CITY OF ADRIAN, GEORGIA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

City of Adrian, Georgia
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For The Year Ended December 31, 2012

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Adrian, Georgia

I have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Adrian, Georgia, as of and for the year ended December 31, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Adrian, Georgia, management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I 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. I believe that my audit provides a reasonable basis for my opinions.

In my 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, and each major fund, of Adrian, Georgia as of December 31, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated June 18, 2013, on my consideration of the City's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The management's budgetary comparison information 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. I 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, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Adrian, Georgia's basic financial statements. The SPLOST schedule and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



June 18, 2013

City of Adrian, Georgia
Statement of Net Assets
December 31, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash	$ 90,661	$ 33,872	$ 124,533
Receivables - net where applicable of allowance for uncollectibles:			
Accounts	4,891	4,277	9,168
Taxes	42,894	-	42,894
Due from other governments	-		-
Capital Assets			
Nondepreciable capital assets	13,156	-	13,156
Depreciable capital assets, net	83,090	369,057	452,147
Total Assets	$ 234,692	$ 407,206	$ 641,898
Liabilities			
Current Liabilities			
Accounts payable	$ 10,723	$ 805	$ 11,528
Other accrued payables	-		-
Due to/from Other Funds	-	-	-
Customer deposits	-	27,900	27,900
Current portion of long-term debt	-	22,273	22,273
Long-Term Liabilities			
Notes payable (net of current portion)	-	170,088	170,088
Capital leases payable (net of current portion)	-	-	-
Total Liabilities	$ 10,723	$ 221,066	$ 231,789
Net Assets			
Invested in capital assets, net of related debt	$ 96,246	$ 176,696	$ 272,942
Restricted for Capital Outlay	$ -		
Unrestricted	127,723	9,444	137,167
Total Net Assets	$ 223,969	$ 186,140	$ 410,109

See accompanying notes to the basic financial statements.

City of Adrian, Georgia
Statement of Activities
For the Year Ended December 31, 2012

Functions	Expenses	Program Revenue: Charges for Services and Fines	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Business Type Activities	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Total
Primary Government							
Governmental Activities							
General government	$ 127,883	$ 3,329	$ -	$ 16,691	$ (107,863)	$ -	$ (107,863)
Public safety	65,126	33,999	-	14,900	(16,227)	-	(16,227)
Public works	87,448	56,563	-	1,360	(29,525)	-	(29,525)
Culture/recreation	19,633	-	6,000	-	(13,633)	-	(13,633)
Interest	915	-	-	26	(889)	-	(889)
Total Governmental Activities	301,005	93,891	6,000	32,977	(168,137)	-	(168,137)
Business Type Activities							
Water	74,219	55,089	-	19	-	(19,111)	(19,111)
Total Primary Government	$ 375,224	$ 148,980	$ 6,000	$ 32,996	(168,137)	(19,111)	(187,248)
General Revenues							
Property taxes					80,918	-	80,918
Sales taxes					89,761	-	89,761
Insurance premium					33,576	-	33,576
Franchise					31,601	-	31,601
Other taxes					12,245	-	12,245
Investment earnings					57	-	57
Miscellaneous					9,885	-	9,885
Total General Revenues and Transfers					258,043	-	258,043
Change in Net Assets					89,906	(19,111)	70,795
Net Assets - January 1					134,063	205,251	339,314
							-
Net Assets - December 31					$ 223,969	$ 186,140	$ 410,109

See accompanying notes to the basic financial statements.

City of Adrian, Georgia
Balance Sheet
Governmental Funds
December 31, 2012

	General Fund	Special Local Option Sales Tax	Total Governmental Funds
Assets			
Cash	$ 70,870	$ 19,791	$ 90,661
Receivables - net where applicable of allowance for uncollectibles:			
Accounts	4,891	-	4,891
Taxes	42,894	-	42,894
Due from other governments	-	-	-
Total Assets	$ 118,655	$ 19,791	$ 138,446
Liabilities and Fund Balances			
Liabilities			
Accounts payable	$ 10,723	$ -	$ 10,723
Accrued payables	-	-	-
Due to Other Funds	-		-
Deferred revenue	19,004	-	19,004
Total Liabilities	29,727	-	29,727
Fund Balances			
Restricted		19,791	19,791
Unassigned	88,928	-	88,928
Total Fund Balances	88,928	19,791	108,719
Total Liabilities and Fund Balances	$ 118,655	$ 19,791	$ 138,446

See accompanying notes to the basic financial statements.

