



City of Adairsville, Georgia

Annual Financial Report

for the

Fiscal Year Ended December 31, 2013

By Authority of

The Mayor and City Council

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CITY OF ADAIRSVILLE, GEORGIA
Annual Financial Report
Year Ended December 31, 2013

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FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Council
City of Adairsville
Adairsville, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Adairsville, Georgia, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Adairsville, Georgia, as of December 31, 2013, and the respective changes in financial position, and cash flows where applicable thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

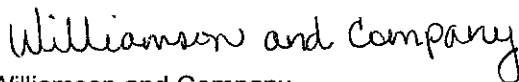
Other Information

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

The combining and individual fund statements and schedules and the Schedule of Special Local Option Sales Tax Expenditures on pages 37-41 and 48 respectively, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the Schedule of Special Local Option Sales Tax Expenditures are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2014, on our consideration of the City of Adairsville, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Adairsville, Georgia's internal control over financial reporting and compliance.



Williamson and Company
Certified Public Accountants
June 25, 2014

BASIC FINANCIAL STATEMENTS



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CITY OF ADAIRSVILLE, GEORGIA

Statement of Net Position

December 31, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Adairsville Development Authority
Assets				
Cash	\$ 3,584,217	\$ 2,264,134	\$ 5,848,351	\$ 39,359
Receivables - Net	419,832	859,213	1,279,045	-
Prepaid Items	30,535	29,123	59,658	-
Inventory	-	109,879	109,879	-
Internal Balances	(1,705,593)	1,705,593	-	-
Due from Other Governments	173,142	-	173,142	-
Restricted Assets:				
Restricted Cash	1,871,374	-	1,871,374	-
Capital Assets				
Land and Construction in Progress	835,900	192,477	1,028,377	112,565
Other Capital Assets-Net	5,197,101	15,508,935	20,706,036	304,968
Total Assets	<u>10,406,508</u>	<u>20,669,354</u>	<u>31,075,862</u>	<u>456,892</u>
Liabilities				
Accounts Payable	284,739	358,599	643,338	-
Customer Deposits	-	483,682	483,682	425
Interest Payable	-	11,856	11,856	-
Unearned Grant Revenue	85,717	-	85,717	-
Noncurrent Liabilities				
Due Within One Year	45,262	309,608	354,870	-
Due In More Than One Year	71,793	2,151,847	2,223,640	9,400
Total Liabilities	<u>487,511</u>	<u>3,315,592</u>	<u>3,803,103</u>	<u>9,825</u>
Net Position				
Net Investment in Capital Assets	5,945,144	13,244,101	19,189,245	417,533
Restricted For				
Construction	1,948,308	-	1,948,308	-
Drug Enforcement Activities	8,148	-	8,148	-
Other Purposes	10,803	-	10,803	-
Unrestricted	2,006,594	4,109,661	6,116,255	29,534
Total Net Position	<u>\$ 9,918,997</u>	<u>\$ 17,353,762</u>	<u>\$ 27,272,759</u>	<u>\$ 447,067</u>

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

CITY OF ADAIRSVILLE, GEORGIA
Statement of Activities
For the Year Ended December 31, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Mayor and Council	\$ 67,578	\$ -		\$ -
Administration	571,337	414,858	-	512,033
Police	1,194,786	193,403	-	-
Court Services	108,895	-	-	-
Contracted Public Safety Services	240,829	-	-	-
Public Services	302,336	57,567	-	298
Streets and Roads	393,652	-	-	-
Interest on Long-term Debt	1,402	-	-	-
Total Governmental Activities	<u>2,880,815</u>	<u>665,828</u>	<u>-</u>	<u>512,331</u>
Business-type Activities:				
Water/Sewer	2,077,636	2,660,433	-	-
Gas	2,556,204	3,146,850	-	5,368
Total Business-type Activities	<u>4,633,840</u>	<u>5,807,283</u>	<u>-</u>	<u>5,368</u>
Total Primary Government	<u>\$ 7,514,655</u>	<u>\$ 6,473,111</u>	<u>\$ -</u>	<u>\$ 517,699</u>
Component Unit:				
Adairsville Development Authority	\$ 20,774	\$ 7,200	\$ -	\$ -
Total Component Unit	<u>\$ 20,774</u>	<u>\$ 7,200</u>	<u>\$ -</u>	<u>\$ -</u>

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

CITY OF ADAIRSVILLE, GEORGIA
Statement of Activities
For the Year Ended December 31, 2013

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		Component Unit
	Governmental Activities	Business-type Activities	Totals
Primary Government:			
Governmental Activities:			
Mayor and Council	(67,578)		(67,578)
Administration	355,554		355,554
Police	(1,001,383)		(1,001,383)
Fire	(108,895)		(108,895)
Contracted Public Safety Services	(240,829)		(240,829)
Public Services	(244,471)		(244,471)
Streets and Roads	(393,652)		(393,652)
Interest on Long-term Debt	(1,402)		(1,402)
Total Governmental Activities	(1,702,656)		(1,702,656)
Business-type Activities:			
Water/Sewer		\$ 582,797	582,797
Gas		596,014	596,014
Total Business-type Activities		1,178,811	1,178,811
Total Primary Government	(1,702,656)	1,178,811	(523,845)
Component Unit:			
Adairsville Development Authority			\$ (13,574)
Total Component Unit			(13,574)
General Revenues:			
Taxes:			
Property	505,475	-	505,475
Sales	949,545	-	949,545
Hotel/Motel	92,669	-	92,669
Insurance Premium	239,762	-	239,762
Malt & Mixed Beverage	77,956	-	77,956
Franchise	322,221	-	322,221
Other	23,387	-	23,387
Miscellaneous	26,894	102,703	129,597
Investment Earnings	11,151	5,164	16,315
Insurance Recoveries	63,531	575,982	639,513
Total General Revenues	2,312,591	683,849	2,996,440
Change in Net Position	609,935	1,862,660	2,472,595
Net Position - Beginning	9,309,062	15,491,102	24,800,164
Net Position - Ending	\$ 9,918,997	\$ 17,353,762	\$ 27,272,759

