CITY OF GRAY, GEORGIA



ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2015

CITY OF GRAY, GEORGIA

AUDIT REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2015

CITY OF GRAY, GEORGIA

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2015

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT ..... 1 – 3

MANAGEMENT'S DISCUSSION AND ANALYSIS ..... 4 – 9

FINANCIAL STATEMENTS

Government-wide Financial Statements:
- Statement of Net Position ..... 10 – 11
- Statement of Activities ..... 12 – 13

Fund Financial Statements:
- Balance Sheet – Governmental Funds 14
- Reconciliation of Balance Sheet – Governmental Funds to the Statement of Net Position 15
- Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds 16
- Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities 17
- Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund ..... 18 – 21
- Statement of Net Position – Proprietary Funds ..... 22 – 23
- Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds 24
- Statement of Cash Flows – Proprietary Funds ..... 25 – 26

Notes to the Financial Statements ..... 27 – 46

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in the City's Net Pension Liability and Related Ratios 47

Schedule of City Contributions 48

Notes to the Required Supplementary Information ..... 49 – 50

SUPPLEMENTARY INFORMATION

Combining and Individual Fund Statements and Schedules:
Combining Balance Sheet – Nonmajor Governmental Funds 51

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances – Nonmajor Governmental Funds 52

Law Enforcement Confiscation
Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual 53

Schedule of Projects Constructed with Special Sales Tax Proceeds 54

Component Unit – Downtown Development Authority
Balance Sheet 55
Statement of Revenues, Expenditures, and
Changes in Fund Balances 56

GOVERNMENTAL REPORTS

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 ..... 57 – 58

Schedule of Findings and Responses ..... 59 – 61

FINANCIAL SECTION

THIS PAGE INTENTIONALLY LEFT BLANK

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, 2015, 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.

1503 Bass Road
P.O. Box 6315 Macon, Georgia 31208-6315
Phone 478-742-3313 ▪ Fax 478-742-0316

Member of
American Institute of
Certified Public Accountants
www.clhp.com

468 South Houston Lake Road
Warner Robins, Georgia 31088
Phone 478-953-0125 ▪ Fax 478-953-0983

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, 2015, 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.

Matter of Emphasis

As discussed in Note 14 to the financial statements, in 2015, the City implemented new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27, as well as Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68,* as of January 1, 2015. Our opinion is not modified with respect to this matter.

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, the schedule of changes in the City's net pension liability and related ratios on page 47, the schedule of City contributions on page 48, and the notes to the required supplementary information on pages 49 and 50 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 8, 2016 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 8, 2016

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, 2015.

Financial Highlights

- The assets and deferred outflows of resources for the City exceeded its liabilities and deferred inflows of resources as of December 31, 2015 by $12,482,274.
- The government's total net position increased by $32,200 for the year ended December 31, 2015.
- As of December 31, 2015, total net position consisted of $7,393,445 net investment in capital assets, $816,975 restricted and $4,271,854 unrestricted.
- As of the close of the current year the City's governmental funds reported combined ending fund balances of $3,979,782 an increase of $455,857 in comparison with the prior year.
- For the year ended December 31, 2015, fund balance for the general fund increased from $3,058,403 to $3,325,422.

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 through 13 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, two SPLOST funds, a law enforcement confiscation fund, a capital improvement 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 14 through 21 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 22 through 26 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 and deferred outflows of resources exceeded the liabilities and deferred inflows of resources by $12,482,274 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, 2015 the investment consists of $16,384,783 in assets, with accumulated depreciation of $7,233,109 and outstanding debt of $1,758,229.

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, 2015 current liabilities decreased by $73,052 and net position increased by $32,200 compared to December 31, 2014.