City of Adrian, Georgia
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
December 31, 2012

Total Governmental Fund Balance		$ 108,719
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Cost	277,448	
Less accumulated depreciation	(181,202)	96,246
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds:		
Property taxes		19,004
Liabilities, not due and payable in the current period and therefore not reported in the funds, but are reported in the statement of net assets:		-
Net Assets of Governmental Activities		$ 223,969

See accompanying notes to the basic financial statements.

City of Adrian
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2012

	General	Special Local Option Sales Tax	Grants	Total Governmental Funds
Revenues				
Taxes	$ 247,611	$ -		$ 247,611
Licenses and permits	3,329	-		$ 3,329
Intergovernmental	-	32,977		$ 32,977
Charges for services	56,563	-		$ 56,563
Fines and forfeitures	33,999	-		$ 33,999
Investment earnings	57	26		$ 83
Contributions and donations from private sources	-	-		$ -
Miscellaneous	9,859	-	6,000	15,859
Total Revenues	351,418	33,003	6,000	390,421
Expenditures				
Current:				
General government	122,414	4,000	-	126,414
Culture and Recreation	4,733	14,900	-	19,633
Public safety	46,448	-	6,000	52,448
Public works	83,794	1,360	-	85,154
Capital Outlay		-	-	-
Debt Service				-
Principal	25,413	-	-	25,413
Interest	915	-	-	915
Total Expenditures	283,717	20,260	6,000	309,977
Excess of Revenues Over (Under) Expenditures	67,701	12,743	-	80,444
Other Financing Sources (Uses)				
Loan Proceeds	-	-	-	-
Capital leases	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	67,701	12,743	-	80,444
Fund Balance - January 1	21,227	7,048	-	28,275
Fund Balance - December 31	$ 88,928	$ 19,791	$ -	$ 108,719

See accompanying notes to the basic financial statements.

City of Adrian, Georgia
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2012

Net Changes in Fund Balances - Total Governmental Funds:		$ 80,444
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 as depreciation expense. This is the amount by which capital outlay differed from depreciation expense in the current period.		
Depreciation expense	$ (16,441)	
Capital outlay		(16,441)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes:		
Deferred @ January 1	$ (18,514)	
Deferred @ December 31	19,004	490
The proceeds of debt issuances provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Debt issuances		-
Debt repayment		25,413
Changes in Net Assets		$ 89,906

See accompanying notes to the basic financial statements.

City of Adrian, Georgia
Statement of Net Assets
Proprietary Funds
December 31, 2012

	Water Fund
Assets	
Current Assets:	
Cash	$ 33,872
Receivables - net of allowance for uncollectibles	
Accounts	4,277
Total Current Assets	38,149
Noncurrent Assets:	
Capital Assets:	
Depreciable capital assets, net	369,057
Capital Assets, net	369,057
Total Assets	$ 407,206
Liabilities	
Current Liabilities:	
Accounts payable	$ 805
Customer deposits	27,900
Current portion of long-term debt	22,273
Total Current Liabilities	50,978
Long-term Liabilities:	
Notes Payable	170,088
Total Long-term Liabilities	170,088
Total Liabilities	$ 221,066
Net Assets	
Invested in capital assets, net of related debt	176,696
Unrestricted	9,444
Preliminary Total Net Assets	$ 186,140

See accompanying notes to the basic financial statements.

