TOWN OF NEWBORN, GEORGIA

FINANCIAL STATEMENTS

For the Year Ended December 31, 2014

TOWN OF NEWBORN, GEORGIA

Table of Contents

Pages

Independent Auditors' Report 1-3

Basic Financial Statements

Government-wide Financial Statements
Statement of Net Position 4

Statement of Activities 5

Fund Financial Statements
Balance Sheet – Governmental Funds 6

Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds 7

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds 8

Statement of Net Position – Proprietary Fund 9

Statement of Revenues, Expenses, and Changes in Fund Net Position –Proprietary Fund 10

Statement of Cash Flows – Proprietary Fund 11

Reconciliation of Statement of Revenues, Expenses and Changes in Fund Balance – Proprietary Fund 12

Notes to the Financial Statements 13-22

Required Supplemental Information

Schedule of Revenues, Expenditures and Changes In Fund Balance – Budget and Actual (Budgetary Basis) Major Governmental Funds 23

Supplemental Information

Schedule of Revenues, Expenditures and Changes In Fund Balance – Budget and Actual (Budgetary Basis) Water Fund (Unaudited) 24

Schedule of Special Purpose Local Option Sales Tax 25

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* 26-27

Crawford, Merritt and Company
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Mayor and Town Council of
Town of Newborn, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements for the governmental activities, the business-type activities, and each major fund for the Town of Newborn, Georgia (Town) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund and the aggregate remaining fund information for the Town of Newborn, 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 accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 22-23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Newborn's basic financial statements. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) Water Fund is presented for purposes of additional analysis and are not required parts of the basic financial statements.

The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) Water Fund 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) Water Fund is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) Water Fund has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

The Town has elected not to include the Management's Discussion and Analysis. The Management's Discussion and Analysis and the budgetary information are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board.

In the conduct of our audit, we verified and tested expenditures of each project constructed or under construction, which were identified in the resolution or ordinance calling for imposition of the special sales and use tax authorities by OCGA Section 48-8-110. The accompanying Schedule of Special Purpose Local Option Sales Tax on page 28 contains the information required by OCGA, Section 48-8-121. In our opinion, this Schedule presents fairly, the original estimated cost, the current estimated cost and the amounts expended in the current and prior years through December 31, 2014.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Governmental Auditing Standards*, we have also issued our report dated May 21, 2015 on our consideration of the Town of Newborn's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial report and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in compliance with *Governmental Auditing Standards* in considering the Town of Newborn's internal control over financial reporting and compliance.

Crawford, Merritt & Company

Crawford, Merritt and Company

Lilburn, Georgia
May 21, 2015

Town of Newborn
Statement of Net Position
December 31, 2014

ASSETS	Governmental Activities	Business-Type Activities	Total
Current Assets:			
Cash	$ 119,726	$ 83,998	$ 203,724
Receivables	0	16,816	16,816
Total Current Assets	119,726	100,814	220,540
Capital Assets:			
Water System, net of depreciation	0	679,600	679,600
Other Capital Assets, net of depreciation	473,904	0	473,904
Total Capital Assets	473,904	679,600	1,153,504
Total Assets	$ 593,630	$ 780,414	$ 1,374,044
LIABLITIES			
Current Liabilities:			
Accounts Payable	2,560	0	2,560
Utility Deposits	0	41,746	41,746
Internal Balances	61,737	(61,737)	0
Current Portion of Long-term debt	0	30,714	30,714
Total Current Liabilities	64,297	10,723	75,020
Long-term Liabilities:			
Notes Payable	0	491,599	491,599
Total Long-term Liabilities	0	491,599	491,599
Total Liabilities	$ 64,297	$ 502,322	$ 566,619
NET POSITION			
Net investment in Capital Assets	473,904	157,287	631,191
Restricted for capital outlay	10,787		10,787
Unrestricted	44,642	120,805	165,447
Total Net Position	$ 529,333	$ 278,092	$ 807,425

The Notes to the Financial Statements are an integral part of these statements.