Summary of Net Position

	Governmental Activities		Business-type Activities		Total	
	2015	2014 Restated	2015	2014 Restated	2015	2014 Restated
Assets						
Current and other assets	$4,130,222	$3,771,227	$1,644,959	$1,387,274	$ 5,775,181	$ 5,158,501
Capital assets	3,582,363	3,695,458	5,569,311	6,296,550	9,151,674	9,992,008
Total Assets	7,712,585	7,466,685	7,214,270	7,683,824	14,926,855	15,150,509
Deferred Outflows of Resources						
Deferred outflows of resources related to pensions	36,200	28,518	24,134	19,012	60,334	47,530
Total Deferred Outflows of Resources	36,200	28,518	24,134	19,012	60,334	47,530
Liabilities						
Current and other liabilities	141,155	233,380	441,929	422,756	583,084	656,136
Long-term liabilities	539,149	557,709	1,372,774	1,521,737	1,911,923	2,079,446
Total Liabilities	680,304	791,089	1,814,703	1,944,493	2,495,007	2,735,582
Deferred Inflows of Resources						
Deferred inflows of resources related to pensions	5,945	7,430	3,963	4,953	9,908	12,383
Total Deferred Inflows of Resources	5,945	7,430	3,963	4,953	9,908	12,383
Net Position						
Net investment in capital assets	3,217,384	3,310,456	4,176,061	4,753,732	7,393,445	8,064,188
Restricted	571,723	365,385	245,252	239,658	816,975	605,043
Unrestricted	3,273,429	3,020,843	998,425	760,000	4,271,854	3,780,843
Total Net Position	$7,062,536	$6,696,684	$5,419,738	$5,753,390	$12,482,274	$12,450,074

Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2015	2014 Restated	2015	2014 Restated	2015	2014 Restated
Revenues						
Program revenues						
Charges for services	$ 302,998	$ 312,474	$ 1,951,421	$ 1,870,401	$ 2,254,419	$ 2,182,875
Capital grants and contributions	404,205	561,520	43,700	119,275	447,905	680,795
General revenues						
Taxes	1,817,920	1,811,849	-	-	1,817,920	1,811,849
Investment revenues	4,746	6,254	3,190	2,361	7,936	8,615
Sale of Property	-	4,537	-	-	-	4,537
Miscellaneous	8,517	8,451	-	-	8,517	8,451
Total Revenues	2,538,386	2,705,085	1,998,311	1,992,037	4,536,697	4,697,122
Expenses						
General government	412,607	831,198	-	-	412,607	831,198
Public safety	935,982	808,082	-	-	935,982	808,082
Public works	577,647	709,375	-	-	577,647	709,375
Other	162,394	295,462	-	-	162,394	295,462
Water and Sewer	-	-	2,267,276	1,912,170	2,267,276	1,912,170
Sanitation	-	-	148,591	147,200	148,591	147,200
Total Expenses	2,088,630	2,644,117	2,415,867	2,059,370	4,504,497	4,703,487
Increase (decrease) in net position before transfers	449,756	60,968	(417,556)	(67,333)	32,200	(6,365)
Transfers	(83,904)	(85,314)	83,904	85,314	-	-
Increase (decrease) in net position	365,852	(24,346)	(333,652)	17,981	32,200	(6,365)
Net position - Beginning	6,696,684	6,721,030	5,753,390	5,735,409	12,450,074	12,456,439
Net position - Ending	$ 7,062,536	$ 6,696,684	$ 5,419,738	$ 5,753,390	$ 12,482,274	$ 12,450,074

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, 2015 the City's governmental funds reported combined ending fund balances of $3,979,782. The unassigned fund balance reflects a balance of $3,065,477. A total of $914,305 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 $455,857 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 $998,425.

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 18 through 21 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, 2015 totals $9,151,674 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 $840,334. Detailed information regarding the capital asset activity for 2015 can be found in Note 8 of this report.