City of Adrian, Georgia
Statement of Revenues,
Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2012

	Water Fund
Operating Revenues	
Water charges	55,089
Total Operating Revenues	55,089
Operating Expenses	
Salaries	10,043
Purchased professional and technical services	4,120
Supplies	40,760
Depreciation	16,771
Total Operating Expenses	71,694
Operating Income (Loss)	(16,605)
Non-Operating Revenues (Expenses)	
Grants	-
Interest earned on investments	19
Interest expense	(2,525)
Total Non-Operating Revenues (Expenses)	(2,506)
Net Income	(19,111)
Net Assets - January 1	205,251
Net Assets - December 31	$ 186,140

See accompanying notes to the basic financial statements.

City of Adrian, Georgia
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2012

	Water Fund
Increase (Decrease) in Cash	
Cash Flows From Operating Activities	
Cash received from customers	$ 55,139
Cash payments for personnel services	(10,043)
Cash payments for goods and services	(44,618)
Net Cash provided by (Used in) Operating Activities	478
Cash Flows From Noncapital Financing Activities	-
Net Cash Provided by (Used in) Noncapital Financing Activities	5,085
Cash Flows from Capital and Related Financing Activities	
Prior Period Adj from 2011	19,752
Interest paid	(2,525)
Principal paid on notes	(32,373)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(15,146)
Cash Flows from Investing Activities	
Investment earnings	19
Net Cash Provided by (Used in) Investing Activities	19
Net Increase (Decrease) in Cash	(9,564)
Cash - January 1	43,436
Cash - December 31	$ 33,872

City of Adrian, Georgia
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2011

	Water Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities	
Operating Income (Loss)	$ (16,605)
Adjustments:	
Depreciation	16,771
(Increase) Decrease in Assets:	
Accounts receivable	(350)
Increase (Decrease) in Liabilities:	400
Accounts payable	262
Customer deposits	
Net Cash Provided by Operating Activities	$ 478

The City of Adrian, Georgia (the "City") was incorporated in 1899. The City operates under a council-mayor form of government and provides the following services: public safety, highways and streets, culture and recreation, public improvements, sanitation, and general and administrative services. In addition, the City operates a public utility (water system).

Note 1 – Summary of Significant Accounting Policies

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting. The City also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities at the government-wide financial reporting level and to its enterprise funds at the fund reporting level, provided they do not conflict with or contradict GASB pronouncements.

The most significant of the City's accounting policies are listed below.

1-A. Reporting Entity

The reporting entity is comprised of the primary government, and component units, if any, and other organizations that are included to ensure that the financial statements are not misleading.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organizations; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization.

Discretely presented component units generally are reported only at the government-wide financial reporting level.

The City did not have any organizations that met the requirements of being a component unit for the current fiscal year.

1-B. Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements – The government-wide financial statements include a statement of net assets and a statement of activities. These statements report financial information for the City as a whole. All funds other than fiduciary activities, if any, are included at the government-wide reporting level. Individual funds are not displayed at this reporting level, but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of net assets presents the financial position of the governmental and business-type activities of the City.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities and for each identifiable activity of the business-type activities of the City. Direct expenses are those that are specifically associated with a function and therefore clearly identifiable to that particular function. The City does not allocate indirect expenses to functions in the statement of activities.

The statement of activities reports the expenses of a given function offset by program revenues directly related to the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. For identifying to which function program revenue pertains, the determining factor for charges for services is which function generates the revenue. For grants and contributions, the determining factor is to which function the revenues are restricted.

Taxes and other revenue sources not properly included with program revenues are reported as general revenues of the City. The comparison of direct expenses with program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or draws from the general revenues of the City.

Fund Financial Statements – During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. Fund financial statements are provided for governmental and proprietary funds.

Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds, if any. The fiduciary funds are reported by type, if any.
Fund Accounting – The City uses funds to maintain its financial records during the year. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The City uses two categories of funds: governmental and proprietary.

Governmental Funds – Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The City reports the difference between governmental fund assets and liabilities as fund balance. The following are the City's major governmental funds:

> General Fund – The general fund accounts for all financial resources except those required to be accounted for in other funds. The general fund's fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Georgia.

