CITY OF GRAY, GEORGIA



ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2014

CITY OF GRAY, GEORGIA

AUDIT REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2014

CITY OF GRAY, GEORGIA

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2014

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INDEPENDENT AUDITOR'S REPORT

Mayor and City Council
City of Gray
Gray, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Gray, Georgia (the "City"), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Gray, Georgia, as of December 31, 2014, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in 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 management's discussion and analysis information on pages 4 through 9, and the schedule of funding progress on page 45 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 an 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 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Gray, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, schedule of projects constructed with special sales tax proceeds and component unit fund financial statements

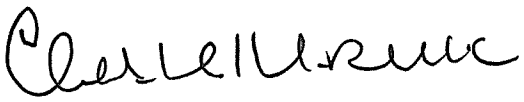
are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, budgetary comparison schedules, schedule of projects constructed with special sales tax proceeds, and component unit fund financial statements are the responsibility of management and were 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 or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, budgetary comparison schedules, schedule of projects constructed with special sales tax proceeds, and component unit fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2015 on our consideration of the City of Gray, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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* in considering the City of Gray, Georgia's internal control over financial reporting and compliance.

Macon, Georgia
June 24, 2015



MANAGEMENT'S DISCUSSION & ANALYSIS

As management of the City of Gray, Georgia (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the year ended December 31, 2014.

Financial Highlights

- The assets of the City exceeded its liabilities as of December 31, 2014 by $12,736,144.
- The government's total net position increased by $279,705 for the year ended December 31, 2014.
- As of December 31, 2014, total net position consisted of $8,064,188 invested in capital equipment, net of related debt, $605,043 restricted and $4,066,913 unrestricted.
- As of the close of the current year the City's governmental funds reported combined ending fund balances of $3,523,925 an increase of $72,179 in comparison with the prior year.
- For the year ended December 31, 2014, fund balance for the general fund increased from $2,958,367 to $3,058,403.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1. government-wide financial statements; 2. fund financial statements; and 3. notes to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from others functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety and public works. The business-type activities of the City include a water and sewer fund.

The government-wide financial statements can be found on pages 10 and 11 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because of the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains six individual governmental funds: the general fund, one SPLOST fund, a law enforcement confiscation fund, a capital improvement fund, a CDBG fund and the perpetual care fund.

The City adopts an annual appropriated budget for the general fund and the law enforcement confiscation fund. A budgetary comparison statement has been provided to demonstrate compliance with these budgets.

The basic governmental funds financial statements can be found on pages 12 through 19 of this report.

Proprietary Funds

The City maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the enterprise fund to account for the activities of the water and sewer fund and the sanitation fund.

Proprietary funds provide the same type of information as the government-wide financial statements, on in more detail.

The basic proprietary fund financial statements can be found on pages 20 through 24 of this report.

Notes to Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by $12,736,144 at the close of the most recent year.

A portion of the City's net position reflects its investment in capital assets, less any related debt outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. As of December 31, 2014 the investment consists of $16,669,704 in assets, with accumulated depreciation of $6,677,696 and outstanding debt of $1,927,820.

An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the City's ongoing obligations.

As of December 31, 2014, current liabilities increased by $104,086 and net position increased by $279,705 compared to December 31, 2013.

Summary of Net Position

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Assets						
Current and other assets	$ 3,771,227	$ 3,793,065	$ 1,387,274	$ 1,328,199	$ 5,158,501	$ 4,764,317
Capital assets	3,695,458	3,602,608	6,296,550	6,049,532	9,992,008	10,102,140
Total Assets	$ 7,466,685	$ 7,395,673	$ 7,683,824	$ 7,377,731	$ 15,150,509	$ 14,866,457
Liabilities						
Current and other liabilities	$ 233,380	$ 254,709	$ 422,756	$ 297,341	$ 656,136	$ 552,050
Long-term liabilities	364,979	419,934	1,393,250	1,794,981	1,758,229	2,214,915
Total Liabilities	598,359	674,643	1,816,006	2,092,322	2,414,365	2,766,965
Net Position						
Net investment in capital assets	3,310,456	3,198,487	4,753,732	4,713,128	8,064,188	7,911,615
Restricted	365,385	402,969	239,658	356,947	605,043	759,916
Unrestricted	3,192,485	3,119,574	874,428	665,334	4,066,913	3,784,908
Total Net Position	6,868,326	6,721,030	5,867,818	5,735,409	12,736,144	12,456,439
Total Liabilities and Net Position	$ 7,466,685	$ 7,395,673	$ 7,683,824	$ 7,827,731	$ 15,150,509	$ 15,223,404

Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
Program revenues						
Charges for services	$ 312,474	$ 341,417	$ 1,870,401	$ 1,711,703	$ 2,182,875	$ 2,053,120
Operating grants and contributions	183,306	277,366	-	-	183,306	277,366
Capital grants and contributions	378,214	383,719	119,275	171,104	497,489	554,823
General revenues						
Taxes	1,811,849	1,829,386	-	-	1,811,849	1,829,386
Investment revenues	6,254	3,260	2,361	1,572	8,615	4,832
Sale of Property	4,537	4,134		880	4,537	5,014
Miscellaneous	8,451	24,370	-	-	8,451	24,370
Total Revenues	2,705,085	2,863,652	1,992,037	1,885,259	4,697,122	4,748,911
Expenses						
General government	659,556	436,580	-	-	659,556	436,580
Public safety	808,082	967,009	-	-	808,082	967,009
Public works	709,375	590,115	-	-	709,375	590,115
Other	295,462	410,517	-	-	295,462	410,517
Water and Sewer	-	-	1,797,742	1,767,110	1,797,742	1,767,110
Sanitation	-	-	147,200	146,428	147,200	146,428
Total Expenses	2,472,475	2,404,221	1,944,942	1,913,538	4,417,417	4,317,759
Increase (decrease) in net position before transfers	232,610	459,431	47,095	(28,279)	279,705	431,152
Transfers	(85,314)	(77,225)	85,314	77,225	-	-
Increase (decrease) in net position	147,296	382,206	132,409	48,946	279,705	431,152
Net position - Beginning	6,721,030	6,338,824	5,735,409	5,686,463	12,456,439	12,025,287
Net position - Ending	$ 6,868,326	$ 6,721,030	$ 5,867,818	$ 5,735,409	$ 12,736,144	$ 12,456,439

Financial Analysis of the City's Funds

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

As of December 31, 2014 the City's governmental funds reported combined ending fund balances of $3,523,925. The unassigned fund balance reflects a balance of $2,841,539. A total of $682,386 is restricted or assigned to indicate that it is not available for new spending because it has already been committed for restricted purposes.

The fund balance of the City's governmental funds increased by $72,179 during the current year.

Proprietary Funds
The City's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail.

The water and sewer system fund provides to the City's residential and commercial customers. The City strives to maintain competitive rates to its customers while providing safe drinking water and sewerage treatment. Unrestricted net position of the water and sewerage and sanitation operations at the end of the year amounted to $874,428.

General Fund Budgetary Highlights

The City is ever cognizant of the necessity of being good stewards of public funds while at the same time having the responsibility of accumulating sufficient funds to effectively promote growth and development of the economy.

A detailed comparison of the general fund budget to actual amounts can be found on pages 16 through 19 of this report.

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2014 totals $9,992,008 net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, infrastructure, machinery and equipment, and vehicles. The total decrease in the City's investment in capital assets for the current year was $110,132. Detailed information regarding the capital asset activity for 2014 can be found in Note 8 of this report.

