 42,379	\$ 123,701	\$ 33,805	\$ 751,975

Generally, outstanding balances between funds reported as "due to/from other funds" include outstanding charges by one fund to another for services or goods, subsidy commitments outstanding at year-end, and other miscellaneous receivables/payables between funds. Interfund loans receivable are considered "available spendable resources."

Interfund transfers for the period were as follows:

TRANSFER IN TO	TRANSFER OUT FROM					Total
	General Fund	Electrical Power Fund	Sanitation Fund	Nonmajor Governmental Funds	Internal Service Funds	
General Fund	\$ -	\$ 470,000	\$ 77,500	\$ 18,431	\$ 29,000	\$ 594,931
Power Fund	499,113	-	-	-	-	499,113
Nonmajor Governmental Funds	3,000	-	-	1,579	-	4,579
Total	\$ 502,113	\$ 470,000	\$ 77,500	\$ 20,010	\$ 29,000	\$ 1,098,623

Transfers and payments within the reporting entity are substantially for the purposes of subsidizing operating functions, funding capital projects and asset acquisitions, maintaining debt service on a routine basis, or in accordance with budgetary authorizations.

CITY OF ACWORTH, GEORGIA
NOTES TO FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2009

(6) RESTRICTED ASSETS

In the governmental funds, restricted assets include amounts restricted for debt service per the bond indenture; municipal court bond monies that are held until defendants appear before the court; drug seizure and asset forfeiture accounts that are restricted to certain public safety projects; funds that are restricted for maintenance of public safety communications equipment; funds that are held by the City on behalf of component units; and cash and investments that have accumulated in the special revenue funds that are restricted to use as per the fund description. In addition, proceeds from the sale of the water and sewer system have been restricted by enabling legislation which requires voter approval on the use of the funds before they can be appropriated.

In the proprietary funds, customer deposits that will be refunded upon termination of service are restricted assets.

The City's restricted assets at June 30, 2009 consist of the following:

Governmental Funds	<u>Cash Equivalents</u>	<u>Investments</u>	<u>Total</u>
General Fund:			
Current debt service requirements	\$ 237,343	\$ 425,951	\$ 663,294
Municipal court bonds	303,450	-	303,450
Public safety communications equipment	-	77,715	77,715
Proceeds from sale of water & sewer system	-	3,000,000	3,000,000
Other	670	-	670
	<u>541,463</u>	<u>3,503,666</u>	<u>4,045,129</u>
SPLOST Fund:			
Unspent SPLOST proceeds	<u>326,598</u>	<u>1,062,632</u>	<u>1,389,230</u>
Nonmajor governmental funds:			
Hotel/Motel Tax	113	-	113
Veteran's Memorial	200	-	200
Tax Allocation District	18	-	18
Recreational Impact Fee	26,421	66,336	92,757
Confiscated Assets	167,092	-	167,092
Historic Preservation Commission	11,997	-	11,997
	<u>205,841</u>	<u>66,336</u>	<u>272,177</u>
Total governmental funds	<u>\$ 1,073,902</u>	<u>\$ 4,632,634</u>	<u>\$ 5,706,536</u>
Proprietary Funds			
Sanitation Fund:			
Security deposits	<u>\$ 164,348</u>	<u>\$ -</u>	<u>\$ 164,348</u>
Power Fund:			
Security deposits	<u>838,611</u>	<u>-</u>	<u>838,611</u>
Total proprietary funds	<u>\$ 1,002,959</u>	<u>\$ -</u>	<u>\$ 1,002,959</u>

CITY OF ACWORTH, GEORGIA
NOTES TO FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2009

(7) CAPITAL ASSETS

Capital asset activity for the period ended June 30, 2009 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 3,518,167	\$ -	\$ -	\$ 3,518,167
Construction in progress	693,748	817,012	(16,962)	1,493,798
Total capital assets not being depreciated	4,211,915	817,012	(16,962)	5,011,965
Capital assets, being depreciated:				
Buildings	6,688,707	-	-	6,688,707
Improvements other than buildings	7,356,445	246,394	-	7,602,839
Vehicles and equipment	3,802,409	72,952	(30,513)	3,844,848
Infrastructure (streets)	46,874,240	250,739	(103,036)	47,021,943
Total capital assets being depreciated	64,721,801	570,085	(133,549)	65,158,337
Less accumulated depreciation for:				
Buildings	(1,560,408)	(100,278)	-	(1,660,686)
Improvements other than buildings	(1,327,495)	(174,336)	-	(1,501,831)
Vehicles and equipment	(2,716,274)	(185,291)	30,513	(2,871,052)
Infrastructure	(22,964,189)	(1,156,009)	85,164	(24,035,034)
Total accumulated depreciation	(28,568,366)	(1,615,914)	115,677	(30,068,603)
Total capital assets being depreciated, net	36,153,435	(1,045,829)	(17,872)	35,089,734
Governmental activities capital assets, net	\$ 40,365,350	\$ (228,817)	\$ (34,834)	\$ 40,101,699
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 228,954	\$ -	\$ -	\$ 228,954
Capital assets, being depreciated:				
Buildings and improvements	787,541	-	-	787,541
Electrical system	8,366,689	55,669	-	8,422,358
Vehicles and equipment	3,213,697	5,260	(298)	3,218,659
Total capital assets being depreciated	12,367,927	60,929	(298)	12,428,558
Less accumulated depreciation for:				
Buildings and improvements	(300,446)	(18,738)	-	(319,184)
Electrical system	(3,460,861)	(150,951)	-	(3,611,812)
Vehicles and equipment	(2,257,534)	(101,951)	205	(2,359,280)
Total accumulated depreciation	(6,018,841)	(271,640)	205	(6,290,276)
Total capital assets being depreciated, net	6,349,086	(210,711)	(93)	6,138,282
Business-type activities capital assets, net	\$ 6,578,040	\$ (210,711)	\$ (93)	\$ 6,367,236