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	$ 1,043,463	$ 1,004,462	$ 26,167	$ 26,167	$ 1,069,630	$ 1,030,629
Water Rights	-	-	313,683	313,683	313,683	313,683
Construction in progress	-	-	4,150	512,220	4,150	512,220
Infrastructure	1,468,768	1,577,545	4,983,361	5,160,723	6,452,129	6,738,268
Buildings	624,360	597,109	-	-	624,360	597,109
Storm Drainage Improve.	-	-	109,691	116,582	109,691	116,582
Equipment	191,538	217,253	108,712	128,702	300,250	345,955
Vehicles	254,234	299,089	23,547	38,473	277,781	337,562
Total	$ 3,582,363	$ 3,695,458	$ 5,569,311	$ 6,296,550	$ 9,151,674	$ 9,992,008

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, 2015. Bonds payable equal $590,000 as of December 31, 2015, 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 $803,250 as of December 31, 2015, with $50,568 due within one year. Detailed information regarding the long-term debt activity for 2015 can be found in Note 9.

Accomplishments/Growth for 2015

In 2015, the City of Gray continued to make great strides in upgrading its water and sewer infrastructure. The Water and Sewer Department upgraded software to accommodate for online and bank draft payments. The Police Department purchased one new vehicle and body cameras. A City owned property was renovated and is being used as a Welcome Center.

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.

THIS PAGE INTENTIONALLY LEFT BLANK

FINANCIAL STATEMENTS

CITY OF GRAY, GEORGIA

STATEMENT OF NET POSITION
DECEMBER 31, 2015

	Primary Government			Component Unit
ASSETS	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
Cash and cash equivalents	$ 2,810,529	$ 1,056,997	$ 3,867,526	$ 9,003
Certificates of deposit	1,122,916	224,477	1,347,393	-
Receivables (net of allowance):				
Accrued interest	-	180	180	-
Taxes	94,045	-	94,045	-
Accounts	1,104	130,231	131,335	-
Due from other governments	72,200	-	72,200	-
Prepaids	-	17,250	17,250	-
Internal balances	29,428	(29,428)	-	-
Restricted assets:				
Cash and cash equivalents	-	245,252	245,252	-
Capital assets:				
Nondepreciable assets	1,043,463	344,000	1,387,463	-
Depreciable assets, net	2,538,900	5,225,311	7,764,211	-
Total assets	7,712,585	7,214,270	14,926,855	9,003
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to pensions	36,200	24,134	60,334	-
Total deferred outflows of resources	36,200	24,134	60,334	-

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

CITY OF GRAY, GEORGIA

STATEMENT OF NET POSITION
DECEMBER 31, 2015
(CONTINUED)

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
LIABILITIES				
Accounts payable	68,059	62,308	130,367	-
Accrued liabilities	25,857	14,351	40,208	-
Accrued interest	7,102	1,339	8,441	-
Customer deposits	-	201,983	201,983	-
Noncurrent liabilities:				
Due within one year				
Capital leases	20,968	-	20,968	-
Loans payable	-	50,568	50,568	-
Bonds payable	-	100,000	100,000	-
Compensated absences	19,169	11,380	30,549	-
Due in more than one year				
Capital leases	344,011	-	344,011	-
Loans payable	-	752,682	752,682	-
Bonds payable	-	490,000	490,000	-
Net pension liability	195,138	130,092	325,230	-
Total liabilities	680,304	1,814,703	2,495,007	-
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pensions	5,945	3,963	9,908	-
Total deferred inflows of resources	5,945	3,963	9,908	-
NET POSITION				
Net investment in capital assets	3,217,384	4,176,061	7,393,445	-
Restricted for:				
Debt service	-	245,252	245,252	-
Perpetual care	97,333	-	97,333	-
Capital outlay	466,733	-	466,733	-
Law enforcement	7,657	-	7,657	-
Unrestricted	3,273,429	998,425	4,271,854	9,003
Total net position	$ 7,062,536	$ 5,419,738	$ 12,482,274	$ 9,003