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

CITY OF ADAIRSVILLE, GEORGIA

Balance Sheet Governmental Funds December 31, 2013

	General Fund	Capital Projects SPLOST 2008	Nonmajor Special Revenue Funds	Total Governmental Funds
Assets				
Cash	\$ 3,584,217	\$ -	\$ -	\$ 3,584,217
Receivables, Net				
Accounts	6,155	-	-	6,155
Taxes	393,473	-	10,803	404,276
Loan	9,400	-	-	9,400
Prepaid Items	30,535	-	-	30,535
Due from Other Governments	86,062	87,080	-	173,142
Cash - Restricted	87,715	1,775,511	8,148	1,871,374
Total Assets	<u>\$ 4,197,557</u>	<u>\$ 1,862,591</u>	<u>\$ 18,951</u>	<u>\$ 6,079,099</u>
Liabilities, Deferred Inflows or Resources, and Fund Balances				
Liabilities:				
Accounts Payable	\$ 222,369	\$ -	\$ -	\$ 222,369
Accrued Wages Payable and Withholdings	62,370	-	-	62,370
Due to Other Funds	1,705,593	-	-	1,705,593
Unearned Grant Revenue	85,717	-	-	85,717
OPEB Liability - Short-term	10,842	-	-	10,842
Total Liabilities	<u>2,086,891</u>	<u>-</u>	<u>-</u>	<u>2,086,891</u>
Deferred Inflows of Resources:				
Unearned Tax Revenue	41,883	-	-	41,883
Total Deferred Inflows of Resources	<u>41,883</u>	<u>-</u>	<u>-</u>	<u>41,883</u>
Fund Balance:				
Nonspendable:				
Prepaid Items	30,535	-	-	30,535
Loans Receivable	9,400	-	-	9,400
Restricted For:				
Drug Enforcement Activities	-	-	8,148	8,148
Construction	85,717	1,862,591	-	1,948,308
Other Purposes	-	-	10,803	10,803
Unassigned	1,943,131	-	-	1,943,131
Total Fund Balances	<u>2,068,783</u>	<u>1,862,591</u>	<u>18,951</u>	<u>3,950,325</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 4,197,557</u>	<u>\$ 1,862,591</u>	<u>\$ 18,951</u>	<u>\$ 6,079,099</u>

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

CITY OF ADAIRSVILLE, GEORGIA
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
December 31, 2013

Fund Balances - Total Governmental Funds \$ 3,950,325

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and are therefore not reported in the governmental funds.

Governmental Capital Assets	8,387,484	
Less Accumulated Depreciation	<u>(2,354,483)</u>	6,033,001

Deferred revenue in the general fund represents property tax billed but uncollected and is eliminated in the Statement of Net Position. 41,883

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.

Compensated Absences	(18,355)	
Leases Payable	<u>(87,857)</u>	<u>(106,212)</u>

Net Position of Governmental Activities \$ 9,918,997

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

CITY OF ADAIRSVILLE, GEORGIA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2013

	General	Capital Projects SPLOST 2008	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 2,107,583	\$ -	\$ 92,669	\$ 2,200,252
Licenses and Permits	68,045	-	-	68,045
Intergovernmental	-	512,033	-	512,033
Fines and Forfeitures	177,014	-	11,262	188,276
Charges for Services	428,310	-	-	428,310
Contributions	298	-	-	298
Miscellaneous Income	8,092	-	-	8,092
Interest Income	5,507	5,638	5	11,150
Total Revenues	<u>2,794,849</u>	<u>517,671</u>	<u>103,936</u>	<u>3,416,456</u>
Expenditures				
Current Operating:				
Mayor and Council	67,578	-	-	67,578
Administration	689,204	-	-	689,204
Police	1,366,989	-	14,523	1,381,512
Court Service	108,633	-	-	108,633
Contracted Public Safety Services	240,829	-	-	240,829
Public Services	319,203	-	-	319,203
Streets and Roads	322,850	-	-	322,850
Debt Service:				
Principal	19,465	-	-	19,465
Interest	1,405	-	-	1,405
Capital Outlay:				
Administration	-	32,970	-	32,970
Total Expenditures	<u>3,136,156</u>	<u>32,970</u>	<u>14,523</u>	<u>3,183,649</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(341,307)</u>	<u>484,701</u>	<u>89,413</u>	<u>232,807</u>
Other Financing Sources (Uses)				
Proceeds From Capital Lease	104,715	-	-	104,715
Insurance Proceeds	63,531	-	-	63,531
Transfers - Out	-	-	(86,112)	(86,112)
Transfers - In	86,112	-	-	86,112
Total Other Financing Sources (Uses)	<u>254,358</u>	<u>-</u>	<u>(86,112)</u>	<u>168,246</u>
Net Change in Fund Balances	(86,949)	484,701	3,301	401,053
Fund Balance - Beginning of Year	<u>2,155,732</u>	<u>1,377,890</u>	<u>15,650</u>	<u>3,549,272</u>
Fund Balance - End of Year	<u>\$ 2,068,783</u>	<u>\$ 1,862,591</u>	<u>\$ 18,951</u>	<u>\$ 3,950,325</u>

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

CITY OF ADAIRSVILLE, GEORGIA
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement on Activities for the Year Ended December 31, 2013

Net Change in Fund Balances - Total Governmental Funds \$ 401,053

Amounts reported for Governmental Activities in the Statement
of Activities are different because:

Governmental funds report capital outlays as expenditures
while governmental activities report depreciation expense to
allocate those expenditures over the life of the assets. This
is the amount by which capital outlays exceeded depreciation
in the current period.

Expenditures for Capital Assets	502,320	
Less Current Year Depreciation	<u>(221,803)</u>	280,517

Revenues in the Statement of Activities that do not provide
current financial resources are not reported as revenues
in the governmental funds.

Unavailable Deferred Property Tax Revenue	10,763
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Some expenses reported in the Statement of Activities do not
require the use of current financial resources and, therefore
are not reported as expenditures in the governmental funds.

Repayment of Principal	19,465	
Proceeds From Capital Lease	(104,715)	
Net Change in Long-term Compensated Absences	<u>2,852</u>	<u>(82,398)</u>

Change in Net Position of Governmental Activities	<u>\$ 609,935</u>
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The accompanying notes are an integral part of this financial statement.