CITY OF ACWORTH, GEORGIA
NOTES TO FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2009

(7) CAPITAL ASSETS (continued)

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

Governmental activities:	
General government	\$ 88,244
Judicial	680
Public safety	146,561
Public works, including depreciation of general infrastructure	1,199,969
Housing and development	177,284
Culture and recreation	<u>3,176</u>
Total depreciation expense - governmental activities	<u>\$ 1,615,914</u>
Business-type activities:	
Electric	\$ 228,437
Sanitation	40,843
Capital assets held by the government's internal services fund are charged to the various functions based on their usage of the assets	<u>2,360</u>
Total depreciation expense - business-type activities	<u>\$ 271,640</u>

(8) LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term liabilities for the six months ended June 30, 2009:

Compensated absences are typically liquidated in the General Fund.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Capital leases	\$ 4,610,896	\$ -	\$ (256,093)	\$ 4,354,803	\$ 274,803
Certificates of participation	753,106	-	(86,305)	666,801	179,085
Intergovernmental contracts	40,400	-	(26,934)	13,466	13,466
Note payable to component unit	975,000	-	(80,000)	895,000	85,000
Tax allocation district bonds	5,905,000	-	-	5,905,000	140,000
Net pension obligation	73,604	52,376	-	125,980	-
Net OPEB obligation	383,397	197,359	(4,332)	576,424	-
Compensated absences	144,639	96,861	(92,051)	149,449	149,449
Governmental activities long-term liabilities	<u>\$ 12,886,042</u>	<u>\$ 346,596</u>	<u>\$ (545,715)</u>	<u>\$ 12,686,923</u>	<u>\$ 841,803</u>
Business-type activities:					
Capital leases	\$ 9,976,428	\$ -	\$ (364,540)	\$ 9,611,888	\$ 413,811
Less: deferred amounts on refunding	(2,171,850)	-	123,289	(2,048,561)	-
Net OPEB obligation	126,044	58,952	(6,132)	178,864	-
Compensated absences	53,392	34,539	(31,193)	56,738	56,738
Business-type activities long-term liabilities	<u>\$ 7,984,014</u>	<u>\$ 93,491</u>	<u>\$ (278,576)</u>	<u>\$ 7,798,929</u>	<u>\$ 470,549</u>

CITY OF ACWORTH, GEORGIA
NOTES TO FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2009

(8) LONG-TERM OBLIGATIONS (continued)

Governmental activities:

Certificate of Participation

In June 1998, the Georgia Municipal Association (GMA) issued Certificates of Participation (COPs) in the amount of \$2,177,667 for the purpose of providing financing to the City of Acworth for the advance refunding of previously issued COPs and to finance renovations of the City's jail facility. Simultaneously with the issuance of the COPs, the City, as purchaser, entered into an Installment Sale Agreement with GMA, as seller, to purchase GMA's right, title and interest in the project. The Installment Sale Agreement obligates the City to make installment payments to a trustee assigned by GMA in an amount equal to the debt service requirements on the COPs issued by GMA. The agreement obligates the City to make installment payments through January 2013 at 4.93% provided that annual appropriations of funds are made by the City's governing body.

In the event of a default on the agreement, title to the project would revert back to GMA. The net proceeds from the advance refunding were used to purchase U.S. Government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments on principal and interest maturing in the years 1999 to 2003 at 6.625%. The advance refunding met the requirements of an insubstance debt defeasance; therefore, the refunded COPs are no longer included in the City's records. As a result of the advance refunding, the City reduced its total debt service requirements by \$70,971 which resulted in an economic loss (difference between the present value of the debt service payments on the old and new debt) of \$27,901. There is no outstanding defeased debt.

On August 8, 2003, the City and GMA entered into a modification agreement whereby an additional \$510,000 was advanced to the City to provide funding for improvements to the 4400 building. This modification obligates the City to make installment payments on this advance through August 2008.

Certificates of participation debt service requirements to maturity for governmental activities are as follows:

Governmental - Certificates of Participation			
Year Ending June 30,	Principal	Interest	Total
2010	\$ 179,085	\$ 29,612	\$ 208,697
2011	188,078	20,619	208,697
2012	197,523	11,175	208,698
2013	102,115	2,232	104,347
Total	\$ 666,801	\$ 63,638	\$ 730,439

There are several financial covenants included in the installment purchase agreement relating to the jail facility. At June 30, 2009, the City was in compliance with all of these covenants.

Capital Leases

On April 1, 2003, the Acworth Downtown Development Authority issued \$5,580,000 in Series 2003 Revenue Bonds at a rate of 3.75% per annum with a final maturity date of April 1, 2023 for the purpose of providing funding for the cost of the acquisition, construction, equipping and installation of the City Hall and Sports Complex Projects. On the same date, the City and the Acworth Downtown Development Authority entered into an intergovernmental lease agreement which obligates the City to make lease payments directly to the Trustee for the purpose of paying the principal and interest on the outstanding balance of the 2003 Revenue Bonds issued by the Authority. The issue is secured by the full faith and credit of the City. This agreement enables the City to lease from the Authority the facilities constructed by the Authority. The lease is a direct financing lease in accordance with generally accepted accounting principles. The Authority has no obligation

CITY OF ACWORTH, GEORGIA
NOTES TO FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2009

(8) LONG-TERM OBLIGATIONS (continued)

Capital Leases (Continued)

for the debt beyond the resources provided by the City under the lease agreement; therefore the obligation for the bonds is reported on the financial statements of the City. The lease will terminate upon final maturity and payment in full or defeasance of the bonds, or in any event the agreement will terminate absolutely by August 1, 2053. Prior to expiration of the lease upon payment in full of the bonds outstanding, the City may purchase the project from the Authority for \$1.