Town of Newborn
Statement of Activities
For the Year Ended December 31, 2014

	Expenses	Program Revenues: Charges For Services	Program Revenues: Operating Grants & Contributions	Program Revenues: Capital Grants & Contributions	Net (Expenses) Revenue and Changes in Net Position: Governmental Activities	Net (Expenses) Revenue and Changes in Net Position: Business-Type Activities	Net (Expenses) Revenue and Changes in Net Position: Total
Primary Government							
Governmental Activities:							
General Government	$ 344,175	$ 0	$ 0	$ 160,682	$ (183,493)	$ 0	$ (183,493)
Public Works	10,905	0	0	0	(10,905)	0	(10,905)
Culture and Recreation	8,780	0	0	0	(8,780)	0	(8,780)
Total Governmental Activities	$ 363,860	$ 0	$ 0	$ 160,682	$ (203,178)	$ 0	$ (203,178)
Business-type Activities:							
Water Fund	115,429	105,057	0	0	0	(10,372)	(10,372)
Total Primary Government	$ 479,289	$ 105,057	$ 0	$ 160,682	$ (203,178)	$ (10,372)	$ (213,550)
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes					$ 36,872	0	$ 36,872
Franchise Taxes					30,628	0	30,628
Insurance Premium Taxes					37,539	0	37,539
Beer/Wine Taxes					18,308	0	18,308
Other					6,787	0	6,787
Interest Earned					43	0	43
Transfers					60,273	(60,273)	0
Total General Revenues, Other & Transfers					$ 190,450	$ (60,273)	$ 130,177
Changes in Net Position					$ (12,728)	$ (70,645)	$ (83,373)
Net Position, Beginning of Year					542,061	348,737	890,798
Net Position, End of Year					$ 529,333	$ 278,092	$ 807,425

The Notes to the Financial Statements are an integral part of these statements.

Town of Newborn
Balance Sheet
Governmental Funds
December 31, 2014

ASSETS	General Fund	Capital Projects Fund SPLOST	Total Governmental Funds
Cash	$ 108,939	$ 10,787	$ 119,726
Receivables	0	0	0
Total Assets	$ 108,939	$ 10,787	$ 119,726
LIABLITIES			
Accounts payable and accrued expenses	2,560	0	2,560
Due to Water Fund	61,737	0	61,737
Total Liabilities	$ 64,297	$	$ 64,297
FUND BALANCE			
Restricted, general fund	44,642	10,787	55,429
Committed, general government	0	0	0
	$ 44,642	$ 10,787	$ 55,429
Total Liabilities and Fund Balances	$ 108,939	$ 10,787	$ 119,726

Capital Assets Used in Governmental Activities	$ 473,904
Net Position of Governmental Activity	$ 529,333

Reconciliation of Total Governmental Activities to Net Position of Governmental Activities - December 31, 2014

Total Governmental Activities	$ 55,429
Amounts reported for governmental activities in the Statement of Net Position are different due to:	
Capital assets used in governmental activities are not financial resources and therefore not reported in the activity	473,904
Net Position of Governmental Activities	$ 529,333

The Notes to the Financial Statements are an integral part of these statements.

Town of Newborn, Georgia
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2014

	General	Capital Projects Fund SPLOST	Total Governmental Activities
Revenues:			
Intergovernmental	$ 0	$ 0	$ 0
Local Option	0	160,682	160,682
Property Taxes	36,872	0	36,872
Franchise Taxes	30,628	0	30,628
Insurance Premium Taxes	37,539	0	37,539
Beer/Wine Taxes	18,308	0	18,308
Other	6,787	0	6,787
Interest Earned	43	0	43
Total Revenues	130,177	160,682	290,859
Expenditures:			
Current:			
General Government	149,400	0	149,400
Public Works	10,905	0	10,905
Culture and recreation	8,780	0	8,780
Capital Outlay:			
General Government	0	171,279	171,279
Total Expenditures	169,085	171,279	340,364
Change in Fund Balance	$ (38,908)	(10,597)	(49,505)
Other Financing Sources (Uses):			
Transfers In	60,273	0	60,273
Total Other Financing Sources (Uses)	$ 60,273	0	60,273
Net Change in Fund Balance	21,365	(10,597)	10,768
Fund Balance – Beginning of Year	23,277	21,384	44,661
Fund Balance – End of Year	$ 44,642	$ 10,787	$ 55,429

The Notes to the Financial Statements are an integral part of these statements.