Capital Projects Fund – This fund type is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary operations). The City's Capital Projects Fund is funded by Special Purpose Local Option Sales Taxes (SPLOST).

Proprietary Funds – Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as enterprise funds.

Water Fund – This fund is used for the operation of the City's water system which renders services to the residents and businesses located within the incorporated and immediately surrounding areas.

1-C. Measurement Focus

Government-wide Financial Statements – The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net assets. The statement of activities reports revenues and expenses, including depreciation.

Fund Financial Statements – All governmental funds are accounted for using a flow of current financial resources measurement focus in these financial statements. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus on both financial reporting levels. All assets and all liabilities associated with the operation of these funds are included on the statements of net assets. The statements of changes in fund net assets present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

1-D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. At the fund reporting level, governmental funds use the modified accrual basis of accounting and fiduciary funds use the accrual basis of accounting. Proprietary funds use the accrual basis of accounting at both reporting levels. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues – Exchange Transactions – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the fiscal year in

which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, the phrase "available for exchange transactions" means expected to be received within two months of year-end.

Revenues – Non-exchange – Non-exchange transactions in which the City receives value without directly giving equal value in return, includes sales taxes, property taxes, grants and donations. On an accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place and on the modified accrual basis, it is recognized in the year the sale taxes place as long as it is received within 60 days (i.e., when considered available). Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions also must be available (i.e., collected within 60 days) before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be susceptible to accrual: property taxes, sales taxes, interest and federal and state grants.

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

On governmental fund financial statements (i.e., on the modified accrual basis), receivables that will not be collected within the available period have been reported as deferred revenue (i.e., they are measurable but not available) rather than as revenue.

Property taxes receivable not collected within 60 days of year-end have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met (e.g., cash advances), if any, also are recorded as deferred revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. On the modified accrual basis, expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

1-E. Assets, Liabilities and Fund Equity

1-E-1. Cash, Cash Equivalents, and Investments

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City.

Investments are stated at fair value based on quoted market prices.

Georgia law authorizes the City to invest in the following type of obligations:

Obligations of the State of Georgia or of any other states
Obligations of the United States Government

Obligations fully insured or guaranteed by the government or governmental agency
Obligations of any corporation of the government
Prime bankers' acceptances
The State of Georgia local government investment pool (i.e., Georgia Fund 1)
Repurchase agreements
Obligations of the other political subdivisions of the State of Georgia

Any investment or deposit in excess of the Federal Deposit Insurance Corporation (FDIC) insured amount must be secured by 110% of an equivalent amount of State or U. S. obligations.

1-E-2. Receivables

All trade and property tax receivables are reported net of an allowance for uncollectables, where applicable.

1-E-3. Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the government-wide statement of net assets, except for any net residual amounts due between governmental and business-type activities, if any, which are reclassified and presented as internal balances.

1-E-4. Consumable Inventories

On the government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used (i.e., the consumption method). When payments to vendors reflect costs applicable to future accounting periods, they are recorded as expenditures when paid.

On the fund financial statements, inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as expenditure in the governmental fund types when consumed.

1-E-5. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds. The City reports these assets in the governmental activities column of the government-wide statement of net assets but does not report these assets in the governmental fund financial statements. Capital assets utilized by enterprise funds are reported both in the business-type activities column of the government-wide statement of net assets and in the enterprise funds' statement of net assets.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of five thousand dollars for equipment and vehicles, all buildings purchased prior to 2004 and fifty thousand dollars for buildings purchased in or after 2004, and two hundred and fifty thousand dollars for infrastructure. The City's infrastructure

consists of roads, bridges and water lines. Improvements (i.e., betterments) to capital assets are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. Interest incurred during the construction of capital assets utilized by the enterprise fund is capitalized.

All reported capital assets are depreciated except for land, and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Building and improvements	30 – 50 Years	30 – 50 Years
Equipment	5 – 10 Years	5 – 10 Years
Utility plant in service	-	40 Years
Infrastructure	15 – 50 Years	-

1-E-6. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

All compensated absence liabilities include salary-related payments, where applicable.