Capital lease debt service requirements to maturity for governmental activities are as follows:

Governmental - Capital Leases			
Year Ending June 30,	Principal	Interest	Total
2010	\$ 274,803	\$ 162,664	\$ 437,467
2011	250,000	153,000	403,000
2012	260,000	143,626	403,626
2013	270,000	133,876	403,876
2014	280,000	123,751	403,751
2015-2019	1,555,000	453,752	2,008,752
2020-2024	1,465,000	139,870	1,604,870
Total	\$ 4,354,803	\$ 1,310,539	\$ 5,665,342

The gross amount of Governmental Activities capital assets on the balance sheet by asset class recorded under capital leases and the installment purchase agreement is \$7,367,651 building and improvements, \$295,980 vehicles and equipment, and \$198,511 land. Accumulated depreciation related to these assets is \$1,783,788.

Intergovernmental Contracts

In 2004 the City entered into an intergovernmental agreement with Cobb County to reimburse the County for costs it incurred in connection with road improvements within the City. These projects were partially funded by a grant from the State Department of Transportation. The agreement does not require that interest be paid unless payments are delinquent.

Intergovernmental contract debt service requirements to maturity for governmental activities are as follows:

Governmental - Intergovernmental contracts			
Year Ending June 30,	Principal	Interest	Total
2010	13,466	-	13,466
Total	\$ 13,466	\$ -	\$ 13,466

CITY OF ACWORTH, GEORGIA
NOTES TO FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2009

(8) LONG-TERM OBLIGATIONS (continued)

Note Payable to Component Unit

During 2008 the Acworth Lake Authority issued \$975,000 in Series 2008 Revenue Bonds for the purpose of financing the cost of acquiring, constructing, and installing parks, athletic fields, and other related recreation facilities. The Lake Authority and the City entered into an agreement whereby the Authority will sell the assets purchased and constructed with the bond proceeds to the City. The City has agreed to make payments relating to the bond in exchange for these assets. In the event the bond proceeds are not sufficient to complete the projects, the City has agreed to complete the projects with City funds. As of June 30, 2009, assets totaling \$772,120 have been purchased with bond proceeds and conveyed to the City.

Governmental - Note Payable to Component Unit

Year Ending June 30,	Principal	Interest	Total
2010	\$ 85,000	\$ 32,220	\$ 117,220
2011	90,000	29,160	119,160
2012	90,000	25,920	115,920
2013	95,000	22,680	117,680
2014	100,000	19,260	119,260
2015-2019	435,000	39,780	474,780
Total	<u>\$ 895,000</u>	<u>\$ 169,020</u>	<u>\$ 1,064,020</u>

Tax Allocation District Bonds

During 2004, the City issued \$6,050,000 in limited obligation term bonds to undertake certain redevelopment projects within a tax allocation district (Lakeside TAD) established by the City. The issuance is a limited obligation of the City, not secured by the full faith and credit of the City, but is secured solely by, and payable solely from, pledged revenues. The pledged revenues are defined as the tax allocation increments, the amount of property taxes generated within the district area which exceed the amount collected from the same area prior to development, from the City, Cobb County, and the Cobb County Board of Education. The property tax increments are pledged until the bonds are paid in full. The tax allocation increments are projected to produce 100% of the debt service requirements over the life of the bonds. For the current six month period, principal and interest paid and total tax allocation increments were \$186,031 and \$0, respectively.

Revenue bond debt service requirements to maturity for governmental activities are as follows:

Year Ending June 30,	Principal	Interest	Total
2010	\$ 140,000	\$ 364,687	\$ 504,687
2011	150,000	355,625	505,625
2012	160,000	345,938	505,938
2013	170,000	335,625	505,625
2014	180,000	324,687	504,687
2015-2019	1,090,000	1,433,440	2,523,440
2020-2024	1,490,000	1,032,815	2,522,815
2025-2029	2,035,000	486,718	2,521,718
2030-2034	490,000	15,312	505,312
Total	<u>\$ 5,905,000</u>	<u>\$ 4,694,847</u>	<u>\$ 10,599,847</u>

CITY OF ACWORTH, GEORGIA
NOTES TO FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2009

(8) LONG-TERM OBLIGATIONS (continued)

Business-type Activities:

Capital Leases

On August 1, 2000 the City and the Acworth Downtown Development Authority entered into an amended and restated intergovernmental contract. The contract obligated the City to make lease payments directly to a debt service fund custodian on the first day of each month for the purpose of paying the principal and interest on the outstanding balance of 1999 and 2000 Cable/Fiber Optic Project Revenue Bonds issued by the Authority. This contract enabled the City to lease from the Authority the hybrid fiber/coax broadband network constructed by the Authority with the bond proceeds.

On December 1, 2002, the Authority issued \$14,900,000 in Series 2002 Taxable Refunding Revenue Bonds (City of Acworth Cable Fiber Optic Project) for the purpose of refunding the Authority's 1999 and 2000 Cable/Fiber Optic Project Revenue Bonds. On December 2, 2005, the Authority issued \$14,325,000 in Series 2005 Taxable Refunding Revenue Bonds for the purpose of refunding the Series 2002 Taxable Refunding Revenue Bonds. In June 2008 the Authority issued \$9,645,000 in Series 2008 Refunding Revenue Bond (City of Acworth Cable Project) for the purpose of refunding the 2005 Taxable Refunding Revenue Bonds. As a result of the refunding, the City increased its total debt service requirements by \$200,000 which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$958,903.

