CITY OF ADRIAN, GEORGIA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

City of Adrian, Georgia
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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council
City of Adrian, Georgia

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the, each major fund, and the aggregate remaining fund information of City of Adrian, Georgia, as of and for the year ended December 31, 2014, 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

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. 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 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 nor for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I do not express such an 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Adrian, Georgia as of December 31, 2014, and the respective changes in financial position and where applicable, cash flows 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 30, 2015, 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 discussion and analysis and 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. City of Adrian, Georgia has elected not to include MDA.

Other information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Adrian's, Georgia's basic financial statements. The combining and individual nonmajor fund 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 combining and individual nonmajor fund financial statements and other supplementary information is the responsibility of management and was derived from and relates 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 basis 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 my opinion, the combining individual nonmajor fund financial statements and other supplementary is fairly state, in all material respects, in relation to the basic financial statements as a whole.

The combining and individual nonmajor fund financial statements and other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on it.

June 30, 2015

City of Adrian, Georgia
Statement of Net Position
December 31, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash	$ 93,288	$ 126,058	$ 219,346
Receivables - net where applicable of allowance for uncollectibles:			
Accounts	1,812	1,812	3,624
Taxes	41,753	-	41,753
Due from other funds	13,457		13,457
Capital Assets			
Nondepreciable capital assets	13,156	-	13,156
Depreciable capital assets, net	55,320	245,015	300,335
Total Assets	$ 218,786	$ 372,885	$ 591,671
Liabilities			
Current Liabilities			
Accounts payable	$ 9,843	$ 1,006	$ 10,849
Other accrued payables	4,647		4,647
Due to/from Other Funds		13,457	13,457
Customer deposits	-	29,098	29,098
Current portion of long-term debt	-	22,273	22,273
Long-Term Liabilities			
Notes payable (net of current portion)		125,542	125,542
Capital leases payable (net of current portion)	-	-	-
Total Liabilities	$ 14,490	$ 191,376	$ 205,866
Net Assets			
Net Investment in capital assets	$ 68,476	$ 197,200	$ 265,676
Restricted for SPLOST projects	$ 45,778		$ 45,778
Unrestricted	90,042	84,309	174,351
Total Net Assets	$ 204,296	$ 281,509	$ 485,805

See accompanying notes to the basic financial statements.

City of Adrian, Georgia
Statement of Activities
For the Year Ended December 31, 2014

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	$ 133,449	$ 5,073	$ -		$ (128,376)	$ -	$ (128,376)
Public safety	63,407	22,608			(40,799)	-	(40,799)
Public works	126,296	56,133		33,450	(36,713)	-	(36,713)
Culture/recreation	12,954	6,355		-	(6,599)	-	(6,599)
Interest Income				119			
Judicial	18,841	-	-	-	(18,841)	-	(18,841)
Total Governmental Activities	354,947	90,169	-	33,569	(231,209)	-	(231,328)
Business Type Activities							
Water	88,870	64,751	-		-	(24,119)	(24,119)
Total Primary Government	$ 443,817	$ 154,920	$ -	$ 33,569	(231,209)	(24,119)	(255,447)
General Revenues							
Property taxes					60,974	-	60,974
Sales taxes					85,355	-	85,355
Insurance premium					41,885	-	41,885
Franchise					26,752	-	26,752
Other taxes					18,554	-	18,554
Investment earnings					101	-	101
Transfer					(59,216)	59,216	-
Miscellaneous					11,355	-	11,355
Total General Revenues and Transfers					185,760	59,216	244,976
Change in Net Position					(45,449)	35,097	(10,352)
Net Position-January 1					249,745	246,412	496,157
							-
Net Position-December 31					$ 204,296	$ 281,509	$ 485,805

See accompanying notes to the basic financial statements.

City of Adrian, Georgia
Balance Sheet
Governmental Funds
December 31, 2014

	General Fund	Special Local Option Sales Tax	Total Governmental Funds
Assets			
Cash	$ 47,510	$ 45,778	$ 93,288
Receivables - net where applicable of allowance for uncollectibles:			
Accounts	1,812	-	1,812
Taxes	41,753	-	41,753
Due from other funds	13,457	-	13,457
Total Assets	$ 104,532	$ 45,778	$ 150,310
Liabilities and Fund Balances			
Liabilities			
Accounts payable	$ 9,843	$ -	$ 9,843
Accrued payables	4,647	-	4,647
Due to Other Funds	-		-
Deferred revenue	11,508	-	11,508
Total Liabilities	25,998	-	25,998
Fund Balances			
Restricted		45,778	45,778
Unassigned	78,534	-	78,534
Total Fund Balances	78,534	45,778	124,312
Total Liabilities and Fund Balances	$ 104,532	$ 45,778	$ 150,310

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, 2014

Total Governmental Fund Balance		$ 124,312
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	(208,972)	68,476
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds:		
Property taxes		11,508
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		$ 204,296