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	$ 1,004,462	$ 1,004,462	$ 26,167	$ 26,167	$ 1,030,629	$ 1,030,629
Water Rights	-	-	313,683	313,683	313,683	313,683
Construction in progress	-	-	512,220	430,920	512,220	430,920
Infrastructure	1,577,545	1,686,322	5,160,723	5,398,370	6,738,268	7,084,692
Buildings	597,109	613,374	-	-	597,109	613,374
Storm Drainage Improve.	-	-	116,582	123,473	116,582	123,473
Equipment	217,253	41,687	128,702	153,520	345,955	195,207
Vehicles	299,089	256,763	38,473	53,399	337,562	310,162
Total	$ 3,695,458	$ 3,602,608	$ 6,296,550	$ 6,499,532	$ 9,992,008	$ 10,102,140

Long-Term Debt

During 2008, the City entered into a capital lease with the Georgia Municipal Association in the amount of $495,000 for the purchase of a new building for the police department. The water and sewer fund reflects revenue bonds as long-term debt as of December 31, 2014. Bonds payable equal $690,000 as of December 31, 2014, including $100,000 due within one year. In 2009, the City borrowed an additional $1,090,026 from GEFA for a belt press for the wastewater treatment. Notes payable equal $852,818 as of December 31, 2014, with $49,568 due within one year. Detailed information regarding the long-term debt activity for 2014 can be found in Note 9.

Water Rights Contract

In August 1990, the City entered into a capital outlay contract with Jones County, Georgia which provided that the County would construct a water main line which would enable the City to access the County water system. The City's share of construction expenses was financed by the County in January 2003. The balance due to the County as of December 31, 2014 is $0.

Accomplishments/Growth for 2014

In 2014, the City of Gray continued to make great strides in upgrading its water and sewer infrastructure. City Hall replaced an aging server with a new server. The Police Department purchased six new vehicles to replace aging patrol cars. The Public Works Department purchased a new service truck along with a new side arm mower. The Fire Department building was painted and the roof was replaced.

Request for Information

This financial report is designed to provide a general overview of the City's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to the City Clerk of Gray, P. O. Box 443, Gray, Georgia 31032.

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FINANCIAL STATEMENTS

CITY OF GRAY, GEORGIA

STATEMENT OF NET POSITION
DECEMBER 31, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
ASSETS				
Cash and cash equivalents	$ 2,424,735	$ 798,667	$ 3,223,402	$ 14,110
Certificates of deposit	1,132,331	224,362	1,356,693	-
Receivables (net of allowance):				
Accrued interest		366	366	-
Taxes	113,432	-	113,432	-
Accounts	1,862	130,937	132,799	-
Due from other governments	72,401	-	72,401	-
Due from primary government	-	-	-	30,000
Prepaids	-	19,750	19,750	-
Internal balances	26,466	(26,466)	-	-
Restricted assets:				
Cash and cash equivalents	-	239,658	239,658	-
Capital assets:				
Nondepreciable assets	1,004,462	852,070	1,856,532	-
Depreciable assets, net	2,690,996	5,444,480	8,135,476	-
Total assets	7,466,685	7,683,824	15,150,509	44,110
LIABILITIES				
Accounts payable	139,380	56,132	195,512	-
Accrued liabilities	25,139	11,008	36,147	-
Due to component unit	30,000	-	30,000	-
Customer deposits	-	196,933	196,933	-
Noncurrent liabilities:				
Due within one year	38,861	158,683	197,544	-
Due in more than one year	364,979	1,393,250	1,758,229	-
Total liabilities	598,359	1,816,006	2,414,365	-
NET POSITION				
Net investment in capital assets	3,310,456	4,753,732	8,064,188	-
Restricted for:				
Debt service	-	239,658	239,658	-
Perpetual care	104,387	-	104,387	-
Capital outlay	253,341	-	253,341	-
Law enforcement	7,657	-	7,657	-
Unrestricted	3,192,485	874,428	4,066,913	44,110
Total net position	$ 6,868,326	$ 5,867,818	$ 12,736,144	$ 44,110

The accompanying notes are an integral part of these financial statements.

CITY OF GRAY, GEORGIA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Unit: Downtown Development Authority
Primary Government								
Governmental activities								
General government	$ 659,556	$ 81,304	$ -	$ -	$ (578,252)	$ -	$ (578,252)	$ -
Public safety	808,082	231,170	66,114	-	(510,798)	-	(510,798)	-
Public works	709,375	-	-	378,214	(331,161)	-	(331,161)	-
Housing development	117,192	-	117,192	-	-	-	-	-
Culture and recreation	7,110	-	-	-	(7,110)	-	(7,110)	-
Intergovernmental	152,508	-	-	-	(152,508)	-	(152,508)	-
Interest on long-term debt	18,652	-	-	-	(18,652)	-	(18,652)	-
Total governmental activities	2,472,475	312,474	183,306	378,214	(1,598,481)	-	(1,598,481)	-
Business-type activities								
Water & Sewer	1,797,742	1,720,357	-	119,275	-	41,890	41,890	-
Sanitation	147,200	150,044	-	-	-	2,844	2,844	-
Total business-type activities	1,944,942	1,870,401	-	119,275	-	44,734	44,734	-
Total primary government	$ 4,417,417	$ 2,182,875	$ 183,306	$ 497,489	(1,598,481)	44,734	(1,553,747)	-
Component Unit:								
Downtown Development Authority	$ 550	$ -	$ 41,000	$ -				40,450
		General Revenues:						
		Property taxes			846,346	-	846,346	-
		Sales taxes			325,361	-	325,361	-
		Insurance premium tax			175,989	-	175,989	-
		Franchise tax			218,910	-	218,910	-
		Other taxes			245,243	-	245,243	-
		Unrestricted investment earnings			6,254	2,361	8,615	-
		Gain on sale of asset			4,537	-	4,537	-
		Miscellaneous			8,451	-	8,451	-
		Total general revenues			1,831,091	2,361	1,833,452	-
		Transfers			(85,314)	85,314	-	-
		Change in net position			147,296	132,409	279,705	40,450
		Net position - beginning of year			6,721,030	5,735,409	12,456,439	3,660
		Net position - end of year			$ 6,868,326	$ 5,867,818	$ 12,736,144	$ 44,110

The accompanying notes are an integral part of these financial statements.

CITY OF GRAY, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

ASSETS	General	2009 SPLOST	Non-Major Governmental Funds	Total Governmental Funds
Cash and cash equivalents	$ 2,047,131	$ 268,966	$ 108,638	$ 2,424,735
Certificates of deposit	1,028,834	-	103,497	1,132,331
Receivables, net of allowance				
Taxes	113,432	-	-	113,432
Accounts	1,798	-	64	1,862
Due from other governments	39,894	32,507	-	72,401
Due from other funds	26,484	-	-	26,484
Total Assets	$ 3,257,573	$ 301,473	$ 212,199	$ 3,771,245
LIABILITIES				
Accounts payable	$ 91,248	$ 48,132	$ -	$ 139,380
Accrued liabilities	25,139	-	-	25,139
Due to component unit	30,000	-	-	30,000
Due to other funds	-	-	18	18
Total Liabilities	146,387	48,132	18	194,537
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	52,783	-	-	52,783
Total Deferred Inflows of Reources	52,783	-	-	52,783
FUND BALANCES				
Restricted	-	253,341	112,044	365,385
Assigned	216,864	-	100,137	317,001
Unassigned	2,841,539	-	-	2,841,539
Total fund balances	3,058,403	253,341	212,181	3,523,925
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 3,257,573	$ 301,473	$ 212,199	$ 3,771,245

The accompanying notes are an integral part of these financial statements.

CITY OF GRAY, GEORGIA

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2014

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

Total fund balances - governmental funds	$	3,523,925
Capital assets used in governmental activities are not financed resources and, therefore, are not reported in the funds.		3,695,458
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		52,783
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		(403,840)
Net position of governmental activities	$	6,868,326

The accompanying notes are an integral part of these financial statements.