On June 26, 2008, the City and the Acworth Downtown Development Authority entered into a new intergovernmental contract. The contract obligates the City to make lease payments directly to the Trustee for the purpose of paying the principal and interest on the outstanding balance of the 2008 Taxable Refunding Revenue Bonds issued by the Authority. The lease was originally recorded as a direct financing lease in accordance with generally accepted accounting principles in the City's CableNet Enterprise Fund. The Authority has no obligation for the debt beyond the resources provided by the City under the lease agreement; therefore the obligation for the bonds is reported on the financial statements of the City. The contract will not expire until full payment of the bonds.

As allowed in the intergovernmental contract, effective December 1, 2002, the City leased the project to UTI Holdings, LLC under the same terms and conditions as set forth in the City's lease agreement with the Authority. UTI was scheduled to begin making rental payments to the City beginning January 1, 2003 for the purpose of paying the principal and interest amounts due on the outstanding bonds. UTI was unable to make the scheduled payment due January 1, 2005. During 2005, the City took possession of the leased assets and was responsible for the daily operation of the CableNet Project until the CableNet project was resold in November 2005. The City received a cash payment of \$1,250,000 and a \$3,702,000 noninterest-bearing note receivable in consideration for the sale. During 2007, the entire note receivable and imputed interest were paid to the City.

Additionally, the City is obligated under multiple lease agreements covering equipment. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases", as applicable to governmental units, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

CITY OF ACWORTH, GEORGIA
NOTES TO FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2009

(8) LONG-TERM OBLIGATIONS (continued)

Capital lease debt service requirements to maturity for business-type activities are as follows:

Year Ending June 30,	Principal	Interest	Total
2010	\$ 413,811	\$ 380,153	\$ 793,964
2011	409,089	364,040	773,129
2012	402,487	348,015	750,502
2013	394,350	332,264	726,614
2014	390,838	317,114	707,952
2015-2019	2,237,697	1,338,111	3,575,808
2020-2024	2,723,616	856,979	3,580,595
2025-2029	2,640,000	267,380	2,907,380
Total	<u>\$ 9,611,888</u>	<u>\$ 4,204,056</u>	<u>\$ 13,815,944</u>

The gross amount of Business-type Activities capital assets on the balance sheet recorded under capital leases is \$725,381, and the accumulated depreciation is \$336,983.

(9) COMMITMENTS AND CONTINGENCIES

Municipal Electric Authority of Georgia

The City has entered into a Power Sales Contract with the Municipal Electric Authority of Georgia (the "Authority"). Concurrently with this agreement, the City has agreed to assume the obligation to pay the costs for excess entitlements transferred from the City of Sylvania, Georgia. The contract requires the City to purchase from the Authority all of the City's bulk power supply. The Authority is authorized to establish rates and charges so as to produce revenues sufficient to cover its costs. The City's payment obligations are general obligations for the payment of which the City's full faith and credit and taxing powers are pledged. The City purchased bulk power totaling \$3,659,947 from the Authority during the period ended June 30, 2009.

The City is also obligated under a Distribution Business Unit Contract with the Authority. This contract provides for joint purchasing, training and safety, and technical support services.

CITY OF ACWORTH, GEORGIA
NOTES TO FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2009

(10) RESERVES AND DESIGNATIONS

The City maintains reserves in various funds for specific purposes. The nature and purpose of these reserves is explained below.

General Fund:	
Fund balance reserved for:	
Encumbrances	\$ 36,270
Prepaid insurance for 2009 coverage	283,772
Completion of projects	83,657
Debt service requirements	610,700
Proceeds from sale of water and sewer system; appropriation of funds requires voter approval	3,000,000
Total General Fund	4,014,399
SPLOST Fund:	
Fund balance reserved for encumbrances	12,643
Nonmajor Governmental Funds:	
Fund balances reserved for encumbrances	173,974
Total reserved fund balances	\$ 4,201,016

(11) PROPERTY TAXES

Cobb County, Georgia bills and collects real and personal property taxes for the City. Ad valorem tax on motor vehicles and mobile homes is collected by the Cobb County Tax Commissioner and remitted to the City. City property tax revenues are recognized when levied to the extent that they result in current receivables.

Property taxes are levied in August of each year on the assessed valuation of property as of the preceding January 1 and are due within 60 days. Taxes levied on August 15 were due by October 15.

Liens may attach to property for unpaid taxes at any time within three years after the due date.

Assessed values are established by the Cobb County Tax Assessor's office and are currently calculated at 40% of the market value. The assessed values of real and personal property (excluding public utility franchise motor vehicles, heavy duty equipment and mobile home taxes) at January 1, 2008 were \$649,980,738 and \$43,561,469, respectively.

(12) EMPLOYEE RETIREMENT SYSTEM

The City contributes to the Georgia Municipal Employees Benefit System ("System"), an agent multi-employer public employee retirement system that acts as a common investment and administrative agent for cities in the state of Georgia. For the six month period ended June 30, 2009, the City's payroll for employees covered by the System's defined benefit plan was \$5,091,295. The Plan also provides for death benefits for early retirees. The benefit provisions and all other requirements are established by the System and the Adoption Agreement executed by the City.