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CITY OF ADAIRSVILLE, GEORGIA
Statement of Revenues, Expenditures, and Changes in Fund Balance
General Fund - Budget and Actual
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 2,006,000	\$ 2,006,000	\$ 2,107,583	\$ 101,583
Licenses and Permits	77,000	77,000	68,045	(8,955)
Intergovernmental	125,000	125,000	-	(125,000)
Fines and Forfeitures	198,000	198,000	177,014	(20,986)
Charges for Services	439,500	439,500	428,310	(11,190)
Contributions	4,000	4,000	298	(3,702)
Miscellaneous Income	-	-	8,092	8,092
Interest Income	6,500	6,500	5,507	(993)
Total Revenues	<u>2,856,000</u>	<u>2,856,000</u>	<u>2,794,849</u>	<u>(61,151)</u>
Expenditures				
Current:				
Mayor and Council	78,500	78,500	67,578	10,922
Administration	559,300	559,300	689,204	(129,904)
Police	1,196,400	1,196,400	1,366,989	(170,589)
Court Services	112,200	112,200	108,633	3,567
Contracted Public Safety Services	231,500	231,500	240,829	(9,329)
Public Services	407,100	407,100	319,203	87,897
Streets and Roads	347,500	347,500	322,850	24,650
Debt Service:				
Principal	3,000	3,000	19,465	(16,465)
Interest	500	500	1,405	(905)
Total Expenditures	<u>2,936,000</u>	<u>2,936,000</u>	<u>3,136,156</u>	<u>(200,156)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(80,000)</u>	<u>(80,000)</u>	<u>(341,307)</u>	<u>(261,307)</u>
Other Financing Sources (Uses)				
Proceeds from Capital Lease	-	-	104,715	104,715
Insurance Proceeds	-	-	63,531	63,531
Transfers - In	80,000	80,000	86,112	6,112
Total Other Financing Sources (Uses)	<u>80,000</u>	<u>80,000</u>	<u>254,358</u>	<u>174,358</u>
Net Change in Fund Balance	-	-	(86,949)	(86,949)
Fund Balance - Beginning of Year	<u>2,155,732</u>	<u>2,155,732</u>	<u>2,155,732</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 2,155,732</u>	<u>\$ 2,155,732</u>	<u>\$ 2,068,783</u>	<u>\$ (86,949)</u>

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

CITY OF ADAIRSVILLE, GEORGIA

Statement on Net Position

Proprietary Funds

December 31, 2013

	<u>Gas</u>	<u>Water & Sewer</u>	<u>Total</u>
Assets			
Current Assets:			
Cash	\$ 1,283,019	\$ 981,115	\$ 2,264,134
Accounts Receivable - Net	525,377	333,836	859,213
Prepaid Items	6,435	22,688	29,123
Due From Other Funds	677,560	1,028,033	1,705,593
Inventory	53,561	56,318	109,879
Total Current Assets	<u>2,545,952</u>	<u>2,421,990</u>	<u>4,967,942</u>
Non-Current Assets:			
Capital Assets:			
Equipment	587,803	1,435,103	2,022,906
Buildings and Structures	85,455	105,490	190,945
Distribution and Collection Systems	2,491,534	19,550,039	22,041,573
Less Accumulated Depreciation	(1,551,398)	(7,195,091)	(8,746,489)
Land and Easements	3,500	16,852	20,352
Construction in Progress	109,652	62,473	172,125
Total Non-Current Assets	<u>1,726,546</u>	<u>13,974,866</u>	<u>15,701,412</u>
Total Assets	<u>\$ 4,272,498</u>	<u>\$ 16,396,856</u>	<u>\$ 20,669,354</u>

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

CITY OF ADAIRSVILLE, GEORGIA**Statement of Net Position****Proprietary Funds****December 31, 2013**

	Gas	Water & Sewer	Total
Liabilities			
Current Liabilities:			
Accounts Payable	\$ 262,073	\$ 96,526	\$ 358,599
Customer Deposits	237,244	246,438	483,682
Interest Payable	-	11,856	11,856
Notes Payable	-	309,068	309,068
Total Current Liabilities	<u>499,317</u>	<u>663,888</u>	<u>1,163,205</u>
Noncurrent Liabilities:			
Compensated Absences	8,092	7,908	16,000
Notes Payable	-	2,136,387	2,136,387
Total Noncurrent Liabilities	<u>8,092</u>	<u>2,144,295</u>	<u>2,152,387</u>
Total Liabilities	<u>507,409</u>	<u>2,808,183</u>	<u>3,315,592</u>
Net Position			
Net Investment in Capital Assets	1,726,546	11,529,411	13,255,957
Unrestricted	<u>2,038,543</u>	<u>2,059,262</u>	<u>4,097,805</u>
Total Net Position	<u>\$ 3,765,089</u>	<u>\$ 13,588,673</u>	<u>\$ 17,353,762</u>

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

CITY OF ADAIRSVILLE, GEORGIA
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
For the Year Ended December 31, 2013

	Gas	Water & Sewer	Total
Operating Revenues			
Charges for Services	\$ 3,140,414	\$ 2,518,849	\$ 5,659,263
Fees	5,436	132,980	138,416
Other Revenues	1,000	8,604	9,604
Total Operating Revenues	<u>3,146,850</u>	<u>2,660,433</u>	<u>5,807,283</u>
Operating Expenses			
Salaries, Wages and Employee Benefits	193,719	485,593	679,312
Cost of Gas for Resale	2,026,083	-	2,026,083
Services and Supplies	146,787	757,742	904,529
Insurance Expense	10,039	36,336	46,375
Administrative Expense	115,500	231,000	346,500
Depreciation Expense	64,076	445,329	509,405
Total Operating Expenses	<u>2,556,204</u>	<u>1,956,000</u>	<u>4,512,204</u>
Operating Income (Loss)	<u>590,646</u>	<u>704,433</u>	<u>1,295,079</u>
Nonoperating Revenues (Expenses)			
Interest Revenue	3,735	1,429	5,164
Interest Expense	-	(121,636)	(121,636)
Gas Rebates	102,703	-	102,703
Insurance Recovery	-	575,982	575,982
Total Nonoperating Revenues (Expenses)	<u>106,438</u>	<u>455,775</u>	<u>562,213</u>
Income Before Contributions	697,084	1,160,208	1,857,292
Capital Contributions - Other	5,368	-	5,368
Change in Net Position	702,452	1,160,208	1,862,660
Net Position - Beginning	<u>3,062,637</u>	<u>12,428,465</u>	<u>15,491,102</u>
Net Position - Ending	<u>\$ 3,765,089</u>	<u>\$ 13,588,673</u>	<u>\$ 17,353,762</u>

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

CITY OF ADAIRSVILLE, GEORGIA
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2013