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

CITY OF GRAY, GEORGIA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	$ 412,607	$ 90,213	$ -	$ -
Public safety	935,982	212,785	10,000	-
Public works	577,647	-	32,317	361,888
Culture and recreation	7,200	-	-	-
Intergovernmental	130,344	-	-	-
Interest on long-term debt	24,850	-	-	-
Total governmental activities	2,088,630	302,998	42,317	361,888
Business-type activities				
Water & Sewer	2,267,276	1,802,934	-	43,700
Sanitation	148,591	148,487	-	-
Total business-type activities	2,415,867	1,951,421	-	43,700
Total primary government	$ 4,504,497	$ 2,254,419	$ 42,317	$ 405,588
Component Unit:				
Downtown Development Authority	$ 45,107	$ -	$ 10,000	$ -
General Revenues:				
Property taxes				
Sales taxes				
Insurance premium tax				
Franchise tax				
Other taxes				
Unrestricted investment earnings				
Miscellaneous				
Total general revenues				
Transfers				
Change in net position				
Net position - beginning of year, restated				
Net position - end of year				

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

CITY OF GRAY, GEORGIA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMEBER 31, 2015
(CONTINUED)

Net (Expense) Revenue and Changes in Net Position			Component Unit
Primary Government			Downtown
Governmental Activities	Business-type Activities	Total	Development Authority
$ (322,394)	$ -	$ (322,394)	$ -
(713,197)	-	(713,197)	-
(183,442)	-	(183,442)	-
(7,200)	-	(7,200)	-
(130,344)	-	(130,344)	-
(24,850)	-	(24,850)	-
(1,381,427)	-	(1,381,427)	-
-	(420,642)	(420,642)	-
-	(104)	(104)	-
-	(420,746)	(420,746)	-
(1,381,427)	(420,746)	(1,802,173)	-
			(35,107)
842,502	-	842,502	-
331,236	-	331,236	-
188,016	-	188,016	-
227,702	-	227,702	-
228,464	-	228,464	-
4,746	3,190	7,936	-
8,517	-	8,517	-
1,831,183	3,190	1,834,373	-
(83,904)	83,904	-	-
365,852	(333,652)	32,200	(35,107)
6,696,684	5,753,390	12,450,074	44,110
$ 7,062,536	$ 5,419,738	$ 12,482,274	$ 9,003

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

CITY OF GRAY, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015

ASSETS	General	2009 SPLOST	2015 SPLOST	Non-Major Governmental Funds	Total Governmental Funds
Cash and cash equivalents	$ 2,272,394	$ 327,741	$ 116,328	$ 94,066	$ 2,810,529
Certificates of deposit	1,029,419	-	-	93,497	1,122,916
Receivables, net of allowance					
Taxes	94,045	-	-	-	94,045
Accounts	1,040	-	-	64	1,104
Due from other governments	45,386	-	26,814	-	72,200
Due from other funds	29,428	-	-	-	29,428
Total Assets	$ 3,471,712	$ 327,741	$ 143,142	$ 187,627	$ 4,130,222
LIABILITIES					
Accounts payable	$ 63,909	$ 4,150	$ -	$ -	$ 68,059
Accrued liabilities	25,857	-	-	-	25,857
Total Liabilities	89,766	4,150	-	-	93,916
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	56,524	-	-	-	56,524
Total Deferred Inflows of Resources	56,524	-	-	-	56,524
FUND BALANCES					
Restricted	-	323,591	143,142	104,990	571,723
Assigned	259,945	-	-	82,637	342,582
Unassigned	3,065,477	-	-	-	3,065,477
Total fund balances	3,325,422	323,591	143,142	187,627	3,979,782
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 3,471,712	$ 327,741	$ 143,142	$ 187,627	$ 4,130,222

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, 2015

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

Total fund balances - governmental funds	$ 3,979,782
Capital Assets	
Capital assets used in governmental activities are not financed resources and, therefore, are not reported in the funds.	
Cost of assets	5,449,396
Accumulated depreciation	(1,867,033)
Deferred outflows of resources	
Related to pensions	36,200
Long-term Liabilities	
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities both current and long-term are reported in the Statement of Net Position. Long-term liabilities at year-end consist of the following:	
Capital leases	(364,979)
Accrued interest	(7,102)
Compensated absences	(19,169)
Net pension liability	(195,138)
Deferred inflows of resources	
Related to pensions	(5,945)
Revenues	
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	56,524
Total Net position of Governmental Activities	$ 7,062,536