All full-time employees become eligible for the plan after one year of service; elected officials have no waiting period for eligibility. Beginning August 2002, benefits vest after completing five years of service. Employees who retire after age 65 with 5 years of services or after age 55 with 10 years of credited service are entitled to a retirement benefit. The monthly benefit is determined using a split benefit formula, incorporating the employees' highest average earnings for five consecutive years, years of service and rates of 1.0% and 1.75%.

CITY OF ACWORTH, GEORGIA
NOTES TO FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2009

(12) EMPLOYEE RETIREMENT SYSTEM (continued)

The Plan was amended during 2007 to offer certain enhancements. During fiscal year ended December 31, 2007, all active employees were offered the option of acquiring an early retirement benefit under the "Rule of 80" with a minimum age of 52 (where age and credited years of service meet or exceed 80). Employees that meet the "Rule of 80" with a minimum age of 52 are entitled to early retirement benefits. Employees contribute 3% of their annual salary towards the additional costs of these benefits. Benefits vest after completing seven years of service. Elected officials have no waiting period for eligibility and are immediately vested. Elected officials are entitled to a benefit based on a set amount per years of service. Employee benefits are determined using a benefit formula incorporating the employee's highest consecutive five years average earnings, years of service and a rate of 1.75%. All new employees are automatically covered by the new plan after meeting the eligibility requirement.

Total pension contributions for the six month period ended June 30, 2009 were \$142,695 (\$88,816 from the City and \$53,879 from employee contributions).

The net pension obligation was computed from information obtained from the actuarial valuation performed as of March 1, 2009. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 8.0% a year, (b) projected salary increases of 5% a year, attributed to inflation, (c) additional projected salary increases of .5%, attributable to seniority or merit, and (d) no post retirement benefit increases.

Contributions are determined under the projected unit credit actuarial cost method and the assets valuation method (roll forward prior years actuarial value with contributions, disbursements, and expected return on investments, plus 10% of investment gains (losses) during 10 prior years).

The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 1982 and current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods, if applicable, are closed for this plan year.

Employer contributions represented 5.58% of current period covered payroll and were in accordance with actuarial recommendations. The normal contribution requirement was \$284,200 (\$142,100 approximately for six months).

Period Ended	Annual Pension Cost	Percentage Contributed	Net Pension Obligation	Annual Amount Contributed
12/31/07	\$ 181,566	90%	\$ 82,970	\$ 162,602
12/31/08	155,522	106%	73,604	164,888
06/30/09	142,100	63%	125,980	88,816

The City's annual pension cost and net pension obligation for the period were as follows:

Required contribution	\$ 142,100
Interest on net pension obligation	5,888
Adjustment to required contribution	<u>(6,796)</u>
Pension cost	141,192
Contributions made	<u>(88,816)</u>
Increase (decrease) in net pension obligation	52,376
Net pension obligation, beginning of period	<u>73,604</u>
Net pension obligation, end of period	<u>\$ 125,980</u>

CITY OF ACWORTH, GEORGIA
NOTES TO FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2009

(12) EMPLOYEE RETIREMENT SYSTEM (continued)

The net pension obligation has been recorded in the governmental activities statement of net assets.

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
03/01/09	2,917,650	3,926,157	1,008,507	74.3%	5,091,295	19.8%

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

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

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

(13) RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The City participates in a public entity risk pool managed by the Georgia Interlocal Risk Management Agency (GIRMA) whereby the risk is pooled with other entities. Participation in this pool allows the City to share liability, crime, motor vehicle and property damage risks. The retention of the pool is \$1,000,000 for property and \$500,000 for liability. Coverage is subject to a per occurrence deductible of \$2,500.

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

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

- To pay all contributions, assessments or other sums due to GIRMA at such times and in such amounts as shall be established by GIRMA.
- To select a person to serve as a Member representative.
- To allow GIRMA and its agents reasonable access to all facilities of the City and all records, including but not limited to financial records, which relate to the purposes of GIRMA.
- To allow attorneys appointed by GIRMA to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the Fund or Funds established by GIRMA.

CITY OF ACWORTH, GEORGIA
NOTES TO FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2009

(13) RISK MANAGEMENT (continued)

- To assist and cooperate in the defense and settlement of claims against the City.
- To furnish full cooperation to GIRMA's attorneys, claims adjusters, Service Company, and any agent, employee, officer or independent contractor of GIRMA relating to the purpose of GIRMA.
- To follow all loss reduction and prevention procedures established by GIRMA.
- To furnish to GIRMA such budget, operating and underwriting information as may be requested.
- To report as promptly as possible, and in accordance with any Coverage Descriptions issued, all incidents which could result in GIRMA or any Fund established by GIRMA being required to pay claim for loss or injuries to municipal property or injuries to persons or property when such loss or injury is within the scope of the protection of a Fund or Funds in which the City participates.

The City is also exposed to risks of loss related to job-related illnesses or injuries to employees for which the City has transferred its risk through participation in a public entity risk pool managed by the Georgia Municipal Association Group Self Insurance Workers' Compensation Fund whereby the risk is pooled with other entities. The policy is retrospectively rated and the retention of the pool is \$2,000,000. Yearly premiums are paid by the City which will pay for lost time exceeding the first seven days the employee is absent, and the first seven days if the employee is absent at least twenty-one days, up to statutory limits per occurrence. Beginning in 2006, coverage is subject to a per occurrence deductible of \$25,000.

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

As part of this risk pool, the City is obligated to pay all contributions and assessments as prescribed by the pool, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The City is also to allow the pool'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 within the scope of loss protection furnished by the funds.