CITY OF GRAY, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

REVENUES:	General	2009 SPLOST	Non-Major Governmental Funds	Total Governmental Funds
Taxes:				
Property	$ 880,173	$ -	$ -	$ 880,173
Sales	325,361	-	-	325,361
Other taxes	640,142	-	-	640,142
Licenses and permits	81,304	-	-	81,304
Intergovernmental	66,114	377,705	117,192	561,011
Fines and forfeitures	230,740	-	430	231,170
Investment earnings	6,083	509	171	6,763
Miscellaneous	8,451	-	-	8,451
Total revenues	2,238,368	378,214	117,793	2,734,375
EXPENDITURES:				
Current:				
General government	653,634	-	-	653,634
Public safety	897,523	-	200	897,723
Public works	321,832	-	-	321,832
Housing and development	-	-	117,192	117,192
Culture and recreation	-	-	7,110	7,110
Intergovernmental	152,508	-	-	152,508
Debt service:				
Principal	19,119	-	-	19,119
Interest	18,652	-	-	18,652
Capital outlay	-	399,362	-	399,362
Total Expenditures	2,063,268	399,362	124,502	2,587,132
Excess (deficiency) of revenues over (under) expenditures	175,100	(21,148)	(6,709)	147,243
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of property	10,250	-	-	10,250
Transfers out	(85,314)	-	-	(85,314)
Total other financing sources and (uses)	(75,064)	-	-	(75,064)
Net change in fund balances	100,036	(21,148)	(6,709)	72,179
Fund balance - beginning of year	2,958,367	274,489	218,890	3,451,746
Fund balance - end of year	$ 3,058,403	$ 253,341	$ 212,181	$ 3,523,925

The accompanying notes are an integral part of these financial statements.

CITY OF GRAY, 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

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

Net change in fund balances - total governmental funds	$	72,179
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.		146,063
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(33,827)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net position.		(53,213)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		19,119
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		(3,025)
Change in net position of governmental activities	$	147,296

The accompanying notes are an integral part of these financial statements.

CITY OF GRAY, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES:				
Taxes:				
General property taxes	$ 736,333	$ 736,333	$ 880,173	$ 143,840
Local option sales tax	349,494	349,494	325,361	(24,133)
Other taxes:				
Insurance premium tax	163,211	163,211	175,989	12,778
Motor vehicle tax	149,908	149,908	145,363	(4,545)
Franchise tax	219,000	219,000	218,910	(90)
Beer and wine tax	80,000	85,314	85,314	-
Real estate transfer tax	2,000	2,000	1,836	(164)
Recording intangible taxes	5,500	5,500	4,648	(852)
Mobile Home Tax	739	739	708	(31)
Penalties and interest	5,000	5,000	7,374	2,374
Total Taxes	1,711,185	1,716,499	1,845,676	129,177
Licenses and Permits:				
Business licenses and permits	60,000	60,000	81,304	21,304
Intergovernmental Revenues:				
Jones County Board of Education				
Crossing Guards	10,000	66,114	66,114	-
Total Intergovernmental Revenues	10,000	66,114	66,114	-
Fines, Forfeitures and Penalties:				
Fine and forfeitures	216,000	216,000	230,740	14,740
Total Fines, Forfeitures and Penalties	216,000	216,000	230,740	14,740
Miscellaneous:				
Interest earnings	8,000	8,000	6,083	(1,917)
Miscellaneous	11,739	11,803	8,451	(3,352)
Total Miscellaneous	19,739	19,803	14,534	(5,269)
Total Revenues	$ 2,016,924	$ 2,078,416	$ 2,238,368	$ 159,952

The accompanying notes are an integral part of these financial statements.

CITY OF GRAY, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014
(CONTINUED)

	Budget			Variance with
	Original	Final	Actual	Final Budget
EXPENDITURES:				
General Government:				
Salaries	$ 106,045	$ 106,045	$ 105,647	$ 398
Payroll taxes	58,000	58,000	54,775	3,225
Pension expenditures	35,000	35,419	35,419	-
General expenditures	2,500	4,213	4,213	-
Legal fees	40,000	40,000	21,260	18,740
Codification	2,500	2,500	495	2,005
Office supplies	3,500	3,714	2,912	802
Insurance	162,000	147,238	133,370	13,868
Audit and accounting	15,000	15,000	10,652	4,348
Convention and training	12,000	22,444	22,444	-
Dues	5,000	5,000	3,110	1,890
Repairs and maintenance	5,000	212,303	212,303	-
Telephone and utilities	10,900	11,485	11,105	380
Postage	4,040	4,040	2,795	1,245
Computer maintenance	5,980	5,980	3,754	2,226
Miscellaneous	66,927	37,875	29,380	8,495
Total General Government	534,392	711,256	653,634	57,622
Public Safety:				
Police:				
Salaries	497,000	475,039	464,508	10,531
Vehicle expenditures	12,800	4,800	3,618	1,182
Gas and oil	70,000	67,000	66,723	277
Uniforms	8,000	8,852	8,852	-
Repairs and maintenance	5,000	5,492	5,468	24
Utilities and telephone	20,000	21,352	21,325	27
Office supplies	7,000	3,000	2,363	637
Supplies and small equipment	34,000	53,378	51,402	1,976
Training	5,000	3,100	3,075	25
Miscellaneous	13,400	9,000	7,740	1,260
Capital outlay	-	33,164	33,164	-
Total Police	$ 672,200	$ 684,177	$ 668,238	$ 15,939

The accompanying notes are an integral part of these financial statements.

CITY OF GRAY, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014
(CONTINUED)

	Budget			Variance with
	Original	Final	Actual	Final Budget
Recorder's Court:				
SIR Charges	$ 45,200	$ 45,200	$ 36,103	$ 9,097
Fines and penalties	72,400	73,790	48,596	25,194
Salaries	37,000	37,000	36,997	3
Miscellaneous	7,200	5,810	416	5,394
Court Judge	12,000	12,000	12,000	-
Total Recorders Court	173,800	173,800	134,112	39,688
Fire Department:				
Salaries	6,000	6,000	6,000	-
Operating	86,700	73,878	73,446	432
Capital outlay	-	15,727	15,727	-
Total Fire Department	92,700	95,605	95,173	432
Total Public Safety	938,700	953,582	897,523	56,059
Public Works:				
Salaries	92,000	92,000	84,960	7,040
Street lights	75,000	77,312	77,312	-
Traffic signals - maintenance	3,500	4,290	4,290	-
General street	82,000	74,070	27,062	47,008
Vehicle	14,000	18,477	15,420	3,057
Uniforms	1,500	1,500	1,300	200
Capital outlay	15,000	76,104	111,488	(35,384)
Contract labor	20,000	10,793	-	10,793
Total Public Works	$ 303,000	$ 354,546	$ 321,832	$ 32,714

The accompanying notes are an integral part of these financial statements.

CITY OF GRAY, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014
(CONTINUED)

	Budget			Variance with
	Original	Final	Actual	Final Budget
Payments to Other Governmental Agencies:				
Better Hometown	$ 25,000	$ 25,000	$ 25,000	$ -
Emergency management	1,000	1,000	750	250
Clean Community	6,460	6,684	6,684	-
Downtown Development	10,000	40,000	40,000	-
Jones County Dispatching	71,000	71,000	70,474	526
Jones County Planning & Zoning	9,600	9,600	9,600	-
Total Payments to Other Governmental Agencies	123,060	153,284	152,508	776
Debt Service:				
Principal	19,120	19,120	19,119	1
Interest	18,652	18,652	18,652	-
Total Debt Service	37,772	37,772	37,771	1
Total Expenditures	1,936,924	2,210,440	2,063,268	147,172
Excess (Deficiency) of Revenues over Expenditures	80,000	(132,024)	175,100	307,124
Other Financing Sources (Uses):				
Proceeds from sale of property	-	10,250	10,250	-
Transfer from Law Enforcement Fund	-	4,819	-	(4,819)
Transfer to Water and Sewer Fund	(80,000)	(85,314)	(85,314)	-
Total Other Financing Sources (Uses)	(80,000)	(70,245)	(75,064)	(4,819)
Net change in fund balance	-	(202,269)	100,036	302,305
Fund balance - beginning of year	2,958,367	2,958,367	2,958,367	-
Fund balance - end of year	$ 2,958,367	$ 2,756,098	$ 3,058,403	$ 302,305

The accompanying notes are an integral part of these financial statements.