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, 2015

REVENUES:	General	2009 SPLOST	2015 SPLOST	Non-Major Governmental Funds	Total Governmental Funds
Taxes:					
Property	$ 838,761	$ -	$ -	$ -	$ 838,761
Sales	331,236	-	-	-	331,236
Other taxes	644,181	-	-	-	644,181
Licenses and permits	90,213	-	-	-	90,213
Intergovernmental	42,317	218,034	143,285	-	403,636
Fines and forfeitures	212,785	-	-	-	212,785
Investment earnings	4,600	558	11	146	5,315
Miscellaneous	8,517	-	-	-	8,517
Total revenues	2,172,610	218,592	143,296	146	2,534,644
EXPENDITURES:					
Current:					
General government	481,001	-	154	-	481,155
Public safety	867,399	6,702	-	-	874,101
Public works	305,172	89,360	-	-	394,532
Culture and recreation	-	-	-	7,200	7,200
Intergovernmental	130,344	-	-	-	130,344
Debt service:					
Principal	20,023	-	-	-	20,023
Interest	17,748	-	-	-	17,748
Capital outlay	-	52,280	-	17,500	69,780
Total Expenditures	1,821,687	148,342	154	24,700	1,994,883
Excess (deficiency) of revenues over (under) expenditures	350,923	70,250	143,142	(24,554)	539,761
OTHER FINANCING SOURCES (USES):					
Transfers out	(83,904)	-	-	-	(83,904)
Total other financing sources and (uses)	(83,904)	-	-	-	(83,904)
Net change in fund balances	267,019	70,250	143,142	(24,554)	455,857
Fund balance - beginning of year	3,058,403	253,341	-	212,181	3,523,925
Fund balance - end of year	$ 3,325,422	$ 323,591	$ 143,142	$ 187,627	$ 3,979,782

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, 2015

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds	$	455,857
Capital Assets		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is depreciated 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.		
Total capital outlays		124,487
Total depreciation		(237,582)
Deferred outflows of resources related to pensions is not available during the current period and therefore is not reported in the funds.		
Change in deferred outflows of resources related to pensions		7,682
Long-term Debt		
Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. The adjustments for these items are as follows:		
Capital leases		20,023
Accrued interest		(7,102)
Compensated absences		(331)
Net pension liability		(2,408)
Deferred inflows of resources related to pensions is not available during the current period and therefore is not reported in the funds.		
Change in deferred inflows of resources related to pensions		1,485
Revenues		
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		3,741
Change in net position of governmental activities	$	365,852

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, 2015

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES:				
Taxes:				
General property taxes	$ 743,486	$ 750,331	$ 838,761	$ 88,430
Local option sales tax	313,628	313,628	331,236	17,608
Other taxes:				
Insurance premium tax	168,000	168,000	188,016	20,016
Motor vehicle tax	162,480	162,480	124,593	(37,887)
Franchise tax	216,000	216,000	227,702	11,702
Beer and wine tax	80,000	83,904	83,904	-
Real estate transfer tax	1,600	1,600	2,377	777
Recording intangible taxes	3,800	3,800	10,125	6,325
Mobile home tax	659	659	677	18
Penalties and interest	5,000	5,000	6,787	1,787
Total Taxes	1,694,653	1,705,402	1,814,178	108,776
Licenses and Permits:				
Business licenses and permits	62,000	62,000	90,213	28,213
Intergovernmental Revenues:				
Department of transportation	-	32,317	32,317	-
Jones County Board of Education				
Crossing Guards	10,000	10,000	10,000	-
Total Intergovernmental Revenues	10,000	42,317	42,317	-
Fines, Forfeitures and Penalties:				
Fine and forfeitures	216,000	216,000	212,785	(3,215)
Total Fines, Forfeitures and Penalties	216,000	216,000	212,785	(3,215)
Miscellaneous:				
Interest earnings	4,400	4,400	4,600	200
Miscellaneous	1,281	1,545	8,517	6,972
Total Miscellaneous	5,681	5,945	13,117	7,172
Total Revenues	$ 1,988,334	$ 2,031,664	$ 2,172,610	$ 140,946