	<u>Gas</u>	<u>Water & Sewer</u>	<u>Total</u>
Cash Flows From Operations			
Receipts from Customers and Users	\$ 3,006,083	\$ 2,651,539	\$ 5,657,622
Payments to Suppliers	(2,245,197)	(864,409)	(3,109,606)
Payments to/for Employees	(188,794)	(605,190)	(793,984)
Net Cash Provided by (Used in) Operating Activities	<u>572,092</u>	<u>1,181,940</u>	<u>1,754,032</u>
Cash Flows from Noncapital Financing Activities			
No Noncapital Financing Activities	-	-	-
Net Cash from Noncapital Financing Activities	-	-	-
Cash Flows from Capital and Related Financing Activities			
Principal Payments - Notes	-	(293,898)	(293,898)
Acquisition and Construction of Capital Assets	(66,281)	(949,919)	(1,016,200)
Capital Contribution	5,367	-	5,367
Insurance Proceeds	-	575,982	575,982
Interest Paid	-	(126,743)	(126,743)
Net Cash from Capital and Related Financing Activities	<u>(60,914)</u>	<u>(794,578)</u>	<u>(855,492)</u>
Cash Flows from Investing Activities			
Interest Received	<u>3,735</u>	<u>1,429</u>	<u>5,164</u>
Net Increase (Decrease) in Cash	514,913	388,791	903,704
Cash - January 1 (Including \$306,184 in Restricted Cash)	<u>768,106</u>	<u>592,324</u>	<u>1,360,430</u>
Cash - December 31 (Including \$0 in Restricted Cash)	<u>\$ 1,283,019</u>	<u>\$ 981,115</u>	<u>\$ 2,264,134</u>
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities:			
Operating Income	\$ 590,646	\$ 704,433	\$ 1,295,079
Adjustments of Reconcile to Net Cash Provided by Operating Activities			
Depreciation	64,076	445,329	509,405
Gas Rebates	102,703	-	102,703
(Increase) Decrease in Accounts Receivable	(249,470)	(21,684)	(271,154)
(Increase) Decrease in Prepaid Items	(993)	(2,557)	(3,550)
(Increase) Decrease in Inventory	(7,145)	(21,527)	(28,672)
Increase (Decrease) in Accounts Payable & Accrued Payables	61,350	62,124	123,474
Increase (Decrease) in Compensated Absences	4,925	3,032	7,957
Increase (Decrease) in Customer Deposits	6,000	12,790	18,790
Net Cash Provided by (Used in) Operating Activities	<u>\$ 572,092</u>	<u>\$ 1,181,940</u>	<u>\$ 1,754,032</u>
Noncash Investing, Capital and Financing Activities			
Capital Contributions - Other	\$ 5,367	\$ -	\$ 5,367
Acquisition of Capital Assets	<u>(5,367)</u>	<u>-</u>	<u>(5,367)</u>
Net Cash from Noncash Activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

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CITY OF ADAIRSVILLE, GEORGIA
Notes to the Financial Statements
December 31, 2013

Note 1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

Related Organization

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

B. Government-wide and Fund Financial Statements

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

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

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

CITY OF ADAIRSVILLE, GEORGIA
Notes to the Financial Statements
December 31, 2013

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

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

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

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

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

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

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

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

The General Fund and the 2008 SPLOST Capital Project Fund are the major governmental funds that the City reports. The City has elected to present two special revenue funds – Confiscated Assets and Hotel/Motel Tax as nonmajor funds. The General Fund is the primary fund of the City and accounts for all financial resources of the general government except those required to be reported in the other

CITY OF ADAIRSVILLE, GEORGIA
Notes to the Financial Statements
December 31, 2013

funds. The 2008 SPLOST Capital Projects Fund accounts for the acquisition and construction of major capital assets other than those accounted for by proprietary funds. The Confiscated Assets Fund accounts for cash received from confiscation or sale of assets acquired through confiscation. The Hotel/Motel Tax Fund accounts tax proceeds from the hotel/motel tax.

The City reports the following major proprietary funds:

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

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

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the gas and water/sewer enterprise funds are charges to customers for sales and services. Both funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

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

D. Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets were adopted for the General, Confiscated Assets and Hotel/Motel Tax special revenue funds. Annual appropriations lapse at fiscal year end.

The 2008 SPLOST Capital Projects Fund has a project length budget that was adopted when voters approved the SPLOST referendum. This budget is prepared based on the projected total of SPLOST revenues and capital outlays.

CITY OF ADAIRSVILLE, GEORGIA
Notes to the Financial Statements
December 31, 2013

E. Assets, Liabilities, Net Position or Fund Balances

1. **Cash and Investments.** Cash includes amounts in demand and time deposits that must be by law insured or collateralized, and investments, if any, are limited by law and bond ordinances, to federal and state securities and stated at fair value.
2. **Receivables.** All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Estimated unbilled revenues from the enterprise funds are recognized at the end of the year on a pro rata basis. The estimated amount is based on billings during the month following the close of the fiscal year.
3. **Internal Balances.** During the course of operations, numerous transactions occur between individual funds for goods provided, services rendered or interfund loans. The balances which represent receivables and payables between governmental and business-type activities are reported as internal balances. As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are administrative charges between the general fund and the gas and water/sewer funds.

Elimination of these charges would distort the direct costs and revenues reported for the two funds. In the government-wide financial statements these balances are reported as internal balances.

4. **Restricted Cash.** Demand and time deposits set-aside for certain payments are classified as restricted on the Balance Sheet and the Statement of Net Position because their use is limited by funding sources, debt covenants, or legal regulations. The construction accounts are used to report proceeds restricted for use in construction. The confiscated asset cash is restricted for use by the City's police department.
5. **Inventories and Prepaid Items.** The Water and Sewer Fund and Gas Fund inventories, if applicable, are valued at lower of cost or market using the first-in, first-out method. Prepaid items represent the amount paid in advance for insurance.
6. **Capital Assets.** Capital assets that cost more than \$5,000 with an estimated useful life of more than one year are capitalized and depreciated. Capital assets, including property, plant, vehicles, equipment and infrastructure (streets, bridges, curbs, sidewalks, drainage and lighting systems) are reported in the applicable governmental or business-type activities columns in the government-wide statements. All capital assets are carried at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair value on the date of acquisition. Depreciation is computed on the straight-line basis over the estimated useful life of the asset.

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

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

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

CITY OF ADAIRSVILLE, GEORGIA
Notes to the Financial Statements
December 31, 2013

7. **Compensated Absences.** Vested or accumulated vacation leave is recorded as an expense and a liability when incurred in the proprietary fund financial statements and as a liability in the governmental funds only in the government-wide financial statements. For the governmental activities, compensated absences are generally liquidated by the General Fund. The City's current policy allows employees to carryover a maximum of 240 hours of unused vacation.
8. **Long-term Debt, Bond Discounts/Premiums, and Issuance Costs.** Outstanding debt and other obligations are reported as a liability in the government-wide and proprietary financial statements. Bond discounts/premiums and issuance costs for proprietary funds are capitalized and amortized over the term of the respective bonds using a method that approximates the effective interest method. Bond discounts are presented as a reduction in the face amount of bonds payable and issuance costs are recorded as deferred charges.