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

In addition the City is exposed to risks of loss resulting from providing health and dental benefits to employees and retirees. The City participates in a public entity risk pool managed by the Georgia Municipal Employees Benefit System (GMEBS) whereby the risk is pooled with other entities at a pooling level of \$250,000. The City is responsible for premium payments and providing eligibility information. The pool is responsible for negotiating insurance carrier contracts and ensuring that the plan is sufficiently funded for the payment of claims.

CITY OF ACWORTH, GEORGIA
NOTES TO FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2009

(13) RISK MANAGEMENT (continued)

The City believes that coverage provided by these various insurance policies is adequate to cover any outstanding claims as detailed by the carrier. A liability for unpaid deductibles on claims outstanding at year end has been recorded for workers' compensation.

(14) POST EMPLOYMENT HEALTHCARE PLAN

The City has implemented GASB 45 prospectively during the year ended December 31, 2008.

Plan Description - The City of Acworth OPEB Plan is a single-employer defined benefit healthcare plan administered by the City of Acworth. The City provides medical, prescription drug, dental, and life insurance benefits to retirees. Retirees' spouses are eligible for the same benefits as the retiree with the exception of life insurance. Substantially all of the City's employees may become eligible for those benefits if they retire on or after the age of 60, provided that the employee's age plus completed years of service with the City, at the time of the employee's retirement is equal to or greater than 85. As of March 1, 2008, there were 4 retirees and spouses eligible for the benefits, 4 retirees and spouses receiving benefits, and 124 current and active employees. The City has the authority to establish and amend benefit provisions.

Funding Policy - The contribution requirements are established and may be amended by the City. The required contribution was determined by an actuarial valuation. The plan is financed on a pay-as-you-go basis. During the six months period ending June 30, 2009, the City contributed \$10,464 to the plan. The cost of benefits for retirees is paid by the City. The City will pay 100% of the cost of benefits for the retiree's spouse if the employees retires after completing 30 years of service with the City, 75% if completed 25 years of service, 50% if completed 20 years of service, and 0% if less than 20 years of service.

Period Ended	OPEB Cost	Percentage Contributed	Net Pension Obligation	Amount Contributed
12/31/08	\$ 532,095	4%	\$ 509,441	\$ 22,654
6/30/09	266,048	4%	755,287	10,464

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b - a) / c
03/01/08	\$ -	\$ 3,317,637	\$ 3,317,637	0.0%	\$ 4,682,605	70.9%

Annual OPEB Cost and Net OPEB Obligation - The City's other postemployment benefit (OPEB) cost (expense) is calculated based on the required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a twenty five year period. The following table shows the components of the City's OPEB cost for the period, the amount actually contributed to the plan, and changes in the net OPEB obligation:

Required contribution	\$ 266,048
Interest on net OPEB obligation	10,188
Adjustment to required contribution	<u>(19,925)</u>
OPEB cost	256,311
Contributions made	<u>(10,464)</u>
Increase (decrease) in net OPEB obligation	245,847
Net OPEB obligation, beginning of period	509,441
Net OPEB obligation, end of period	<u>\$ 755,288</u>

CITY OF ACWORTH, GEORGIA
NOTES TO FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2009

(14) POSTEMPLOYMENT HEALTHCARE PLAN (continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The accompanying schedules of employer contributions present information about the amounts contributed to the plan by employers in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statement 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a twenty five year period. The schedule of funding-progress, presented as required supplementary information following the notes to the financial statements, presents information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Valuation date	3/1/2008
Actuarial cost method	Projected unit credit
Amortization method	Level dollar, closed
Remaining amortization period	25 years
Asset valuation method	market value
Actuarial assumptions:	
Investment return	4%
Discount rate	4%
Inflation rate	3%
Medical and drug cost trend rate	9% graded to 5% over 8 years
Dental cost trend rate	7% graded to 5% over 4 years

(15) DEFINED CONTRIBUTION PLAN

The City of Acworth contributes to the City of Acworth's ICMA RC Governmental Money Purchase Plan, which is a defined contribution plan under Section 401(a) of the Internal Revenue Code. The Plan is administered by the ICMA-Retirement Corporation. At June 30, 2009, there were 122 plan members. Plan provisions and contribution requirements are established and amended by the City. The plan includes elected officials, all full-time employees, management employees and part-time permanent employees working more than 30 hours per week. The plan consists of employee contributions and an employer match. The employer match is up to 2.5% for qualifying regular and part-time employees and up to 5.5% for management employees and elected officials of the City. Such qualifying employees who have performed one (1) hour of service are eligible to participate in the plan.

The plan was amended in 2007 by the City to allow qualified employees and current elected officials hired/elected and enrolled prior to October 01, 2007 to be automatically vested. Employees hired after October 01, 2007 and/or those enrolling during subsequent open enrollment periods are required to meet a tiered seven (7) year vesting schedule. Elected officials participating after October 01, 2007 and/or those enrolling during subsequent open enrollment periods become fully vested after four (4) years of participation.

CITY OF ACWORTH, GEORGIA
NOTES TO FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2009

(15) DEFINED CONTRIBUTION PLAN (continued)

A participant that leaves the employment of the City is entitled to their account balance for employee contributions and if vesting requirements are satisfied they are also entitled to the employer match portion. Any forfeiture are used to reduce future employer contributions, or if no contributions are required, forfeited amounts are allocated to participant accounts based on the ratio of each participant's earnings to total earnings for all participants. The balance in the forfeiture account as of June 30, 2009 was \$249. The City made actual contributions during the year of \$76,749. The participants made actual contributions during the year of \$77,379. The plan held no securities of the City or other related parties during the year.