CITY OF GRAY, GEORGIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2014

	Business-type Activities Enterprise Funds		
	Water and Sewer Fund	Nonmajor Sanitation Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 782,098	$ 16,569	$ 798,667
Certificates of deposit	224,362	-	224,362
Restricted cash, cash equivalents and investments:			
Revenue bond covenant accounts	239,658	-	239,658
Accrued interest receivable	366	-	366
Accounts receivable (net of allowance for uncollectibles)	118,998	11,939	130,937
Prepaid items	19,750	-	19,750
Total current assets	1,385,232	28,508	1,413,740
Noncurrent assets:			
Capital assets:			
Nondepreciable assets	852,070	-	852,070
Depreciable assets, net	5,444,480	-	5,444,480
Total capital assets	6,296,550	-	6,296,550
Total noncurrent assets	6,296,550	-	6,296,550
Total assets	$ 7,681,782	$ 28,508	$ 7,710,290

The accompanying notes are an integral part of these financial statements.

CITY OF GRAY, GEORGIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2014
(CONTINUED)

	Business-type Activities Enterprise Funds		
	Water and Sewer Fund	Nonmajor Sanitation Fund	Total
LIABILITIES			
Current liabilities:			
Accounts payable	$ 43,832	$ 12,300	$ 56,132
Accrued liabilities	9,587	-	9,587
Customer deposits payable	196,933	-	196,933
Accrued interest payable	1,421	-	1,421
Compensated absences	9,115	-	9,115
Due to other funds	26,466	-	26,466
Notes payable - current	49,568	-	49,568
Revenue bonds payable - current	100,000	-	100,000
Total current liabilities	436,922	12,300	449,222
Noncurrent liabilities:			
Revenue bonds payable	590,000	-	590,000
Notes payable	803,250	-	803,250
Total noncurrent liabilities	1,393,250	-	1,393,250
Total liabilities	1,830,172	12,300	1,842,472
NET POSITION			
Net investment in capital assets	4,753,732	-	4,753,732
Restricted:			
Restricted for debt service	239,658	-	239,658
Unrestricted	858,220	16,208	874,428
Total net position	$ 5,851,610	$ 16,208	$ 5,867,818

The accompanying notes are an integral part of these financial statements.

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CITY OF GRAY, GEORGIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Business-type Activities Enterprise Funds		
	Water and Sewer Fund	Nonmajor Sanitation Fund	Total
Operating Revenues:			
Charges for sales and services:			
Water sales	$ 901,826	$ -	$ 901,826
Sewerage fees	741,478	-	741,478
Garbage fees	-	150,044	150,044
Connection fees	34,200	-	34,200
Penalties and other fees	38,707	-	38,707
Miscellaneous	4,146	-	4,146
Total operating revenues	1,720,357	150,044	1,870,401
Operating Expenses:			
Salaries	376,118	-	376,118
Employee benefits	49,925	-	49,925
Depreciation	321,907	-	321,907
Utilities	161,199	-	161,199
Maintenance and supplies	360,943	-	360,943
Insurance	137,936	-	137,936
Gas, oil, tires	16,955	-	16,955
Professional fees	14,811	-	14,811
Contracted services	-	147,148	147,148
Travel	6,144	-	6,144
County water expense	248,347	-	248,347
Other operating expenses	44,079	52	44,131
Total Operating Expenses	1,738,364	147,200	1,885,564
Operating Income (Loss)	(18,007)	2,844	(15,163)
Non-Operating Revenues (Expenses):			
Interest revenue	2,361	-	2,361
Interest expense	(59,378)	-	(59,378)
Total Non-Operating Revenues (Expenses)	(57,017)	-	(57,017)
Net Income (Loss) before Contributions and Transfers	(75,024)	2,844	(72,180)
Capital contributions	119,275	-	119,275
Transfers in	85,314	-	85,314
Change in net position	129,565	2,844	132,409
Net position - beginning of year	5,722,045	13,364	5,735,409
Net position - end of year	$ 5,851,610	$ 16,208	$ 5,867,818

The accompanying notes are an integral part of these financial statements.

CITY OF GRAY, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Business-type Activities Enterprise Funds		
		Nonmajor	
	Water and Sewer Fund	Sanitation Fund	Total
Cash Flows from Operating Activities:			
Cash received from customers	$ 1,708,939	$ 149,812	$ 1,858,751
Cash paid to suppliers for good and services	(1,045,337)	(150,880)	(1,196,217)
Cash paid to employees	(426,763)	-	(426,763)
Net Cash Provided by (Used for) Operating Activities	236,839	(1,068)	235,771
Cash Flows from Noncapital Financing Activities:			
Transfer from General Fund	85,314	-	85,314
Net Cash Provided by (Used for) Noncapital Financing Activities	85,314	-	85,314
Cash Flows from Capital and Related Financing Activities:			
Principal paid on revenue bonds	(195,000)	-	(195,000)
Principal paid on notes	(48,586)	-	(48,586)
Interest paid on revenue bonds	(59,109)	-	(59,109)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(302,695)	-	(302,695)
Cash Flows from Investing Activities:			
Interest received	3,292	-	3,292
Net Cash Provided by (Used for) Investing Activities	3,292	-	3,292
Net Increase (Decrease) in Cash and Cash Equivalents	22,750	(1,068)	21,682
Cash and Cash Equivalents - Beginning of Year	1,223,368	17,637	1,241,005
Cash and Cash Equivalents - End of Year	$ 1,246,118	$ 16,569	$ 1,262,687
Reconciliation of Cash Equivalents:			
Cash	$ 1,006,460	$ 16,569	$ 1,023,029
Restricted cash	239,658	-	239,658
Total Cash and Cash Equivalents	$ 1,246,118	$ 16,569	$ 1,262,687

The accompanying notes are an integral part of these financial statements.

CITY OF GRAY, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014
(CONTINUED)

	Business-type Activities Enterprise Funds		
	Water and Sewer Fund	Nonmajor Sanitation Fund	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Operating Income (Loss)	$ (18,007)	$ 2,844	$ (15,163)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Depreciation	321,907	-	321,907
Changes in Assets and Liabilities:			
(Increase) decrease in accounts receivables	(14,118)	(232)	(14,350)
(Increase) decrease in due from other funds	3,772	-	3,772
(Increase) decrease in prepaids	(19,750)	-	(19,750)
Increase (decrease) in accounts payable	(34,721)	92	(34,629)
Increase (decrease) in accrued liabilities	(1,258)	-	(1,258)
Increase (decrease) in customer water deposits	2,700	-	2,700
Increase (decrease) in due to other funds	(4,224)	(3,772)	(7,996)
Increase (decrease) in compensated absences	538	-	538
Total adjustments	254,846	(3,912)	250,934
Net Cash Provided by (Used for) Operating Activities	$ 236,839	$ (1,068)	$ 235,771
NONCASH CAPITAL FINANCING ACTIVITIES			
Contributions of capital assets from government	$ 119,275	$ -	$ 119,275

The accompanying notes are an integral part of these financial statements.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Policies

The City of Gray was incorporated in 1911 under the provision of an Act of the General Assembly of Georgia. The City operates under a mayor-council form of government and provides the following services as authorized by its charter: public safety, highways and streets, sanitation, health and social services, recreation and general administrative services.