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

9. **Pensions.** The provision for pension costs is recorded on the accrual basis and it is the City's policy to fund pension costs as they accrue.
10. **Deferred Outflows/Inflows Of Resources.** In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The City had no items that qualified as a deferred outflow of resources for fiscal 2013.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies as a deferred inflow of resources for fiscal 2013 and arises under the modified accrual basis on accounting only. The source of the deferred inflow reported is property tax revenue that is considered unavailable at year end.

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

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

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

CITY OF ADAIRSVILLE, GEORGIA
Notes to the Financial Statements
December 31, 2013

Note 2. Legal Compliance - Budgets

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

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

The 2013 General Fund budget was voted upon and adopted by the City Council.

Expenditures exceeded budgeted appropriations in the following General Fund departments.

Administration	\$ 129,904
Police	170,589
Contracted Public Safety Services	9,329
Principal	16,465
Interest	905

Transfers also exceeded appropriated amounts in the Hotel/Motel Tax fund by \$6,112.

Note 3. Deposits and Investments

Cash as of December 31, 2013 is as follows:

Statement of Net Position:	
Cash	\$ 5,848,351
Restricted Cash	<u>1,871,374</u>
Total	<u>\$ 7,719,725</u>

The City has no investments other than cash.

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

Component Unit:

Adairsville Development Authority:

Cash as of December 31, 2013 is as follows:

Statement of Net Position:	
Cash	<u>\$ 39,359</u>

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

CITY OF ADAIRSVILLE, GEORGIA
Notes to the Financial Statements
December 31, 2013

Note 4. Receivables

Receivables as of December 31, 2013 consist of the following:

	<u>General</u>	<u>Hotel/ Motel</u>	<u>Gas</u>	<u>Water and Sewer</u>	<u>Total</u>
Receivables:					
Accounts	\$ 15,555	\$ --	\$ 569,926	\$ 366,982	\$ 952,463
Property Tax	79,442	--	--	--	79,442
Hotel/Motel Tax	--	10,803	--	--	10,803
Franchise Tax	318,220	--	--	--	318,220
Allowances for Uncollectibles	(4,188)	--	(44,549)	(33,146)	(81,883)
Net	<u>\$ 409,029</u>	<u>\$10,803</u>	<u>\$ 525,377</u>	<u>\$ 333,836</u>	<u>\$ 1,279,045</u>

Due from other governments includes \$83,383 of Local Option Sales Taxes due from the State of Georgia, and \$87,080 due from Bartow County.

Note 5. Property Tax

Bartow County bills and collects the City's real and personal property taxes. The Bartow County Tax Assessors Office assesses property values as of January 1 each year. The City's millage rate of 3.64 mills was approved by the City Council August 15, 2013. The levy date was September 15, 2013 and taxes were due by November 15, 2013. After November 15, interest and penalties begin to accrue on unpaid balances and property is subject to lien.

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

Note 6. Interfund Receivables, Payables and Transfers

Due To/From Other Funds:

Interfund receivable and payable balances at December 31, 2013 were \$ 1,705,593.

<u>Due To</u>	<u>Due From</u>	<u>Amount</u>
Water Fund	General Fund	\$ 1,028,033
Gas Fund	General Fund	<u>677,560</u>
		<u>\$ 1,705,593</u>

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

Capital Contributions, Transfers, and Payments:

Routine transfers and payments between funds are to subsidize operations and fund capital asset acquisitions. Interfund capital contributions for the year ending December 31, 2013 were as follows:

Between Governmental Funds:

<u>Source Fund</u>	<u>Transfer to Fund</u>	<u>Amount</u>
Hotel/Motel Tax Fund	General Fund	\$ 86,112

CITY OF ADAIRSVILLE, GEORGIA
Notes to the Financial Statements
December 31, 2013

Note 7. Capital Assets

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

Governmental Activities

	January 1 2013	Additions and Transfers	Deletions and Transfers	December 31 2013
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 546,377	\$ 162,124	\$ -	\$ 708,501
Construction in Progress - Streetscape	197,311	15,172	(183,836)	28,647
Construction in Progress - Trail Grant	8,505	13,485	-	21,990
Construction in Progress - City Hall Renovation	-	69,648	-	69,648
Construction in Progress - Capital Projects	7,114	-	-	7,114
Total Capital Assets Not Being Depreciated	759,307	260,429	(183,836)	835,900
<i>Capital Assets Being Depreciated</i>				
Buildings	2,206,780	15,000	-	2,221,780
Infrastructure	3,911,825	183,836	-	4,095,661
Equipment	1,007,251	226,892	-	1,234,143
Total Capital Assets Being Depreciated	7,125,856	425,728	-	7,551,584
<i>Less Accumulated Depreciation For</i>				
Buildings	(836,269)	(73,793)	-	(910,062)
Infrastructure	(381,391)	(116,171)	-	(497,562)
Equipment	(915,020)	(31,839)	-	(946,859)
Total Accumulated Depreciation	(2,132,680)	(221,803)	-	(2,354,483)
Capital Assets, Net	\$ 5,752,483	\$ 464,354	\$ (183,836)	\$ 6,033,001

During the fiscal year, the Streetscape Phase V was put into service. Equipment capital outlays include 7 new police cars at a total cost of \$220,392. The City also purchased land at a cost of \$162,124.

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

Administration	\$ 80,935
Court Services	262
Police	36,514
Public Services	17,091
Streets and Roads	87,001
Total Depreciation Expense	<u>\$ 221,803</u>

CITY OF ADAIRSVILLE, GEORGIA
Notes to the Financial Statements
December 31, 2013

Business-type Activities

	January 1 2013	Additions and Transfers	Deletions and Transfers	December 31 2013
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 20,352	\$ -	\$ -	\$ 20,352
Construction in Progress - System	400,487	928,710	(1,157,072)	172,125
Total Capital Assets Not Being Depreciated	420,839	928,710	(1,157,072)	192,477
<i>Capital Assets Being Depreciated</i>				
Buildings	185,000	5,945	-	190,945
Infrastructure	20,831,671	1,209,902	-	22,041,573
Equipment	1,994,192	28,714	-	2,022,906
Total Capital Assets Being Depreciated	23,010,863	1,244,561	-	24,255,424
<i>Less Accumulated Depreciation For</i>				
Buildings	(74,981)	(6,455)	-	(81,436)
Infrastructure	(6,952,447)	(419,566)	-	(7,372,013)
Equipment	(1,209,657)	(83,383)	-	(1,293,040)
Total Accumulated Depreciation	(8,237,085)	(509,404)	-	(8,746,489)
Capital Assets, Net	<u>\$ 15,194,617</u>	<u>\$ 1,663,867</u>	<u>\$ (1,157,072)</u>	<u>\$ 15,701,412</u>

Business-type activities construction in progress at year-end consists of various water/sewer system and gas system improvements totaling \$1,209,902 and were partially funded by insurance recoveries related to repairs and improvements to the Collins Mountain Water Tank, which accounted for \$808,032 of the total expenditures.