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, 2014

	General	Special Local Option Sales Tax	Total Governmental Funds
Revenues			
Taxes	$ 229,147	$ -	$ 229,147
Licenses and permits	5,073	-	$ 5,073
Intergovernmental	-	33,450	$ 33,450
Charges for services	62,488	-	$ 62,488
Fines and forfeitures	22,608	-	$ 22,608
Investment earnings	101	119	$ 220
Safety Grant		-	$ -
DOT Grant	8,148		$ 8,148
Miscellaneous	3,207	-	3,207
Total Revenues	330,772	33,569	364,341
Expenditures			
Current:			
General government	114,318	6,706	121,024
Culture and Recreation	11,477	1,477	12,954
Public safety	48,613	14,794	63,407
Judicial	18,841		18,841
Public works	124,836	-	124,836
Capital Outlay		-	-
Debt Service			-
Principal	-	-	-
Interest	-	-	-
Total Expenditures	318,085	22,977	341,062
Excess of Revenues Over (Under) Expenditures	12,687	10,592	23,279
Other Financing Sources (Uses)			
Transfers out	(52,866)	(6,350)	(59,216)
Total Other Financing Sources (Uses)	(52,866)	(6,350)	(59,216)
Net Change in Fund Balances	(40,179)	4,242	(35,937)
Fund Balance - January 1	118,713	41,536	160,249
Fund Balance - December 31	$ 78,534	$ 45,778	$ 124,312

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, 2014

Net Changes in Fund Balances - Total Governmental Funds:		$ (35,937)
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	$ (13,885)	
Capital outlay	-	(13,885)
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	$ (7,135)	
Deferred @ December 31	11,508	4,373
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		-
Changes in Net Assets		$ (45,449)

See accompanying notes to the basic financial statements.

City of Adrian, Georgia
Statement of Net Position
Proprietary Funds
December 31, 2014

	Water Fund
Assets	
Current Assets:	
Cash	$ 126,058
Receivables - net of allowance for uncollectibles	
Accounts	1,812
Due from Other funds	-
Total Current Assets	127,870
Noncurrent Assets:	
Capital Assets:	
Depreciable capital assets, net	345,015
Capital Assets, net	345,015
Total Assets	$ 472,885
Liabilities	
Current Liabilities:	
Due to Other Funds	$ 13,457
Accounts payable	1,006
Customer deposits	29,098
Current portion of long-term debt	22,273
Total Current Liabilities	65,834
Long-term Liabilities:	
Notes Payable	125,542
Total Long-term Liabilities	125,542
Total Liabilities	$ 191,376
Net Assets	
Invested in capital assets, net of related debt	197,200
Unrestricted	84,309
Total Net Assets	$ 281,509

See accompanying notes to the basic financial statements.

City of Adrian, Georgia
Statement of Revenues,
Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2014

	Water Fund
Operating Revenues	
Water charges	64,751
Total Operating Revenues	64,751
Operating Expenses	
Salaries	10,508
Purchased professional and technical services	50,205
Supplies	9,536
Depreciation	16,771
Total Operating Expenses	87,020
Operating Income (Loss)	(22,269)
Non-Operating Revenues (Expenses)	
Transfers	59,216
Interest Expense	(1,850)
Total Non-Operating Revenues (Expenses)	57,366
Net Income	35,097
Net Assets - January 1	246,412
Net Assets - December 31	$ 281,509

See accompanying notes to the basic financial statements.

City of Adrian, Georgia
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2014

	Water Fund
Increase (Decrease) in Cash	
Cash Flows From Operating Activities	
Cash received from customers	$ 65,869
Cash payments for personnel services	(10,508)
Cash payments for goods and services	(63,451)
Net Cash provided by (Used in) Operating Activities	(8,090)
Cash Flows From Noncapital Financing Activities	
Prior Pd Adjustment	
Net Cash Provided by (Used in) Noncapital Financing Activities	-
Cash Flows from Capital and Related Financing Activities	
Purchase of capital assets	(9,500)
Interest paid	(1,850)
Principal paid on notes	(22,273)
	(33,623)
Net Cash Provided by (Used in) Capital and Related Financing Activities	59,216
Cash Flows from Investing Activities	
Investment earnings	-
Net Cash Provided by (Used in) Investing Activities	-
Net Increase (Decrease) in Cash	17,503
Cash - January 1	108,555
Cash - December 31	$ 126,058

City of Adrian, Georgia
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2014

	Water Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities	
Operating Income (Loss)	$ (22,269)
Adjustments:	
Depreciation	16,771
(Increase) Decrease in Assets:	
Accounts receivable	(280)
Increase (Decrease) in Liabilities:	(3,141)
Accounts payable	(569)
Customer deposits	1,398
Net Cash Provided by Operating Activities	$ (8,090)

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 position 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 position 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 activities 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 position."

- ***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 Position – Net positions represent the difference between assets and liabilities. Net investment in capital assets 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, $11,477, Judicial $4,941, and Public Works $37,936.

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, 2014:

	Category			Bank	Carrying
	1	2	3	Balance	Amount
Primary Government	$217,448	$ -	$ -	$ 217,448	$219,346

3-B. Receivables

Receivables at December 31, 2014, 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, 2014, 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 2014.