The accounting policies of the City of Gray conform to generally accepted accounting principles as applicable to governments. The following is a summary of the City's more significant policies applied in the preparation of the accompanying financial statements.

A. Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Gray, Georgia (primary government) and its component units. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. In addition, a component unit can be another organization for which the nature and significance of its relationship with a primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The component unit discussed below is included in the City's reporting entity because of the significance of its operational and financial relationships with the City. In conformity with generally accepted accounting principles, as set forth in Statement of Governmental Accounting Standards No. 14 "The Financial Reporting Entity", the financial statements of the component unit has been included as a discretely presented component unit.

Downtown Development Authority – The Downtown Development Authority is a public body, corporate and politic, and was created upon the adoption and approval of the Development Authorities Law of the State of Georgia. The Mayor and City Council appoint all members of the Downtown Development Authority. The Downtown Development Authority is audited along with the primary government financial statements and separate financial statements are not prepared.

A joint venture has the following characteristics:

1. It is a legal entity that results from a contractual arrangement.
2. It is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control.
3. Participants retain an ongoing financial interest or an ongoing financial responsibility.

Under Georgia law, the City, in conjunction with other cities and counties in the middle Georgia area, is a member of the Middle Georgia Regional Commission (the "RC") and is required to pay annual dues thereto. Membership in a RC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational

structure of the RC in Georgia. The RC Board membership includes the chief elected official 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 a RC.

Separate financial statements may be obtained from:

Middle Georgia Regional Commission
175-C Emery Highway
Macon, GA 31217

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (Statement of Net Position and Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

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

Government-Wide Financial Statements

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

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

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the obligations are expected to be liquidated with expendable available financial resources.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The fund financial statements provide more detailed information about the government's most significant funds, not the government as a whole. The activities of the government are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The government reports the following major governmental funds:

General Fund – The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Capital Projects Fund – The 2009 SPLOST Fund is used to account for SPLOST monies received to be used for improvements to the water and sewer system.

The government reports the following major proprietary funds:

Water and Sewer Fund – The Water and Sewer Fund is used to account for the providing of water and sewer services to the citizens of the City.

D. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value, which is determined using selected bases. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates, and investments that do not have an established market are reported at estimated fair value. Cash deposits are reported at carrying amount, which reasonably estimates fair value.

E. Receivables

Receivables and Due from Other Governments represent funds to be received from other local governments, state grant-in-aid, state contracts, or federal funds. No allowance is deemed necessary for these receivables.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" or "advances to/from other funds." All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables have been reduced to their estimated net realizable value, and are shown net of an allowance for doubtful accounts. Estimated uncollectible amounts are based on historical experience rates.

F. Restricted Assets

Certain assets of the enterprise funds are classified as restricted assets because their use is restricted by bond covenants.

G. Prepaid Items

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

H. Inventories

Inventories of expendable supplies held for consumption are not considered material and are recorded as expenditures, or expenses, as appropriate, when purchased.

I. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items acquired subsequent to January 1, 2004) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000, and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred and capitalized as part of the construction of capital assets by the City during the current year was $0.

Property, plant and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

Building	10 years
Water and Sewer System	10-50 years
Furniture and Equipment	5-10 years
Vehicles	5 years
Infrastructure	20 years

J. Compensated Absences

Accumulated unpaid sick leave costs are not vested and are not accrued in any fund, but are recognized as expenditures or expenses, when paid. Accumulated unpaid vacation costs and compensatory time are accrued when incurred in the proprietary funds. The City does not budget for compensated absences in the governmental funds. All accumulated unpaid vacation costs and compensatory time (for funds other than proprietary) are reflected in the governmental funds at December 31, 2014 and amount to $18,838.

K. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position.

L. Management Estimates

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

M. Deferred Outflows / Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

N. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

O. Fund Equity

In the financial statements, governmental funds report the following classifications of fund balance in accordance with Governmental Accounting Standards Board Statement No. 54:

- Nonspendable – amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- Restricted – amounts are restricted when constraints have been placed on the use of resources by (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed – amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council. The City Council approves committed resources through a motion and vote during the voting session of City Council meetings.
- Assigned – amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The intent is expressed by the City Council.
- Unassigned – amounts that have not been assigned to other funds, and that are not restricted, committed, or assigned to specific purposes within the General Fund.

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

The City does not have a formal minimum fund balance policy. The following is a summary of the fund balance classifications as of December 31, 2014:

	General Fund	2009 SPLOST	Nonmajor Governmental	Total
Fund Balances				
Restricted:				
Perpetual care	$ -	$ -	$ 104,387	$ 104,387
Law enforcement	-	-	7,657	7,657
Capital outlay	-	253,341	-	253,341
Assigned for:				
Law enforcement	17,046	-	-	17,046
Fire department	2,315	-	-	2,315
Capital outlay	-	-	100,137	100,137
Debt service	197,503	-	-	197,503
Unassigned	2,841,539	-	-	2,841,539
Total fund balances	$ 3,058,403	$ 253,341	$ 212,181	$ 3,523,925

P. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries insurance. The City is a member of the Georgia Interlocal Risk Management Agency (GIRMA). This agency functions as an unincorporated nonprofit instrumentality of its members and is administered by the Georgia Municipal Association. The purpose of GIRMA is to establish and administer one or more group self-insurance funds; to establish and administer a risk management service; and to prevent or lessen the incidence or severity of casualty and property losses.

Each member pays an annual contribution established by the Board of GIRMA. For the year ending December 31, 2014, the City's total contribution was $69,697. GIRMA may develop and issue such self-insurance coverage descriptions, as it deems necessary. The current coverage provides a $1,000,000 general liability limit with a $1,000 per occurrence deductible.

The City is a member of the Georgia Municipal Association Workers' Compensation Self Insurance Fund. The liability of the fund to the employees of any employer is specifically limited to such obligations as are imposed by applicable state laws against the employer. The Fund is to defend, in the name of and on behalf of the members, any suits or other proceedings, which may at any time be instituted against them on account of injuries or death within the preview of the Workers' Compensation Law of Georgia, or on the basis of employer's liability. The Fund is to pay all costs taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense. For the year ending December 31, 2014, the City's total contribution was $53,608 for the Workers Compensation Fund.

NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING

A. Budget Process

An annual operating budget is prepared for the General Fund and Special Revenue Fund. Budgets are prepared for Capital Projects Funds on a project-length basis, which usually covers two or more fiscal years. Prior to November, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.

After a review by the Mayor and Council, public hearings are conducted. Prior to December 31, the budget is legally enacted through passage of an ordinance.

The City Clerk is delegated the authority, upon the direction of and approval by the Mayor and Council to transfer sums from one department to another. No increase in the overall budget for the City may be made without the approval of the Mayor and Council and amendment to the budget.

The legal level of budgetary control is the department level. All annual appropriations lapse at year end.

All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – have been prepared on the basis described above.

NOTE 3 – DEPOSITS AND INVESTMENTS

Credit risk

State statutes authorize the City to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime bankers' acceptances; the local government investment pool established by state law (Georgia Fund 1); repurchase agreements; and obligations of other political subdivisions of the State of Georgia. At December 31, 2014, the City's only investments were in certificates of deposit.