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

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

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

Adairsville Development Authority

	January 1 2013	Additions and Transfers	Deletions and Transfers	December 31 2013
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 112,565	\$ -	\$ -	\$ 112,565
Total Capital Assets Not Being Depreciated	112,565	-	-	112,565
<i>Capital Assets Being Depreciated</i>				
Buildings	350,080	-	-	350,080
Total Capital Assets Being Depreciated	350,080	-	-	350,080
<i>Less Accumulated Depreciation For</i>				
Buildings	(34,423)	(10,689)	-	(45,112)
Total Accumulated Depreciation	(34,423)	(10,689)	-	(45,112)
Capital Assets, Net	<u>\$ 428,222</u>	<u>\$ (10,689)</u>	<u>\$ -</u>	<u>\$ 417,533</u>

CITY OF ADAIRSVILLE, GEORGIA
Notes to the Financial Statements
December 31, 2013

Note 8. Lease Obligations

The City has entered into a capital lease agreement with Branch Banking and Trust as lessee for financing the acquisition of 7 police cars. The interest rate on this lease is 2.76%. If the lease is paid in full, the title to the property is transferred to the City. The City's equipment under lease has a cost of \$104,715 with accumulated depreciation of \$0. The following is a schedule of the future minimum lease payments under the capital lease, and the present value of the net minimum lease payments at December 31, 2013:

<u>Year Ending December 31</u>	<u>General Fund</u>
2014	\$ 36,490
2015	36,490
2016	<u>18,246</u>
Less Interest	<u>(3,369)</u>
Present value of minimum lease payments	<u>\$ 87,857</u>

The City has no operating lease obligations.

Note 9. Outstanding Debt

Debt outstanding as of December 31, 2013 is composed of the following:

Primary Government

Notes Payable

	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Date Final Payment Due</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
<i>Business-type Activities:</i>					
<i>Water and Sewer Fund</i>					
GEFA Note – System Additions	08-01-96	5.12%	05-01-2016	510,854	96,247
GEFA Note – System Additions	06-01-98	5.86%	06-01-2018	2,745,554	919,827
GEFA Note – System Additions	08-25-03	3.98%	10-01-2024	1,172,080	756,526
GEFA Note – System Additions	07-26-05	4.20%	02-01-2029	809,928	<u>672,855</u>
Total Water and Sewer Fund					<u>2,445,455</u>
<i>Total Business-type Activities</i>					<u>\$ 2,445,455</u>

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

Year Ending December 31	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 309,608	\$ 111,032
2015	326,222	94,418
2016	322,932	77,066
2017	319,111	60,267
2018	218,311	43,892
2019-2023	587,760	138,910
2024-2028	351,734	33,792
2029	<u>9,777</u>	<u>51</u>
	<u>\$2,445,455</u>	<u>\$ 559,428</u>

CITY OF ADAIRSVILLE, GEORGIA
Notes to the Financial Statements
December 31, 2013

Leases Payable

	Date of <u>Issue</u>	Interest <u>Rate</u>	Date Final <u>Payment Due</u>	Amount <u>Issued</u>	Amount <u>Outstanding</u>
<i>Governmental Activities:</i>					
Police – Vehicles	6/13/2013	2.76%	6/10/2016	104,715	<u>\$ 87,857</u>

Changes in long-term liabilities

The following is a summary of the City's debt transactions for the year ended December 31, 2013:

	Balance January 1	Additions	Reductions	Balance December 31	Due Within One Year
Governmental Activities					
Capital Leases	\$ 2,607	\$ 104,715	\$ 19,465	\$ 87,857	\$ 34,420
Compensated Absences	24,021	32,046	37,712	18,355	-
OPEB Liability	<u>12,728</u>	<u>10,842</u>	<u>12,728</u>	<u>10,842</u>	<u>10,842</u>
Total Governmental Activities	<u>\$ 39,356</u>	<u>\$ 147,603</u>	<u>\$ 69,904</u>	<u>\$ 117,055</u>	<u>\$ 45,262</u>
Business-type Activities					
Notes Payable	\$ 2,739,353	\$ -	\$ 293,898	\$ 2,445,455	\$ 309,608
Compensated Absences	<u>8,043</u>	<u>20,017</u>	<u>12,060</u>	<u>16,000</u>	<u>-</u>
Total Business-type Activities	<u>\$ 2,747,396</u>	<u>\$ 20,017</u>	<u>\$ 305,958</u>	<u>\$ 2,461,455</u>	<u>\$ 309,608</u>

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

Component Unit

Notes Payable

The Development Authority borrowed money from the City in order to purchase, develop, and market property in the Georgia North Industrial Park. As of December 31, 2013 the Development Authority owed \$9,400. There are no specific terms for repayment of the loan and no interest rate.

	Balances <u>01/01/13</u>	<u>Additions</u>	<u>Reductions</u>	Balances <u>12/31/13</u>	Amounts Due Within <u>One Year</u>
Development Authority Due to General Fund-Land	<u>\$ 9,400</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 9,400</u>	<u>\$ --</u>

CITY OF ADAIRSVILLE, GEORGIA
Notes to the Financial Statements
December 31, 2013

Note 10. Pension Plan

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

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

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

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

The Plan is subject to the minimum funding standards of the Public Retirement Systems Standards Law (Georgia Code Section §47-20-10).

According to the annual plan valuation dated July 1, 2012, the recommended contribution to the plan for the fiscal 2013 was \$98,862 (\$0 employee and \$98,862 employer; 0% employee and 9.31% employer of covered payroll respectively), and the recommended contribution to the plan for the previous year was \$100,934 (\$0 employee and \$100,934 employer, 0% employee and 8.22% employer of covered payroll). Covered payroll for each year was calculated at \$1,043,878 and \$1,206,999 respectively.