Town of Newborn, Georgia
Reconciliation of Statement of Revenues,
Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2014

Net Change in Fund Balances - Total Government Funds	$	10,768
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental Funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which capital outlays exceeded depreciation in the current period.		(23,496)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds		0
Change in Net Position of Governmental Activities	$	(12,728)

The Notes to the Financial Statements are an integral part of these statements.

Town of Newborn, Georgia
Statement of Net Position
Proprietary Fund
December 31, 2014

ASSETS	Total
Current Assets:	
Cash	$ 83,998
Receivables	16,816
Due from Other Funds	61,737
Total Current Assets	162,551
Capital Assets:	
Water System, net of depreciation	679,600
Total Capital Assets	679,600
Total Assets	$ 842,151
LIABILITIES	
Current Liabilities:	
Customer Deposits	$ 41,746
Due within one year	30,714
Total Current Liabilities	72,460
Long-term liabilities:	
Due in more than one year	491,599
Total Long-term Liabilities	491,599
Total Liabilities	564,059
NET POSITION	
Net investment in Capital Assets	157,287
Restricted for Water System	30,714
Unrestricted	90,091
Total Net Position	$ 278,092

The Notes to the Financial Statements are an integral part of these statements.

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

	Water Fund
Operating Revenues	
Charge for services	$ 105,057
Total Operating Revenues	105,057
Operating Expenses	
Water Supply	55,558
Repairs & Maintenance	13,360
Other Supplies & Expense	12,145
Depreciation	17,717
Total Operating Expenses	98,780
Total Operating Income	6,277
Non-operating Revenue (Expense)	
Interest Expense	(16,649)
Total Non-operating Revenue (Expense)	(16,649)
Net Change in Net Position Before Transfers	$ (10,372)
Transfers Out	(60,273)
Change in Net Position	(70,645)
Total Net Position – Beginning of Year	348,737
Total Net Position – End of Year	$ 278,092

The Notes to the Financial Statements are an integral part of these statements.

Town of Newborn, Georgia
Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2014

	Water Fund
Cash Flows From Operating Activities	
Cash Receipts from Customers	$ 112,449
Cash Payments to Suppliers	(81,063)
Net Cash Provided by Operating Activities	31,386
Cash Flows From Noncapital Financing Activities	
Transfers to other funds	(60,273)
Net Cash (Used) by Noncapital Financing Activities	(60,273)
Cash Flows From Capital and Related Financing Activities	
Principal Paid on Capital Debt	(24,902)
Interest Paid on Capital Debt	(16,649)
Net Cash (Used) by Capital and Related Financing Activities	(41,551)
Cash Flows From Investing Activities	
Interest Received	0
Net Cash Provided by Investing Activities	0
Net Increase (Decrease) in Cash	(70,438)
Cash - Beginning of Year	154,436
Cash - Ending of Year	$ 83,998

The Notes to the Financial Statements are an integral part of these statements.

Town of Newborn, Georgia
Reconciliation of Statement of Revenues, Expenses and Changes in Fund Balance – Proprietary Fund
For the Year Ended December 31, 2014

Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (loss)	$	6,277
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation expense		17,717
Change in Assets and Liabilities		
Receivables		(231)
Utility Deposits		7,623
Net Cash Provided by Operating Activities	$	31,386

The Notes to the Financial Statements are an integral part of these statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Town of Newborn, Georgia (Town) is a municipal corporation that is governed by an elected mayor and a five-member council. The Town provides various services and consists of many different activities and smaller accounting entities. These include water system, street lighting and street maintenance. All are responsible to the citizens of the Town and are therefore included within the reporting entity.