(16) JOINT VENTURE

Under Georgia law, the City, in conjunction with other cities and counties in the ten county Atlanta region, is a member of the Atlanta Regional Commission (ARC). Membership in a RDC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the RDC in Georgia. The RDC Board membership includes the officials of political subdivisions and private citizens representing districts with the Atlanta region. OCGA 50-8-39.1 provides that certain member governments are liable for any debts or obligations of a RDC. Separate financial statements may be obtained from Atlanta Regional Commission, 40 Courtland Street, NE, Atlanta, Georgia 30303.

(17) EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The following funds had expenditures in excess of appropriations for the six months ended June 30, 2009:

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
General Fund:			
Culture and Recreation			
Bobby Van Newberry Park	\$ 8,750	\$ 9,038	\$ 288
Senior citizen luncheon	4,750	4,810	60
Debt service	489,506	544,327	54,821

These over expenditures were funded by available fund balance.

(18) CHANGE IN FISCAL YEAR

The City elected to change its fiscal year end from December 31 to June 30. These financial statements are for the initial six month period ending June 30, 2009.

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REQUIRED SUPPLEMENTARY INFORMATION



**CITY OF ACWORTH, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS**

Employee Retirement Plan:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
03/01/06	\$ 2,754,532	\$ 2,497,804	\$ (256,728)	110.3%	\$ 3,600,879	-7.1%
03/01/07	3,004,492	2,566,132	(438,360)	117.1%	4,002,452	-11.0%
03/01/08	3,300,651	3,334,204	33,553	99.0%	4,518,179	0.7%
03/01/09	2,917,650	3,926,157	1,008,507	74.3%	5,091,295	19.8%

Post Employment Healthcare Plan:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
03/01/08	\$ -	\$ 3,317,637	\$ 3,317,637	0.0%	\$ 4,682,605	70.9%

CITY OF ACWORTH
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
For the Six Months Ended June 30, 2009

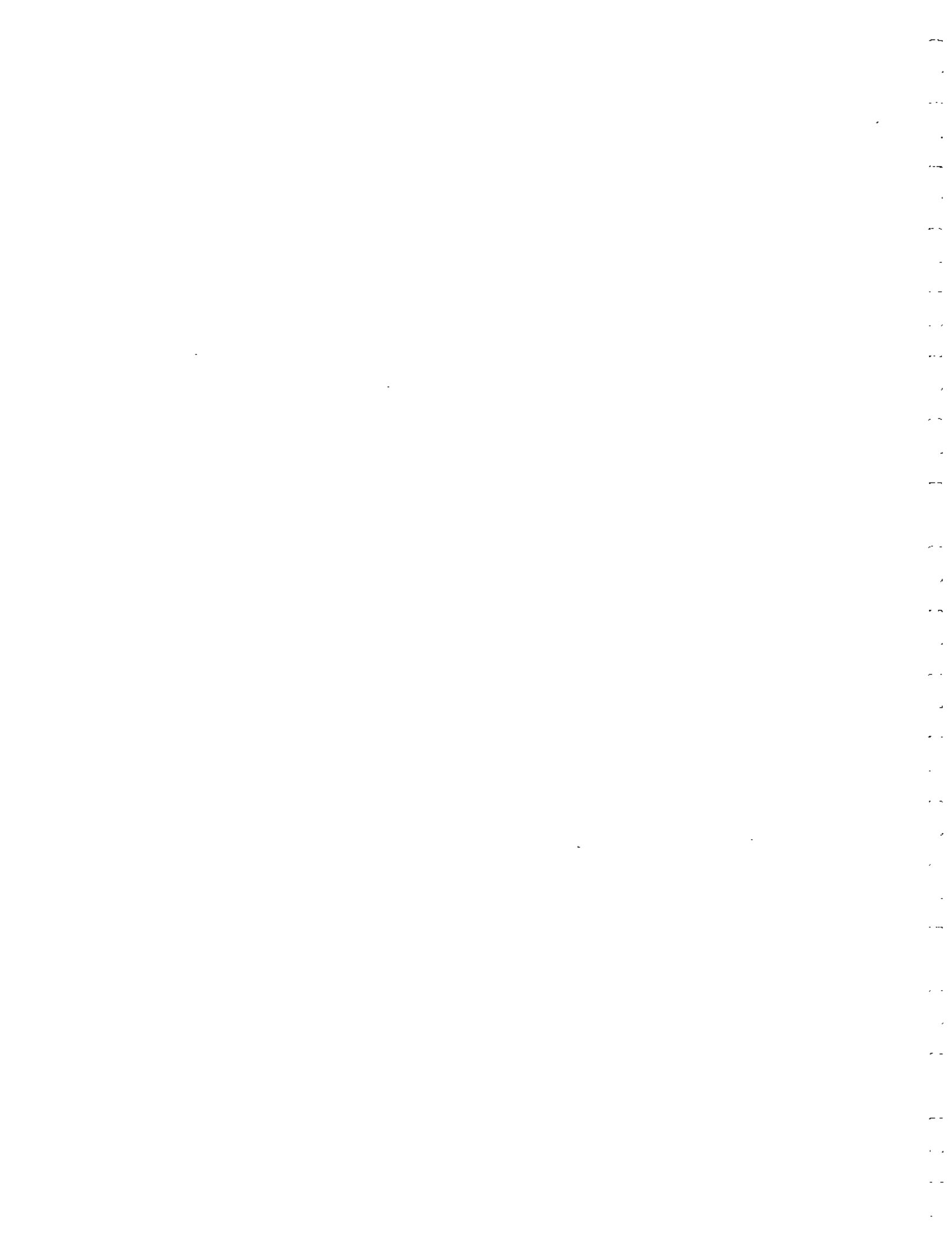
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues:				
Taxes	\$ 1,243,525	\$ 1,233,833	\$ 1,322,058	\$ 88,225
Licenses and Permits	120,500	81,935	89,141	7,206
Intergovernmental	5,945	5,945	11,686	5,741
Charges for Services	261,188	165,322	188,894	23,572
Fines and Forfeitures	413,500	430,000	538,723	108,723
Investment Earnings	90,000	65,000	71,380	6,380
Contributions and Donations	50,000	50,000	48,591	(1,409)
Other	31,200	34,137	37,539	3,402
Total Revenues	2,215,858	2,066,172	2,308,012	241,840
Expenditures:				
General Government				
Board of Aldermen	83,829	83,329	78,840	4,489
Administration - City Manager's Office	211,131	207,331	179,388	27,943
Elections	600	600	-	600
Financial Administration	182,664	185,193	173,969	11,224
Attorney/Legal Services	53,750	46,500	29,049	17,451
Information Systems	115,620	114,670	106,024	8,646
Former Employees	15,395	15,395	8,933	6,462
Insurance/Risk Management	177,500	177,500	168,084	9,416
External Auditors	39,500	37,000	36,603	397
Government Bldg - City Hall	47,946	49,210	46,878	2,332
Government Bldg - 4400 Acworth Ind Dr	51,580	55,880	51,415	4,465
Government Bldg - 4406 Acworth Ind Dr	4,500	6,000	4,233	1,767
Government Bldg - Other City Property	1,388	1,388	935	453
Government Bldg - Old Jail	2,795	2,395	1,040	1,355
Public Information	8,100	8,500	6,957	1,543
General Administration Fees	4,600	6,000	1,903	4,097
Judicial				
Municipal Court	228,830	249,955	237,142	12,813
Public Safety				
Police	1,737,088	1,680,584	1,393,229	287,355
Jail	313,065	315,565	283,270	32,295
Public Works				
Public Works Administration	124,860	125,400	118,532	6,868
Highways and Streets	246,230	250,330	218,516	31,814
Storm Drainage	9,407	7,407	1,157	6,250
Fleet Maintenance	50,112	53,045	47,741	5,304
Building Maintenance	30,390	30,745	26,526	4,219
Cemetery	16,000	15,900	6,891	9,009
Health and Welfare				
Mosquito Control	2,896	2,896	1,456	1,440
Culture and Recreation				