The total compensated absence liability is reported on the government-wide financial statements. Proprietary funds report the total compensated liability in each individual fund at the fund reporting level. Governmental funds report the compensated absence liability at the fund reporting level only "when due."

There was no accrued vacation pay for the current year.

1-E-7. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of these funds. However, compensated absences that will be paid from governmental funds are reported

as a liability in the fund financial statements only to the extent that they are "due for payment" during the current year. Debt service expenditures are recognized as a liability in the governmental fund financial statements when due.

1-E-8. Bond Premiums, Discounts and Issuance Costs

On the government-wide statement of net assets and the proprietary fund type statement of net assets, bond premiums and discounts are netted against bonds payable and bond issuance costs are reported as deferred charges. On the government-wide and proprietary fund type statement of activities, bond premiums and discounts and bond issuance costs are deferred and amortized over the life of the bonds using the effective interest method.

At government fund reporting level, bond premiums and discounts are reported as other financing sources and uses, separately from the face amount of the bonds issued. Bond issuance costs are reported as expenditures.

1-E-9 Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net assets."

- ***Nonspendable*** – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.

- ***Restricted*** – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

- ***Committed*** – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through the approval of a motion. Only, the City also may modify or rescind the commitment.

- ***Assigned*** – Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. By motion, the City Council has authorized the Mayor or City Clerk or designee to assign fund balances.

- ***Unassigned*** - Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances

may be reported in all funds. Currently, the City only reports unassigned fund balance.

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City's policy to use fund balance in the following order:

- Committed
- Assigned
- Unassigned

Net Assets – Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. The net asset amount also is adjusted by any bond issuance deferred amounts. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other assets are reported as unrestricted.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

1-E-10. Operating and Nonoperating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for the water program. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of each program. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses, including operating grants, investment earnings and interest expense.

1-E-11. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction.

1-E-12. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and the after non-operating revenues/expenses section in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements (i.e., they are netted).

Transfers between governmental and business-type activities on the government-wide statement of activities are reported as general revenues. Transfers between funds reported in the governmental activities column are eliminated. Transfers between funds reported in the business type activities column are eliminated.

1-E-13. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 2 – Stewardship, Compliance and Accountability

2-A. Budgetary Information – The City adopts an annual operating budget for the general fund, each special revenue fund, if any, and each enterprise fund. A project budget is adopted for each capital projects fund, if any. The budget resolution reflects the total of each department's appropriation in each fund.

The governmental funds budgets and the Enterprise fund budgets are adopted on a basis consistent with GAAP.

All unexpended annual appropriations lapse at year-end.

The level of budgetary control (the level at which expenditures may not exceed appropriations) is the department level with the following provisions:

The City Clerk may transfer funds from one object or purpose to another within the same department.

The City Council may amend the budget by motion during the fiscal year.

Formal budgetary integration is employed as a management control device during the year for all budgeted funds.

2-B. Excess of Expenditures Over Appropriations

The following funds reported expenditures/expenses over appropriations: Culture & Recreation, $4,733 General Government $3,049, and Debt Service $26,328.

Note 3 – Detailed Notes on All Funds

3-A. Deposits

Deposits – The bank balance is classified into three categories of credit risk: 1) cash that is insured or collateralized with securities held by the City or by its agent in its name, 2) cash collateralized with securities held by the pledging financial institution's trust department or agent in the City's name, and 3) uncollateralized bank accounts including any bank balance that is collateralized with securities held by the pledging institution's trust department or agent but not in the City's name.

The City's deposits are classified as follows at December 31, 2012:

	Category			Bank	Carrying
	1	2	3	Balance	Amount
Primary Government	$124,533	$ -	$ -	$ 124,533	$124,533

3-B. Receivables

Receivables at December 31, 2012, consisted of taxes, accounts (billings for user charges) and intergovernmental receivables.

Receivables and payables are recorded on the City's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and in the case of receivables, collectability.