Component Units – Component Units are entities for which the primary government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The Town has no component units that meet the requirements for blending.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government and its component unit. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Town's funds, including fiduciary fund. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies, result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

The Town reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, and sanitation services.

Capital Projects Fund -SPLOST. The Capital Projects Fund accounts for acquisition and construction of major capital facilities financed by SPLOST funds.

The Town reports the following major enterprise funds:

Water Fund. This fund is used to account for the Town's water and sewer operations.

The Town has no internal service funds or agency funds.

C. Measurement Focus and Basis of Accounting

In accordance with Georgia General Statutes, all funds of the Town are maintained during the year using the modified accrual basis of accounting.

Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon thereafter to pay liabilities of the current period. All primary revenue sources including local option sales tax and property tax revenues in the governmental funds have been treated as susceptible to accrual. Therefore, the Town records revenues when services are rendered. Expenditures are recorded when the related fund liability is incurred.

Government-wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the

related cash flows take place. Nonexchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, 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.

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

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

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year.

The Town's policy is to first apply an expense against restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position funds are available. The Town's policy is to first apply an expense against committed funds when an expenditure is incurred for purposes for which more than one fund balance classification could be used.

D. Budgetary Data

The Town's budgets are adopted as required by the Georgia General Statutes. An annual budget is adopted for each department of each fund. All annual appropriations lapse at year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations for each department of each fund. Amendments are required for any revisions that alter total expenditures of any department by more that $2,500. All amendments must be approved by the governing board. The governing board must adopt an interim budget that covers that time until the annual budget can be adopted.

E. Assets, Liabilities, and Fund Equity

1. Deposits and Investments

All deposits of the Town are made in board-designated official depositories and are secured as required by State law. The Town may designate, as an official depository, any bank or savings association whose principal office is located in Georgia. Also, the Town may establish time deposit accounts such as money market accounts and certificates of deposit.

2. Cash

All cash and investments are essentially demand deposits and are considered cash and cash equivalents. The Town considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

3. Restricted Assets

Customer deposits held by the Town before any services are supplied are restricted to the water service for which the deposit was collected.

4. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

5. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

6. Capital Assets

Capital assets are assets with an initial, individual cost of more than $100 and an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Water System	50
Buildings	50
Improvements	25
Furniture and equipment	10
Computer equipment, Vehicles	5

7. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

8. Net Position/Fund Balances

Net position government-wide and proprietary fund financial statements are classified as net investment in capital assets; restricted and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

In the governmental fund financial statements, reservations of fund balance represent amounts that cannot be appropriated or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The interfund balance is not expected to be repaid within one year.

9. Revenues

Local Option Sales Tax (LOST) – The Town presently levies a one-cent local option sales tax on taxable sales within the Town. The sales tax is collected by the Georgia Sales and Use Tax Division and remitted to the Town in the month following receipt by the tax division. The tax division receives the sales tax approximately one month after collection by vendors. The sales tax is recorded entirely in the General Fund. Taxes collected by the State in December are received by the Town in January and are included under the caption "Due from Other Governments."

Property Tax – Under State law, municipalities may levy a property tax. The Town of Newborn levied a 2.032 millage rate tax for the 2014 year. Taxes were levied on January 1, 2014, were billed on July 15, 2014, and were due on September 20, 2014 and December 20, 2014. The lien date is May 5, 2015. The Newton County Tax Commissioner collects the tax and remits it to the Town. In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within 60 days of year-end. Property taxes are recorded entirely in the General Fund.

Franchise Tax – The Town levies a tax on utilities to allow them to operate within the Town. Franchise taxes are recorded entirely in the General Fund.