CITY OF ACWORTH
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
For the Six Months Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Recreations	480,100	471,155	432,907	38,248
Youth Basketball Program	29,650	28,425	27,951	474
Roberts School Rec Facility	65,050	65,425	53,180	12,245
Neighborhood Playgrounds	2,805	1,105	1,022	83
Southshore Park and Beach	2,475	2,475	1,590	885
Dallas Landing Beach and Park	12,725	15,810	14,391	1,419
Proctor Landing Beach and Park	12,750	14,800	13,068	1,732
Acworth Sports Complex	65,490	65,800	64,008	1,792
Tanyard Creek Park	4,600	3,200	1,484	1,716
Bobby Van Newberry Park	8,850	8,750	9,038	(288)
Cauble Park Facilities	39,050	38,650	29,759	8,891
Logan Farm Park Facilities	16,625	17,325	12,568	4,757
Summer Camp Operations	50,400	50,400	42,918	7,482
Special Events Activities	14,600	14,579	12,851	1,728
Concert	8,100	8,100	3,324	4,776
Senior Citizen Luncheon	4,750	4,750	4,810	(60)
Parks	3,600	3,500	2,549	951
Tree Commission	300	800	462	338
Housing and Development				
Conservation / Soil Erosion	27,505	27,505	24,804	2,701
Protective Building Inspections	143,840	123,340	111,465	11,875
Planning and Zoning	89,385	89,685	68,080	21,605
Code Enforcement	29,615	29,805	25,382	4,423
Façade Grant Expenditures	26,623	11,075	4,000	7,075
Economic Development	89,245	89,495	82,841	6,654
Transfer to Component Unit	10,000	10,000	10,000	-
Debt Service	489,506	489,506	544,327	(54,821)
Total Expenditures	5,487,415	5,414,178	4,827,490	586,688
Excess (deficiency) of Revenues over Expenditures	(3,271,557)	(3,348,006)	(2,519,478)	828,528
Other Financing Sources (uses):				
Transfers In	598,250	594,931	594,931	-
Transfers Out	(502,113)	(502,113)	(502,113)	-
Sale of Capital Assets	-	4,520	4,720	200
Total Other Financing Sources (uses)	96,137	97,338	97,538	200
Net Change in Fund Balance	\$ (3,175,420)	\$ (3,250,668)	\$ (2,421,940)	\$ 828,728
Reconciliation to GAAP Basis:				
Unbudgeted culture and recreation capital outlay expenditures			(244,635)	
Unbudgeted capital lease proceeds			244,635	
Fund Balance at Beginning of Year - GAAP Basis			8,760,397	
Fund Balance at End of Year - GAAP Basis			\$ 6,338,457	

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SPECIAL REPORTS SECTION



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

The Honorable Thomas W. Allegood, Mayor
Board of Aldermen
City of Acworth
Acworth, Georgia

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Acworth, Georgia as of and for the six months ended June 30, 2009, which collectively comprise the City of Acworth, Georgia's basic financial statements and have issued our report thereon dated . We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Acworth, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Moore & Cubbedge, LLP

Moore & Cubbedge, LLP