3-F. Capital Assets

Capital asset activity for the year ended December 31, 2014, was as follows:

Governmental activities:	Balance 12/31/2013	Additions	Deductions	Balance 12/31/2014
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	64,828	2,560	-	67,388
Equipment	130,259	11,325	-	141,584
Infrastructure	-	-	-	-
	195,087	13,885	-	208,972
Governmental activities capital assets, net	$ 82,361	$ (13,885)	$ -	$ 68,476

Governmental activities depreciation expense	
General government	$ 1,469
Public safety	10,122
Public works	2,294
Culture/recreation	-
Total governmental activities depreciation expense	$ 13,885

Business-type activities:

	Balance 12/31/2013	Additions	Deductions	Balance 12/31/2014
Capital assets not being depreciated:				
Land	$ -	$ -	$ -	$ -
Other capital assets:				
Buildings	-	-	-	-
Utility plant in service	567,469	-	-	567,469
Equipment	25,575	9500	-	35,075
Total other capital assets	593,044	9500	-	602,544
Accumulated depreciation				
Buildings	-	-	-	-
Utility plant in service	218,449	14,020	-	232,469
Equipment	22,309	2,751	-	25,060
Less: accumulated depreciation	240,758	16,771	-	257,529
Business-type activities capital assets, net	$ 352,286	(7,271)	$ -	$ 345,015

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 12/31/2014
GEFA	2/22/2001	0%	Final maturity 2/01/21	$346,582	$117,615
Revenue Bonds	1/01/1982	5%	Final maturity 1/01/22	111,000	30,200
					$147,815

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
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
	$ 117,615	$ -	$ 30,200	$ 7,475

Changes in Long-term Debt:
Changes in the City's long-term obligations consisted of the following for the year ended December 31, 2014:

	Outstanding 12/31/2013	Additions	Reductions	Outstanding 12/31/2014	Due Within One Year
Governmental Activities					
Note Payable	$ -	$ -	$ -	$ -	$ -
Total Governmental Activities	-	$ -	$ -	$ -	$ -
Business-Type Activities					
Water & Sewer Bonds	$ 34,700	$ -	$ 4,500	$ 30,200	4,500
Water & Sewer Notes	135,388	-	17,773	117,615	17,773
Total Business-Type Activities	$ 170,088	$ -	$ 22,273	$ 147,815	$ 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, 2014

	Original Budget	Final Budget	Actual	Variance
Revenues				
Taxes	$ 234,500	$ 234,500	$ 229,147	(5,353)
Licenses and permits	3,900	3,900	5,073	1,173
Intergovernmental	-	-	-	-
Charges for services	60,000	60,000	62,488	2,488
Fines and forfeitures	22,000	22,000	22,608	608
Investment earnings	100	100	101	1
Safety Grant Miscellaneous	-	-		-
DOT Grant			8,148	
Miscellaneous	2,700	2,700	3,207	507
Total Revenues	323,200	323,200	330,772	7,572
Expenditures				
Current:				
General government	153,600	153,600	114,318	39,282
Culture/Recreation	-	-	11,477	(11,477)
Public safety	68,800	68,800	48,613	20,187
Judicial	13,900	13,900	18,841	(4,941)
Public works	86,900	86,900	124,836	(37,936)
Total Expenditures	323,200	323,200	318,085	5,115
Excess (Deficiency) of Revenues Over (under) Expenditures	-	-	12,687	12,687
Other Financing Sources (Uses)				
Transfers	-	-	(52,866)	(52,866)
Net Change in Fund Balances	$ -	$ -	$ (40,179)	$ (40,179)

See accompanying notes to the required supplemental information.

City of Adrian, Georgia
Notes to Required Supplemental Information
For the Year Ended December 31, 2014

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
- Judicial

City of Adrian, Georgia
Schedule of Projects Constructed
With Special Purpose Local Option Sales Tax Proceeds
For the Year Ended December 31, 2014

	Original Estimated Cost	Current Estimated Cost	Expenditures			Estimated Percent Completed
			Prior Years	Current Year	Total	
Public Safety Equipment	$ 32,000	$ 32,000	$ 54,363	$ 14,795	$ 69,158	130%
Culture and Recreation	8,000	8,000	25,306	8,183	33,489	130%
Water System Capital Improvements	10,000	10,000	8,150	6,350	14,500	82%
Total	$ 50,000	$ 50,000	$ 87,819	$ 29,328	$ 117,147	

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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*

Mayor and Council
City of Adrian, Georgia

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Adrian, Georgia, as of and for the year ended December 31, 2014, which collectively comprise the City of Adrian, Georgia's basic financial statements and have issued my report thereon dated June 30, 2015. 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.

Internal Control Over Financial Reporting

Management of City of Adrian, Georgia is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered City of Adrian, Georgia's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City of Adrian, Georgia's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City of Adrian, Georgia's internal control over financial reporting.

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 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.

My 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 my audit I did not identify any deficiencies in internal control that I 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 City of Adrian, Georgia's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

I noted certain matters that I reported to management of City of Adrian, Georgia, in a separate letter dated June 30, 2015.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.

Stave Avery

June 30, 2015