Insurance Premiums Tax – The Town levies an insurance premiums tax on policies in force within the Town. The tax is collected by the Georgia Insurance Commissioner and remitted to the Town once a year. The insurance premiums taxes are recorded entirely in the General Fund.

Beer/Wine Taxes – The Town levies a tax on all beer and wine sold in the Town. The tax is collected by the distributors and remitted the month following sales. The beer/wine taxes are recorded entirely in the General Fund.

10. Subsequent Events

Subsequent events have been evaluated through May 21, 2015 which is the date of the independent auditor's report.

NOTE 2 - Detail Notes on All Funds

1. Assets

Custodial credit risk-deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of December 31, 2014, the Town's bank balances were $203,724 and these balances were not exposed to custodial credit risk because they were insured and collateralized with securities held by the pledging or financial institutions' trust departments or agents.

2. Investments

The Town has no investments.

3. Interfund Balances and Activity

Balances due to/from other funds at December 31, 2014 consist of the following:

$ 1,464	Beginning Balance
60,273	Transfer due to Water Fund from General Fund for Expenditures
$ 61,737	Due to the Water Fund from the General Fund for Expenditures

The Water Fund transferred $60,273 to the General Fund during the current year. This interfund balance is not expected to be repaid within one year.

4. Capital Assets and Depreciation

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets being depreciated:				
Buildings	$ 689,841	0	0	$ 689,841
Equipment	51,175	0	0	51,175
Vehicles and motorized equipment	7,500	0	0	7,500
Total capital assets being depreciated	748,516	0	0	748,516
Less accumulated depreciation for:	-			
Buildings	199,697	18,200	0	217,897
Equipment	44,575	4,640	0	49,215
Vehicles and motorized equipment	6,844	656	0	7,500
Total accumulated depreciation	251,116	23,496	0	274,612
Governmental activity capital assets, net	$ 497,400	(23,496)	0	$ 473,904
Business-type activities:				
Water System	$ 885,859	0	0	$ 885,859
Less accumulated depreciation	188,542	17,717	0	206,259
Business-type activity capital assets, net	$ 697,317	17,717	0	$ 679,600

As a phase 3 entity, the Town elected to record infrastructure from the year of inception forward.

Governmental activities:	
Depreciation for:	
General Government	$23,496
Total Depreciation Expense for Governmental activities	$23,496

Business-type activities	
Depreciation for:	
Water System	$17,717
Total Depreciation Expense for Business-type activities	$17,717

5. Pensions and other Post Employment Benefits

The Town does not have a pension plan or other post employment benefits.

6. Other Employee Benefits

The Town does not have an allowance for accumulated unpaid vacation and compensatory time or unpaid sick leave.

7. Risk Management

The Town purchases commercial insurance coverage for risks of loss related to torts; theft of, damage of, and destruction of assets; errors and omissions; injuries to employees and natural disasters. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

8. Long-Term Obligations

Business Like-Fund Changes in Long-Term Debt

The Town entered into an agreement with the Georgia Environmental Facilities Authority for a note to fund the upgrade of the Town's water system from the State's Drinking Water Revolving Fund. The note originated at $690,640, bears interest at the rate of 3% per year and is payable in consecutive monthly payments over twenty years. Payments began in October 2008. The debt matures as follows:

Year(s)	Principal	Interest
2015	30,714	15,249
2016	31,807	14,157
2017	32,853	13,110
2018	33,771	12,192
2019-2023	184,901	44,915
2024-2028	208,267	27,525

The debt activity for the year is as follows:

Beginning of year debt balance	$547,215
Principal payments during the year	(24,902)
End of year debt balance	$522,313

Principal payments of $30,714 and interest payments of $15,249 are due within one year.