3-C. Property Taxes

Normally, property tax levies are set by the City Council in June of each year for collection in that fiscal year. City of Adrian spreads all levies over assessable property. Taxes are levied annually by the City and for the year ended December 31, 2012, the levy occurred around December. Real and personal property taxes are due December 31. Property taxes receivable becomes a lien on January 1. At fiscal year-end, the receivables represent delinquent taxes. At the fund reporting level, if delinquent taxes are not paid with 60 days of year-end, they are recorded as deferred revenue since they are not available to finance current expenditures.

3-D. Interfund Balances and Transfers

There were no interfund balances at December 31.
3-D. Interfund Balances and Transfers

3-E. Compensated Absences

In general, employees earn annual leave at the rate of 5 days per year after one year of service and 10 days per year after two years of service. Upon termination, employees are paid for any accrued annual leave.

Sick leave accrues to full-time, permanent employees to specified maximums. Unused sick leave is allowed to accumulate from service year to service year. Upon termination, employees forfeit all accumulated unused sick leave.

There was no compensated absences for annual leave for 2012.

3-F. Capital Assets

Capital asset activity for the year ended December 31, 2012, was as follows:

	Balance 12/31/2011	Additions	Deductions	Balance 12/31/2012
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 13,156	$ -	$ -	$ 13,156
Other capital assets:				
Buildings	124,188	-	-	124,188
Equipment	140,104		-	140,104
Infrastructure	-	-	-	-
Total other capital assets	264,292	-	-	264,292
Accumulated depreciation				
Buildings	59,708	2,560	-	62,268
Equipment	105,053	13,881	-	118,934
Infrastructure	-	-	-	-
	164,761	16,441	-	181,202
Governmental activities capital assets, net	$ 112,687	$ (16,441)	$ -	$ 96,246

Governmental activities depreciation expense	
General government	$ 1,469
Public safety	12,678
Public works	2,294
Culture/recreation	-
Total governmental activities depreciation expense	$ 16,441

Business-type activities:

	Balance 12/31/2011	Additions	Deductions	Balance 12/31/2012
Capital assets not being depreciated:				
Land	$ -	$ -	$ -	$ -
Other capital assets:				
Buildings	-	-	-	-
Utility plant in service	567,469	-	-	567,469
Equipment	25,575	-	-	25,575
Total other capital assets	593,044	-	-	593,044
Accumulated depreciation				
Buildings	-	-	-	-
Utility plant in service	190,229	14,200	-	190,229
Equipment	16,987	2,551	-	16,987
Less: accumulated depreciation	207,216	16,771	-	207,216
Business-type activities capital assets, net	$ 385,828	$ (16,771)	$ -	$ 369,057

3-G. Long-Term Debt

Summary of Water Fund Debt:

The following is a summary of the outstanding notes to Georgia Environmental Facilities Authority (GEFA) and bonds held by GMAC Commercial Mortgage (GMAC):

Description	Issue Date	Rate	Maturity	Original Amount	Outstanding 12/31/2012
GEFA	2/22/2001	0%	Final maturity 2/01/21	$346,582	$153,161
Revenue Bonds	1/01/1982	5%	Final maturity 1/01/22	111,000	39,200
					$192,361

These notes and bonds were for extending the water system. The GEFA note has a quarterly installment of $4,443 and the revenue bonds payable to GMAC have a variable annual installment.

Debt Service Requirements to Maturity:

	Business-Type Activities			
	Notes Payable		Bonds Payable	
Year	Principal	Interest	Principal	Interest
2013	17,773	-	4,500	2,300
2014	17,773	-	4,500	2,075
2015	17,773	-	4,500	1,850
2016	17,773	-	4,500	1,625
2017	17,773	-	4,500	1,400
2018	17,773	-	4,500	1,300
2019-2022	46,523	-	12,200	1,300
	$ 153,161	$ -	$ 39,200	$ 11,850

Changes in Long-term Debt:
Changes in the City's long-term obligations consisted of the following for the year ended December 31, 2012:

	Outstanding 12/31/2011	Additions	Reductions	Outstanding 12/31/2012	Due Within One Year
Governmental Activities					
Note Payable	$ 25,413	$ -	$25,413	$ -	$ -
Total Governmental Activities	$ 25,413	$ -	$ -	$ -	$ -
Business-Type Activities					
Water & Sewer Bonds	$ 47,000	$ -	$ 7,800	$ 39,200	4,500
Water & Sewer Notes	177,734	-	24,573	153,161	17,773
Total Business-Type Activities	$ 224,734	$ -	$ 32,373	$ 192,361	$ 22,273

Principal and interest payments related to the City's water enterprise fund are financed from income derived from the operation of the water system.