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

Three-Year Trend information

<u>Fiscal Year Ending</u>	<u>Employer Annual Pension Cost (APC)</u>	<u>Percentage Of APC Contributed</u>	<u>Net Pension Obligation</u>
2013	\$ 98,862	100.0%	\$ 0
2012	100,934	100.0%	0
2011	154,853	100.0%	0

CITY OF ADAIRSVILLE, GEORGIA
Notes to the Financial Statements
December 31, 2013

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

Investment rate of return	7.75% per year
---------------------------	----------------

Projected salary increases for	
Cost of Living Adjustments	3.5% per year
Merit or seniority	3.5% per year

Annual rates of increase in:	
Salaries	3.5%
Future Social Security Wage Base	3.5%
Inflation	3.5%
Cost of living adjustment	3.5%

Post retirement benefit increases	3.5% per year
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Actuarial Methods:

Normal Cost and Actuarial Accrued Liability	Projected Unit Credit
--	-----------------------

Actuarial Value of Assets	Sum of the actuarial value at the beginning of the year and the cash flow during year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at the end of the year. The actuarial value is adjusted, if necessary, to be within 50% of market value for 2009, 44% of market value for 2010, 38% of market value for 2011, 32% of market value for 2012, 26% of market value for 2013, and 20% of market value for 2014 and later years.
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As of July 1, 2012, employee membership data related to the current plan membership was as follows:

Number of retirees and beneficiaries currently receiving benefits	26
Number of terminated employees entitled to benefits, but not yet receiving them	14
Number of Active Plan Participants	
Vested	13
Nonvested	20
Total	<u>73</u>

CITY OF ADAIRSVILLE, GEORGIA
Notes to the Financial Statements
December 31, 2013

Information regarding the funding status of the plan as of the July 1, 2012 valuation is as follows:

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Liability	Actuarial Value of Assets as a % of Actuarial Accrued Liability	Annual Covered Payroll	Ratio of the Unfunded Actuarial Accrued Liability To Annual Covered Payroll
July 1, 2012	\$ 2,742,802	\$ 2,939,035	\$ 196,233	93.32%	\$ 1,043,878	18.80%
July 1, 2011	2,619,022	2,795,548	176,526	93.69%	1,206,999	14.63%
July 1, 2010	2,438,973	2,748,812	309,839	88.73%	1,247,642	24.83%

Note 11. Restricted Assets and Restricted Net Position

Restricted Assets

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

Restricted Net Position

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

Governmental Funds:

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

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

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

Note 12. Contingencies

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

Note 13. Other Information

Vacation and Sick Leave

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

CITY OF ADAIRSVILLE, GEORGIA
Notes to the Financial Statements
December 31, 2013

Note 14. Risk Management

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

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

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

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

The fund is to defend and protect its members against liability or loss as prescribed in the member governments' contracts and in accordance with the worker's compensation laws of Georgia. The funds are to pay all costs against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

Note 15. Joint Venture

The City of Adairsville is a member of the Northwest Regional Commission (NWRGC). The NWRGC was created under the laws of the State of Georgia and cities and counties in the area served by the NWRGC are required to be members. The membership of the NWRGC includes 15 counties and 49 municipalities. Bartow County pays annual membership dues on behalf of the City. The City has no equity interest in the NWRGC nor does the City materially contribute to the continued existence of the NWRGC. The Official Code of Georgia Annotated Section §50-8-39.1 states that in the event the NWRGC ceases operation, the membership can be assessed for any debt or obligation of the NWRGC. Separate financial statements may be obtained from the Northwest Regional Commission, P. O. Box 1798, Rome, Georgia 30162.

Note 16. Hotel/Motel Tax Revenues and Tourism Expenditures

The City of Adairsville levies a 5 percent hotel/motel tax in accordance with the provisions of the Official Code of Georgia section §48-13-51. This code section requires that the City expend an amount equal to the amount by which the total taxes collected under this section exceed the taxes that would be collected at a rate of 3 percent. For the year ended December 31, 2013, the total amount the City collected was \$92,669 and the amount collected above the 3 percent rate was \$37,068. In accordance with a contractual agreement, 100% of this amount was paid from the general fund to the Cartersville-Bartow County Convention and Visitors Bureau for tourism promotion.

CITY OF ADAIRSVILLE, GEORGIA
Notes to the Financial Statements
December 31, 2013

Note 17. Special Purpose Local Option Sales Tax

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

Note 18. Post Employment Health Care Benefits

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

Note 19. Construction Commitments

The City had a construction commitment under contract for the completion of the Tea Grant Phase VI project. The total contract commitment was \$550,000, with \$17,985 expended to date leaving an open commitment of \$532,015.

COMBINING AND INDIVIDUAL FUND STATEMENTS



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CITY OF ADAIRSVILLE, GEORGIA
Schedule of Revenues, Expenditures, and Changes in Fund Balance
2008 SPLOST Capital Project Fund - Budget and Actual
For the Year Ended December 31, 2013

	Project Length Budgeted Amounts		Current Year Actual	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 6,012,000	\$ 6,012,000	\$ 512,033	\$ (5,499,967)
Interest Income	-	-	5,638	5,638
Total Revenues	<u>6,012,000</u>	<u>6,012,000</u>	<u>517,671</u>	<u>(5,494,329)</u>
Expenditures				
Capital Outlay:				
Administration Projects	1,500,000	1,500,000	32,970	1,467,030
Streets and Roads Projects	1,552,000	1,552,000	-	1,552,000
Water and Sewer Projects	<u>2,960,000</u>	<u>2,960,000</u>	-	<u>2,960,000</u>
Total Expenditures	<u>6,012,000</u>	<u>6,012,000</u>	<u>32,970</u>	<u>5,979,030</u>
Excess of Revenues Over Expenditures	-	-	484,701	484,701
Net Change in Fund Balance	-	-	<u>484,701</u>	<u>484,701</u>
Fund Balance - Beginning of Year	<u>1,377,890</u>	<u>1,377,890</u>	<u>1,377,890</u>	-
Fund Balance - End of Year	<u>\$ 1,377,890</u>	<u>\$ 1,377,890</u>	<u>\$ 1,862,591</u>	<u>\$ 484,701</u>

CITY OF ADAIRSVILLE, GEORGIA**Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2013**

	Special Revenue Funds		
	Confiscated Assets	Hotel/Motel Tax	Total Nonmajor Governmental Funds
Assets			
Receivables, Net			
Taxes	\$ -	\$ 10,803	\$ 10,803
Cash - Restricted	8,148	-	8,148
Total Assets	<u>\$ 8,148</u>	<u>\$ 10,803</u>	<u>\$ 18,951</u>
Fund Balances			
Restricted For:			
Drug Enforcement Activities	\$ 8,148	-	\$ 8,148
Other Purposes	-	10,803	10,803
Total Fund Balances	<u>\$ 8,148</u>	<u>\$ 10,803</u>	<u>\$ 18,951</u>

CITY OF ADAIRSVILLE, GEORGIA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2013