9. Joint Venture

Under Georgia law, the Town, in conjunction with other cities and counties in the Northeast Georgia area, is a member of the Northeast Georgia Regional Commission (RC) and is required to pay annual dues thereto. During the year ended December 31, 2014, the Town paid $667 in such dues. Membership in an RC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organization structure of the RC in Georgia. The RC Board membership includes chief elected officials of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RC. Separate financial statements may be obtained from:

Northeast Georgia Regional Commission
305 Research Drive
Athens, GA 30605

10. FASB Pronouncements

It is the policy of the Town that the accounting for all activities reported in the government-wide statements be based on FASB pronouncements (and those of its predecessors) issued on or before November 30, 1989, provided these pronouncements do not conflict with or contradict GASB pronouncements.

Town of Newborn, Georgia
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended December 31, 2014

	Budget			Variance with Final Budget - Over (Under)
	Original	Final General Fund	Actual General Funds	
Revenues:				
Property Taxes Levied	22,775	36,872	36,872	-
Franchise Taxes	28,150	30,628	30,628	-
Insurance Premium Taxes	30,000	37,539	37,539	-
Beer/Wine Taxes	21,000	18,308	18,308	-
Other	18,801	6,787	6,787	
Interest Earned	800	43	43	-
Total Revenues	121,526	130,177	130,177	-
Expenditures:				
Current:				
General Government	40,481	149,400	149,400	-
Public Works	79,045	10,905	10,905	-
Culture and recreation	2,000	8,780	8,780	
Total Expenditures	121,526	169,085	169,085	-
				-
Revenues over(under) expenditures	$ 0	$ (38,908)	$ (38,908)	$ -
Transfers Out/(in)		60,273	60,273	
Net Change in Fund Balances	$ 0	$ 21,365	21,365	-
Fund Balance – Beginning of Year			23,277	
Fund Balance – End of Year			$ 44,642	

Town of Newborn, Georgia
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Water Fund
For the Year Ended December 31, 2014

	Budget			Variance with Final Budget - Over (Under)
	Original	Final	Actual	
Operating Revenues				
Charge for services	$ 117,500	$ 105,057	$ 105,057	$ -
Total Operating Revenues	$ 117,500	$ 105,057	$ 105,057	$ -
Operating Expenditures				
Water Supply	41,000	55,558	55,558	-
Repairs & Maintenance	12,700	13,360	13,360	-
Other Supplies & Expense	46,500	12,145	12,145	-
Depreciation	17,300	17,717	17,717	-
Total Operating Expenditures	117,500	98,780	98,780	-
Total Operating Income	$ 0	$ 6,277	$ 6,277	$ (0)
Non-operating Revenue (Expense)				
Interest Expense	0	(16,649)	(16,649)	-
Total Non-operating Revenue (Expense)	$ 0	$ (16,649)	$ (16,649)	$ -
Net Income Before Transfers	0	(10,372)	(10,372)	(0)
Transfers Out		(60,273)	(60,273)	
Change in Net Position	$ 0	$ (70,645)	(70,645)	$ (0)
Total Net Position – Beginning of Year			348,737	
Total Net Position – End of Year			$ 278,092	

Town of Newborn, Georgia
Schedule of Special Purpose Local Option Sales Tax
For the Year Ended December 31, 2014

Project Description	Estimated Cost		Expenditures		
Per Referendum	Original	Current	Prior	Current	Total
2011 Transportation					
-Road Improvement Project	117,840	117,840	92,190	25,650	$117,840
2011 Recreation	100,000	100,000	25,657	40,954	$ 66,611
2011 Facility Improv	119,000	119,000	14,325	104,675	$119,000

Note A: The SPLOST Schedule has been prepared on the modified accrual basis of accounting.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

To the Mayor and Town Council of
Town of Newborn, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Newborn (Town) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Town of Newborn's basic financial statements and have issued our report thereon dated May 21, 2015.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

3100 Five Forks Trickum Road, Suite 401 ♦ Lilburn, Georgia 30047
770-972-6393 Phone ♦ 770-972-4463 Fax
www.cmccpas.com

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Newborn's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Crawford, Merritt and Company

Crawford, Merritt and Company

Lilburn, Georgia
May 21, 2015