At December 31, 2014, the City's investments in certificates of deposit were as follows:

Investment	Maturity	Amount
Certificates of deposit - General Fund	1 - 5 months	$ 513,840
	6 - 10 months	459,520
	11 - 20 months	55,475
Certificates of deposit - Water and Sewer Fund	1 - 5 months	134,027
	6 - 10 months	75,334
	11 - 20 months	15,000
Certificates of deposit - Nonmajor Governmental Fund	6 - 10 months	103,497
		$ 1,356,693

Interest rate risk

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk - Deposits

The custodial credit risk of deposits is the risk that in the event of the failure of a bank, the government will not be able to recover deposits. The City's bank balances of deposits as of December 31, 2014 are entirely insured or collateralized with securities held by the City's agent in the City's name. State statutes require banks holding public funds to secure these funds by FDIC insurance, securities pledged at par value, and surety bonds at face value in combined aggregate totaling not less than 110 percent of the public funds held.

NOTE 4 – PROPERTY TAXES

State law requires that property taxes be based on assessed value, which is 40% of market value. All real and personal property (including motor vehicles) are valued as of January 1 of each year and must be returned for tax purposes by March 1. With the exception of motor vehicles and the property of public utilities, which are valued by the State Revenue Department, all assessments are made by a Joint Board of Tax Assessors of Jones County.

Upon completion of all assessments and tax returns, the information is turned over to the Jones County Tax Commissioner for compilation of the tax digest. The completed tax digest must be submitted to the State Revenue Commissioner for approval. The State Revenue Commissioner must ascertain that real property on the tax digest has been assessed at the state mandated forty percent (40%) of fair market value. The Commissioner has the option to withhold certain state funding if the mandated 40% level is not reached.

The property tax calendar is as follows:

	Real/Personal Property	Motor Vehicles
Assessment Date	January 1	January 1
Levy Date	October 13	December 1
Due Date and Collection Date	December 31, 2014	Staggered
Lien Date	May 1, 2014	N/A

NOTE 5 – OTHER RECEIVABLES

Receivables at December 31, 2014 consist of the following:

	General Fund	Water & Sewer Fund	Nonmajor Proprietary Fund	Nonmajor Governmental Funds	Total
Receivables:					
Taxes	$ 135,026	$ -	$ -	$ -	$ 135,026
Accounts	366	139,194	18,047	-	157,607
Accrued interest	1,432	366	-	64	1,862
Gross Receivables	136,824	139,560	18,047	64	294,495
Less: Allowances for Uncollectibles	(21,593)	(20,196)	(6,109)	-	(47,898)
Net Receivables	$ 115,231	$ 119,364	$ 11,938	$ 64	$ 246,597

NOTE 6 – DUE FROM OTHER GOVERNMENTS

The General Fund reflects $39,894 in Due from Other Governments, which mainly represents vehicle taxes due from Jones County of $10,611 and local option sales tax (LOST) due from the State of $29,284.

The SPLOST 2009 Fund reflects $32,507 in Due from Other Governments, which represents the Special Local Option Sales Tax due from Jones County, Georgia.

NOTE 7 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2014, was as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Water and Sewer Fund	$ 26,466
General Fund	2012 CDBG Fund	18
Total		$ 26,484

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers:

Transfer out:	Water and Sewer Fund	Total
General Fund	$ 85,314	$ 85,314
Total	$ 85,314	$ 85,314

Transfers are used to move unrestricted revenue to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching fund for various grant programs.

NOTE 8 – CAPITAL ASSETS

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

Primary Government

	Beginning Balance	Additions	Deductions	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 1,004,462	$ -	$ -	$ 1,004,462
Total capital assets, not being depreciated	1,004,462	-	-	1,004,462
Capital assets, being depreciated:				
Infrastructure	2,175,540	-	-	2,175,540
Buildings	791,612	-	-	791,612
Equipment	238,441	196,817	-	435,258
Vehicles	966,458	176,672	(225,093)	918,037
Total capital assets, being depreciated	4,172,051	373,489	(225,093)	4,320,447
Less accumulated depreciation for:				
Infrastructure	(489,218)	(108,777)	-	(597,995)
Buildings	(178,238)	(16,265)	-	(194,503)
Equipment	(196,754)	(21,251)	-	(218,005)
Vehicles	(709,695)	(81,133)	171,880	(618,948)
Total accumulated depreciation	(1,573,905)	(227,426)	171,880	(1,629,451)
Total capital assets being depreciated, net	2,598,146	146,063	(53,213)	2,690,996
Governmental capital assets, net	$ 3,602,608	$ 146,063	$ (53,213)	3,695,458
Less related long-term debt outstanding				(385,002)
Net investment in capital assets				$ 3,310,456

	Beginning Balance	Additions	Deductions	Transfers	Ending Balance
Business-type activities:					
Capital assets, not being depreciated					
Land	$ 26,167	$ -	$ -	$ -	$ 26,167
Water rights	313,683	-	-	-	313,683
Construction in progress	430,920	71,573	-	9,727	512,220
Total capital assets, not being depreciated	770,770	71,573	-	9,727	852,070
Capital assets, being depreciated					
Sewer system	2,234,620	-	-	(9,727)	2,224,893
Water system	4,972,951	47,352	-	-	5,020,303
Wastewater treatment plant	2,605,152	-	-	-	2,605,152
Building	41,526	-	-	-	41,526
Equipment	276,352	-	-	-	276,352
Storm drainage improvements	137,829	-	-	-	137,829
Vehicles	186,670	-	-	-	186,670
Total capital assets, being depreciated	10,455,100	47,352	-	(9,727)	10,492,725
Less accumulated depreciation for:					
Sewer system	(1,182,991)	(50,909)	-	-	(1,233,900)
Water system	(2,151,931)	(149,930)	-	-	(2,301,861)
Wastewater treatment plant	(1,079,431)	(74,433)	-	-	(1,153,864)
Building	(41,526)	-	-	-	(41,526)
Equipment	(122,832)	(24,818)	-	-	(147,650)
Storm drainage improvements	(14,356)	(6,891)	-	-	(21,247)
Vehicles	(133,271)	(14,926)	-	-	(148,197)
Total accumulated depreciation	(4,726,338)	(321,907)	-	-	(5,048,245)
Total capital assets, being depreciated, Net	5,728,762	(274,555)	-	(9,727)	5,444,480
Business-type activities capital assets, Net	$ 6,499,532	$ (202,982)	$ -	$ -	6,296,550
Less related long-term debt outstanding					(1,542,818)
Net investment in capital assets					$ 4,753,732

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

Governmental activities	
General government	$ 2,895
Public safety	97,454
Public workks	127,077
Total	$ 227,426
Business-type activities	
Water & Sewer	$ 321,907
Total	$ 321,907

NOTE 9 – LONG-TERM DEBT

A. Governmental Funds

Capital Leases

In November 2008, the City entered into a capital lease with the Georgia Municipal Association in the amount of $495,000 for the purchase of a building for the police department. Semiannual payments of $18,886 including interest at a rate of 4.67% are to be made beginning in January 2009 and ending in July 2028. This year, $9,260 was included in depreciation expense with a total accumulated depreciation of $57,103.

Cash requirement to maturity for this building lease is as follows:

	Principal	Interest	Total
2015	$ 20,023	$ 17,749	$ 37,772
2016	20,968	16,804	37,772
2017	21,960	15,812	37,772
2018	22,997	14,774	37,771
2019	24,084	13,688	37,772
2019-2023	138,599	50,258	188,857
2024-2028	136,371	14,715	151,086
Total	$ 385,002	$ 143,800	$ 528,802

B. Proprietary Funds

Revenue Bonds

In 2009, the City issued $1,060,000 Water and Sewerage Revenue Bonds, Series 2005, due in various semi-annual installments, including interest at 5 percent through January 1, 2021, to finance the construction of a new water tank. Principal amount outstanding at December 31, 2014 is $690,000.