	<u>Special Revenue Funds</u>		
	<u>Confiscated Assets</u>	<u>Hotel/Motel Tax</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues			
Taxes	\$ -	\$ 92,669	\$ 92,669
Fines and Forfeitures	11,262	-	11,262
Interest Income	5	-	5
Total Revenues	<u>11,267</u>	<u>92,669</u>	<u>103,936</u>
Expenditures			
Current:			
Police	<u>14,523</u>	<u>-</u>	<u>14,523</u>
Total Expenditures	<u>14,523</u>	<u>-</u>	<u>14,523</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(3,256)</u>	<u>92,669</u>	<u>89,413</u>
Other Financing Sources (Uses)			
Transfers - Out	<u>-</u>	<u>(86,112)</u>	<u>(86,112)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>(86,112)</u>	<u>(86,112)</u>
Net Change in Fund Balances	(3,256)	6,557	3,301
Fund Balance - Beginning of Year	<u>11,404</u>	<u>4,246</u>	<u>15,650</u>
Fund Balance - End of Year	<u>\$ 8,148</u>	<u>\$ 10,803</u>	<u>\$ 18,951</u>

CITY OF ADAIRSVILLE, GEORGIA
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Confiscated Asset Special Revenue Fund - Budget and Actual
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Fines and Forfeitures	\$ 11,262	\$ 11,262	\$ 11,262	\$ -
Interest Income	5	5	5	-
Total Revenues	<u>11,267</u>	<u>11,267</u>	<u>11,267</u>	<u>-</u>
Expenditures				
Current:				
Police	<u>14,523</u>	<u>14,523</u>	<u>14,523</u>	<u>-</u>
Total Expenditures	<u>14,523</u>	<u>14,523</u>	<u>14,523</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,256)</u>	<u>(3,256)</u>	<u>(3,256)</u>	<u>-</u>
Other Financing Sources (Uses)				
Appropriated Prior Year Fund Balance	<u>3,256</u>	<u>3,256</u>	<u>-</u>	<u>(3,256)</u>
Total Other Financing Sources (Uses)	<u>3,256</u>	<u>3,256</u>	<u>-</u>	<u>(3,256)</u>
Net Change in Fund Balance	-	-	(3,256)	-
Fund Balance - Beginning of Year	<u>11,404</u>	<u>11,404</u>	<u>11,404</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 11,404</u>	<u>\$ 11,404</u>	<u>\$ 8,148</u>	<u>\$ -</u>

CITY OF ADAIRSVILLE, GEORGIA
Schedule of Revenues, Expenditures, and Changes In Fund Balance
Hotel/Motel Tax Special Revenue Fund - Budget and Actual
For the Year Ended December 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 80,000	\$ 80,000	\$ 92,669	\$ 12,669
Total Revenues	<u>80,000</u>	<u>80,000</u>	<u>92,669</u>	<u>12,669</u>
Excess of Revenues Over Expenditures	<u>80,000</u>	<u>80,000</u>	<u>92,669</u>	<u>12,669</u>
Other Financing Sources (Uses)				
Transfers - Out	<u>(80,000)</u>	<u>(80,000)</u>	<u>(86,112)</u>	<u>(6,112)</u>
Total Other Financing Sources (Uses)	<u>(80,000)</u>	<u>(80,000)</u>	<u>(86,112)</u>	<u>(6,112)</u>
Net Change in Fund Balance	-	-	6,557	6,557
Fund Balance - Beginning of Year	<u>4,246</u>	<u>4,246</u>	<u>4,246</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 4,246</u>	<u>\$ 4,246</u>	<u>\$ 10,803</u>	<u>\$ 6,557</u>

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COMPLIANCE SECTION



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

To the Honorable Mayor and Council
City of Adairsville, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Adairsville, Georgia, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise City of Adairsville, Georgia's basic financial statements and have issued our report thereon dated June 25, 2014

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

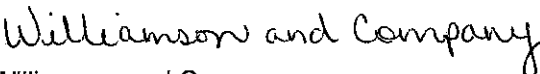
As part of obtaining reasonable assurance about whether the City of Adairsville, Georgia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as item 13-1.

City of Adairsville, Georgia's Response to Finding

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

Purpose of this Report

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


Williamson and Company
Certified Public Accountants
June 25, 2014

CITY OF ADAIRSVILLE, GEORGIA
Schedule of Findings and Responses
December 31, 2013

Finding 13-1 Expenditures Exceeding Appropriations - Noncompliance

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

Condition: In the General Fund, actual expenditures exceeded budgeted amounts by an aggregate amount of \$200,156.

Effect: The Administration, Police, and Contracted Public Services departments, along with debt service expenditures were over budget.

Cause: The City overspent the Council approved budgeted amounts allocated for Administration, Police, and Contracted Public Services expenditures for the year and did not utilize available budget amendments at year end to eliminate the overage. Also, debt service payments on lease payables issued during the year were not budgeted.

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

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

CITY OF ADAIRSVILLE, GEORGIA
Schedule of Special Purpose Local Option Sales Tax Expenditures
Year Ended December 31, 2013

Project	Estimated Cost		Expenditures		
	Original	Current	Prior Years	Current Year	Total
SPLOST II (2008-2013)					
General Government Projects					
New City Hall	\$ 1,500,000	\$ 1,500,000	\$ -	\$ 32,970	\$ 32,970
Water and Sewer Projects					
Upgrade Capacity at Waster Water Plant #1	1,000,000	1,000,000	-	-	-
Two-Million Gallon Water Reservoir	650,000	650,000	268,561	-	268,561
Two-Million Gallon Relief Tank	650,000	650,000	-	-	-
Jarrett Loop Water Main Extension	300,000	300,000	-	-	-
Pleasant Valley Waterline Loop	60,000	60,000	-	-	-
Emergency Power Supply-Sewer Plant #1	150,000	150,000	79,863	-	79,863
Emergency Power Supply-Sewer Plant #2	150,000	150,000	79,949	-	79,949
Total Water and Sewer	<u>2,960,000</u>	<u>2,960,000</u>	<u>428,373</u>	<u>-</u>	<u>428,373</u>
Street and Road Projects					
Rebuild Martin Luther King Blvd.	207,000	207,000	7,965	-	7,965
Road Stripping and Incidentals	84,000	84,000	6,500	-	6,500
Curb & Gutter Summer Street and Sidewalk	517,000	517,000	472,297	-	472,297
Curb & Gutter Martin Luther King and Sidewalk	400,000	400,000	318,139	-	318,139
Curb & Gutter King Street and Sidewalk	344,000	344,000	525,245	-	525,245
Total Street and Road Projects	<u>1,552,000</u>	<u>1,552,000</u>	<u>1,330,146</u>	<u>-</u>	<u>1,330,146</u>
Total for SPLOST II Projects	<u>\$ 6,012,000</u>	<u>\$ 6,012,000</u>	<u>\$ 1,758,519</u>	<u>\$ 32,970</u>	<u>\$ 1,758,519</u>

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