Note 4 – Other Notes

4-A. 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; injuries to employees; and natural disasters. The City has joined together with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency Property and Liability Insurance Fund and the Georgia Municipal Association Group Self-Insurance Workers Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for member local governments. There have been no significant reductions in insurance coverage during the current year.

As part of these risk pools, the City is obligated to pay all contributions and assessments as prescribed by the pools, 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 fund.

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member government contract and in accordance with the worker's compensation law of Georgia. The funds are to pay all cost 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.

Settled claims in the past three years have not exceeded the coverage.

4-B. Contingent Liabilities

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could result in a request for reimbursement to the grantor agency for costs disallowed under terms of the grant. Based on prior experience, the City believes such disallowances, if any, will be immaterial.

4-C MDA
The City has elected to omit the Management Discussion and Analysis that is required by accounting principles generally accepted in the United States of America.

4-D. Joint Venture

Under Georgia law, the City, in conjunction with other municipalities and counties in the middle Georgia area, is a member of the Heart of Georgia Altamaha Regional Development Center (RDC). Membership in the 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 representation from each county and municipality of the area, as well as representatives from the private sector and other governmental entities. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RDC. Separate financial statements for the RDC are available from:

Heart of Georgia Altamaha Regional Development Center
501 Oak Street
Eastman, Georgia 31023

City of Adrian, Georgia
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance
Revenues				
Taxes	$ 178,367	$ 178,367	$ 247,611	69,244
Licenses and permits	5,100	5,100	3,329	(1,771)
Intergovernmental	-	-	-	-
Charges for services	49,000	49,000	56,563	7,563
Fines and forfeitures	28,305	28,305	33,999	5,694
Investment earnings	30	30	57	27
Safety Grant Miscellaneous	-	-	6,000	6,000
Miscellaneous	5,105	5,105	9,859	4,754
Total Revenues	265,907	265,907	357,418	91,511
Expenditures				
Current:				
General government	119,005	119,005	122,414	(3,409)
Culture/Recreation	-	-	4,733	(4,733)
Public safety	55,842	55,842	52,448	3,394
Public works	91,060	91,060	83,794	7,266
Principal			25,413	(25,413)
Interest	-	-	915	(915)
Total Expenditures	265,907	265,907	289,717	(23,810)
Excess (Deficiency) of Revenues Over (under) Expenditures	-	-	67,701	67,701
Other Financing Sources (Uses)				
Loan Proceeds	-	-	-	-
Net Change in Fund Balances	$ -	$ -	$ 67,701	$ 67,701

See accompanying notes to the required supplemental information.

City of Adrian, Georgia
Notes to Required Supplemental Information
For the Year Ended December 31, 2012

I. Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund.

II. The departments that had excesses of expenditures over appropriations are as follows:

General Fund
- Culture/Recreation
- Public Works
- Debt Service

City of Adrian, Georgia
Schedule of Projects Constructed
With Special Purpose Local Option Sales Tax Proceeds
For the Year Ended December 31, 2012

	Original Estimated Cost	Current Estimated Cost	Expenditures			Estimated Percent Completed
			Prior Years	Current Year	Total	
Public Safety Equipment	$ 32,000	$ 32,000	$ 41,592	$ 1,360	$ 42,952	130%
Culture and Recreation	8,000	8,000	-	18,900	18,900	130%
Water System Capital Improvements	10,000	10,000	8,150	-	8,150	82%
Total	$ 50,000	$ 50,000	$ 49,742	$ 20,260	$ 70,002	