Cash requirements to maturity for this issue are as follows:

	Principal	Interest	Total
2015	$ 100,000	$ 37,000	$ 137,000
2016	100,000	32,000	132,000
2017	105,000	26,875	131,875
2018	110,000	21,500	131,500
2019	120,000	15,750	135,750
2020-2021	155,000	12,875	167,875
Total	$ 690,000	$ 146,000	$ 836,000

Loans Payable

During 2008, the City was approved for a loan from Georgia Environmental Facilities Authority (GEFA) to finance the costs of acquiring, constructing and installing a new belt press for the water and sewer treatment plant. The amount of the loan as originally approved in June of 2008 was not to exceed $833,400. During 2009, it was determined that the original costs estimates were not sufficient so an additional $67,000 was approved in 2009. The construction of the belt press was completed during 2009. The total amount the City drew down on this loan was $1,090,026, including capitalized interest. Monthly payments of $5,514, including interest at 2%, began in December 2009 and end in November 2029.

Cash requirements to maturity for this loan are as follows:

	Principal	Interest	Total
2015	$ 49,569	$ 16,602	$ 66,171
2016	50,568	15,603	66,171
2017	51,589	14,582	66,171
2018	52,630	13,541	66,171
2019	53,692	12,479	66,171
2020-2024	285,162	45,694	330,856
2025-2029	309,608	15,729	325,337
Total	$ 852,818	$ 134,230	$ 987,048

Restricted Assets

The balance of the restricted asset accounts in the Water & Sewer enterprise fund as of December 31, 2014 is $239,658.

C. Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Capital lease-building	$ 404,121	$ -	$ (19,119)	$ 385,002	$ 20,023
Compensated absences	15,813	27,210	(24,185)	18,838	18,838
Governmental activities Long-term liabilities	$ 419,934	$ 27,210	$ (43,304)	$ 403,840	$ 38,861
Business-type activities:					
Bonds payable:					
Revenue bonds-2005	$ 885,000	$ -	$ (195,000)	$ 690,000	$ 100,000
GEFA Loan payable	901,404	-	(48,586)	852,818	49,568
Compensated absences	8,577	17,080	(16,542)	9,115	9,115
Business-type activities Long-term liabilities	$ 1,794,981	$ 17,080	$ (260,128)	$ 1,551,933	$ 158,683

For the governmental activities, compensated absences are generally liquidated by the general fund and for the business-type activities, compensated absences are liquidated by the Water and Sewer Fund.

NOTE 10 – EMPLOYEE RETIREMENT PLANS

Georgia Municipal Employees Benefit System

Plan Description

The City contributes to the Georgia Municipal Employees Benefit System (the system), an agent multiple-employer public employee retirement system administered by the Georgia Municipal Association. The City of Gray Retirement Plan is a defined benefit plan that provides retirement and disability benefits and death benefits to plan members and beneficiaries. The Public Retirement Systems Standard Law (Georgia Code Section 47-20-10) assigned the authority to establish and amend the plan to the City of Gray. The Georgia Municipal Employees Benefit System issues a publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to the Georgia Municipal Employees Benefit System, 201 Pryor Street S.W., Atlanta, Georgia 30303.

Participation

All employees are eligible to participate in the plan after one full year of service. The vesting period is 10 years for eligible employee participants and five years for eligible officials. At July 1, 2014, the date of the most recent actuarial valuation, there were 44 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	9
Terminated vested participants	10
Active vested employees	21
Active nonvested employees	14
Total	54

Funding Policy

The City's employee's participation is non-contributory. The City is required to contribute at an actuarially determined rate; the current rate is 7.65% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by the system's Board of Trustees.

Annual Pension Cost

The funding policy for the Plan is to contribute an amount equal to the recommended contribution as determined by the Plan's actuary. The recommended contribution was determined as part of the July 1, 2014 actuarial valuation. The chart below shows the annual pension cost for the current year and prior two years along with the percentage actually contributed by the City.

Fiscal Year Ended December 31,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation/ (Asset)
2014	$ 57,247	100%	-
2013	51,147	100%	-
2012	66,856	100%	-

As of the most recent valuation date, July 1, 2014, the funded status of the Plan was as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded / (Surplus) AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2014	$ 634,324	$ 788,931	$ 154,607	80.40%	$ 960,359	16.10%

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan net assets is increasing or decreasing over time relative to the actuarial accrued liability.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of July 1, 2014.

The assumptions used in the July 1, 2014 actuarial valuation are as follows:

Actuarial Assumptions

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Closed level dollar for remaining unfunded liability
Remaining Amortization Period	Remaining amortization period varies for the bases, with a net effective amortization period of 10 years
Asset Valuation Method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 20% of market value.
Net Investment Rate of Return	7.75%
Projected Salary Increases	3.50% plus age and service based merit increases
Inflation Rate	3.50%
Cost of Living Adjustments	0.00%

There were no changes in methods or assumptions from the prior valuation.

NOTE 11 – CONTINGENT LIABILITIES

Litigation

During the course of normal operations of the City, various claims and lawsuits arise. The City attorney has advised that there are no potential liabilities that will impair the City's financial position as of the date of this audit report.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GRAY, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2014

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Funded Ratio (a/b)	Unfunded (Assets in Excess of AAL) (b-a)	Annual Covered Payroll (c)	Ratio of Unfunded to Annual Covered Payroll
7/1/2014	$ 634,324	$ 788,931	80.40%	$ 154,607	$ 960,359	16.10%
7/1/2013	577,955	694,800	83.18%	116,845	735,246	15.89%
7/1/2012	515,068	614,734	83.79%	99,666	737,480	13.51%
7/1/2011	459,056	609,715	75.29%	150,659	918,085	16.41%
07/01/10	409,831	542,672	75.52%	132,841	946,616	14.03%
10/01/09	374,740	504,235	74.32%	129,495	917,387	14.12%

SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Law Enforcement Confiscation Fund - This fund accounts for condemned funds received and disbursed for Law enforcement expenditures.

CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Capital Improvements Fund - This fund is used to account for the purchase or construction of major capital facilities or equipment for the City.

2012 Community Development Block Grant (CDBG) - This fund is used to account for the grant funds received to be used for housing and development within the City.

PERMANENT FUND

Permanent funds are used to account for and report financial resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs.

Perpetual Care Permanent Fund - This fund is used to account for principal trust amounts received and related interest income. The interest portion of the trust can be used to maintain the community cemetery.

CITY OF GRAY, GEORGIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	Special Revenue	Capital Projects		Permanent Fund	Total Nonmajor
	Law Enforcement Confiscation	Capital Improvements	2012 CDBG Fund	Perpetual Care	Governmental Funds
ASSETS					
Cash and cash equivalents	$ 7,657	$ 100,137	$ 18	$ 826	$ 108,638
Certificates of deposit	-	-	-	103,497	103,497
Interest receivable	-	-	-	64	64
Total Assets	$ 7,657	$ 100,137	$ 18	$ 104,387	$ 212,199
LIABILITIES					
Due to other funds	$ -	$ -	$ 18	$ -	$ 18
Total Liabilities	-	-	18	-	18
FUND BALANCES					
Restricted	7,657	-	-	104,387	112,044
Assigned	-	100,137	-	-	100,137
Total Fund Balances	7,657	100,137	-	104,387	212,181
Total Liabilities and Fund Balances	$ 7,657	$ 100,137	$ 18	$ 104,387	$ 212,199

CITY OF GRAY, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Special Revenue	Capital Projects		Permanent Fund	Total Nonmajor
	Law Enforcement Confiscation	Capital Improvements	2012 CDBG Fund	Perpetual Care	Governmental Funds
REVENUES					
Intergovernmental	$ -	$ -	$ 117,192	$ -	$ 117,192
Fines and forfeitures	430	-	-	-	430
Investment earnings	-	-	-	171	171
Total Revenues	430	-	117,192	171	117,793
EXPENDITURES					
Current					
Public safety	200	-	-	-	200
Housing development	-	-	117,192	-	117,192
Culture and recreation	-	-	-	7,110	7,110
Total Expenditures	200	-	117,192	7,110	124,502
Net change in fund balance	230	-	-	(6,939)	(6,709)
Fund balances - beginning of year	7,427	100,137	-	111,326	218,890
Fund balances - end of year	$ 7,657	$ 100,137	$ -	$ 104,387	$ 212,181

CITY OF GRAY, GEORGIA

LAW ENFORCEMENT CONFISCATION FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2014

	Final Budget	Actual	Variance with Final Budget
REVENUES			
Fines and forfeitures	$ 10,000	$ 430	$ (9,570)
Total Revenues	10,000	430	(9,570)
EXPENDITURES			
Current			
Public safety	10,000	200	9,800
Total Expenditures	10,000	200	9,800
Net change in fund balance	-	230	230
Fund balance - beginning of year	7,427	7,427	-
Fund balance - end of year	$ 7,427	$ 7,657	$ 230

CITY OF GRAY, GEORGIA

COMMUNITY DEVELOPMENT BLOCK GRANT
#12h-x-084-2-5455
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES-BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED DECEMBER 31, 2014

	Prior Years	Current Year	Total to Date	Project Authorization
Revenues:				
Department of Community Affairs	$ 267,366	$ 117,192	$ 384,558	$ 385,531
Total Revenues	267,366	117,192	384,558	385,531
Expenditures:				
H-001-01 Acquisition of Property (Public)	-	-	-	5,800
H-004-00 Clearance	-	23,500	23,500	20,000
C-022-00 Contingencies - Unprogrammed Funds	-	-	-	38,553
H-14A-01 Rehabilitation of Private Properties	262,366	71,705	334,071	294,191
A-21A-00 Administration	5,000	21,987	26,987	26,987
Total Expenditures	267,366	117,192	384,558	385,531
Net change in fund balances	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	$ -	$ -	$ -	$ -

CITY OF GRAY, GEORGIA

SCHEDULE OF PROJECTS CONSTRUCTED
WITH SPECIAL SALES TAX PROCEEDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Original Estimated Cost	Expenditures		
		Prior Years	Current Year	Total
2009 SPLOST				
Water & sewer system Improvements	$ 1,688,000	$ 1,136,552	$ 141,247	$ 1,277,799
Police Vehicles	400,000	278,316	83,995	362,311
Street Improvements	250,000	142,394	35,743	178,137
Fire Equipment	200,000	21,038	46,430	67,468
Public Works Vehicles and Equipment	150,000	113,500	91,947	205,447
Total 2009 SPLOST	$ 2,688,000	$ 1,691,800	$ 399,362	$ 2,091,162

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CITY OF GRAY, GEORGIA

BALANCE SHEET
COMPONENT UNIT-DOWNTOWN DEVELOPMENT AUTHORITY
DECEMBER 31, 2014

ASSETS		
Cash and cash equivalent	$	14,110
Due from primary government		30,000
Total Assets	$	44,110
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	$	-
Total Liabilities		-
Fund Balances:		
Unassigned		44,110
Total Fund Balance		44,110
Total Liabilities and Fund Balance	$	44,110

CITY OF GRAY, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
COMPONENT UNIT-DOWNTOWN DEVELOPMENT AUTHORITY
FOR THE YEAR ENDED DECEMBER 31, 2014

Revenues:	
Intergovernmental	$ 41,000
Total Revenues	41,000
Expenditures:	
Current:	
Housing and development	550
Total Expenditures	550
Net change in fund balances	40,450
Fund Balance, beginning of year	3,660
Fund Balance, end of year	$ 44,110

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GOVERNMENTAL REPORT

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INDEPENDENT AUDITOR'S 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 City Council
City of Gray
Gray, Georgia

We have audited 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, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Gray, Georgia (the "City") as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 24, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses. 2014-001, 2014-002, and 2014-003

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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*.

City of Gray, Georgia's Response to Findings

The City of Gray, Georgia's responses to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City's responses were not subjected to the auditing procedures applied in our audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

Macon, Georgia
June 24, 2015

FINANCIAL STATEMENT FINDINGS

Findings noted on the Independent Auditor's 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*:

2014-001 Accounts Receivable/Revenue

CRITERIA
Accounting procedures should be designed to insure that revenue is accrued and recognized when they become both measurable and available to finance expenditures of the fiscal period.

CONDITION
The City posted their 2014 property taxes on the cash basis of accounting, and therefore, did not accrue the 2014 property tax receivables and the corresponding adjustments to the related deferred inflow account and allowance for uncollectible account.

CONTEXT
A material audit adjustment totaling $145,637 was required in the General Fund to increase property tax revenues and to correct the receivables, related deferred inflows, and the allowance for uncollectible accounts.

EFFECT
The City's accounting records contained material errors which were identified and adjusted during the annual audit process.

CAUSE
The City does not have adequate accounting procedures in place to insure the accrual of revenues in the proper fiscal year.

RECOMMENDATION
We recommend that the City develop procedures to insure the recording of revenues when they become both measurable and available to finance expenditures of the fiscal period.

VIEW OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
We agree that the City does not have adequate accounting procedures to insure the accrual of revenues in the proper fiscal year. We will work to develop and implement adequate accounting procedures to ensure the recording of revenues when they become both measurable and available. We will also provide additional training to personnel.

2014-002 Accounts Payable/Expenditures

CRITERIA
In accordance with generally accepted accounting principles, expenditures are recognized as soon as a liability is incurred. Year-end procedures are necessary to insure that expenditures and accounts payable are recorded in the appropriate period.

CONDITION
The City does not have adequate accounting procedures to insure that expenditures are recorded and properly classified when a liability is incurred.

CONTEXT
The following adjustments were necessary:

- Adjustments of $24,034 and $10,513 were necessary to record accrued salaries in the General Fund and Water & Sewer Fund.
- An adjustment of $17,172 was necessary to increase 2009 SPLOST expenditures for current year accounts payable.

EFFECT
The City's accounting records contained material errors which were identified and adjusted during the annual audit process.

CAUSE
The City lacked accounting procedures to insure the recording and proper classification of incurred expenditures at the end of the year.

RECOMMENDATION
The City should establish procedures to insure the proper accrual and classification of all liabilities incurred during the fiscal period.

VIEW OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
We agree that the City's accounting records contained material errors and expenditures should be recorded and properly classified when the liability is incurred. We are working to implement procedures to insure the proper recording of incurred expenditures. This would include governmental finance classes provided by the Carl Vinson Institute of Government.

2014-003 Capital Assets – Water/Sewer Fund

CRITERIA
Accounting and control procedures should be designed to insure that capital asset activity is recorded and reported in the Business –type Activities financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Capital assets are depreciated using the straight line method over the estimated useful lives.

CONDITION
Various capital asset transactions including capital contributions and depreciation were unrecorded for the year-ended December 31, 2014.

CONTEXT
Material adjustments of $118,925 were required to record capital contributions from the 2009 SPLOST Fund. In addition, a material audit adjustment of $321,907 was necessary to record depreciation expense.

EFFECT
The City's accounting records for capital assets contained material errors which were identified and corrected during the annual audit.

CAUSE
The City did not properly review, record and reconcile the capital assets.

RECOMMENDATION
The City should ensure that the proper review and reconciling procedures are being performed during the year and at year end prior to the start of the annual audit. The City should also consider providing additional training to personnel.

VIEW OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
We agree that various capital asset transactions including capital contributions and depreciation were unrecorded for the year ending December 31, 2014. We will work to develop and implement procedures concerning the proper reconciling of these transactions during the year and at year-end. This will include additional training for City personnel.