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, 2015
(CONTINUED)

	Budget			Variance with
	Original	Final	Actual	Final Budget
EXPENDITURES:				
General Government:				
Salaries	$ 111,000	$ 111,000	$ 110,236	$ 764
Payroll taxes	58,000	58,000	54,984	3,016
Pension expenditures	36,500	45,074	45,074	-
General expenditures	2,800	3,619	3,619	-
Legal fees	40,000	25,709	14,708	11,001
Codification	2,500	2,500	1,133	1,367
Office supplies	3,500	4,650	4,395	255
Insurance	168,000	158,607	141,645	16,962
Audit and accounting	12,000	12,000	10,571	1,429
Convention and training	12,000	23,917	23,917	-
Dues	5,000	5,000	4,569	431
Repairs and maintenance	4,750	5,142	5,142	-
Telephone and utilities	11,300	10,800	7,521	3,279
Postage	4,040	3,080	2,350	730
Computer maintenance	5,000	7,373	7,373	-
Miscellaneous	36,008	58,063	43,763	14,300
Total General Government	512,398	534,534	481,000	53,534
Public Safety:				
Police:				
Salaries	488,000	479,055	477,206	1,849
Vehicle expenditures	12,800	6,620	6,131	489
Gas and oil	70,000	42,500	42,191	309
Uniforms	8,000	12,300	12,242	58
Repairs and maintenance	5,000	8,500	8,400	100
Utilities and telephone	20,000	20,953	20,946	7
Office supplies	7,000	7,007	6,753	254
Supplies and small equipment	34,000	45,069	42,736	2,333
Training	5,000	1,680	1,610	70
Miscellaneous	13,400	6,250	6,131	119
Capital outlay	-	33,398	33,390	8
Total Police	$ 663,200	$ 663,332	$ 657,736	$ 5,596

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, 2015
(CONTINUED)

	Budget			Variance with
	Original	Final	Actual	Final Budget
Recorder's Court:				
SIR Charges	$ 45,200	$ 45,200	$ 29,882	$ 15,318
Fines and penalties	72,400	72,400	49,552	22,848
Salaries	38,200	38,200	38,106	94
Miscellaneous	7,200	7,200	856	6,344
Court Judge	14,400	14,400	14,400	-
Total Recorders Court	177,400	177,400	132,796	44,604
Fire Department:				
Salaries	6,000	6,000	6,000	-
Operating	82,065	79,804	68,475	11,329
Capital outlay	-	2,393	2,393	-
Total Fire Department	88,065	88,197	76,868	11,329
Total Public Safety	928,665	928,929	867,400	61,529
Public Works:				
Salaries	95,000	90,394	79,006	11,388
Street lights	75,000	79,921	79,921	-
Traffic signals - maintenance	3,500	6,860	6,860	-
General street	82,000	113,313	105,205	8,108
Vehicle	14,000	22,048	22,048	-
Uniforms	1,500	1,530	1,530	-
Capital outlay	25,000	14,253	10,144	4,109
Contract labor	10,000	10,000	458	9,542
Total Public Works	$ 306,000	$ 338,319	$ 305,172	$ 33,147

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, 2015
(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	1,000	-
Clean Community	6,899	6,899	6,899	-
Downtown Development	10,000	10,000	10,000	-
Jones County Dispatching	71,000	77,845	77,845	-
Jones County Planning & Zoning	9,600	9,600	9,600	-
Total Payments to Other Governmental Agencies	123,499	130,344	130,344	-
Debt Service:				
Principal	20,024	20,024	20,023	1
Interest	17,748	17,748	17,748	-
Total Debt Service	37,772	37,772	37,771	1
Total Expenditures	1,908,334	1,969,898	1,821,687	148,211
Excess (Deficiency) of Revenues over Expenditures	80,000	61,766	350,923	289,157
Other Financing Sources (Uses):				
Transfer to Water and Sewer Fund	(80,000)	(83,904)	(83,904)	-
Total Other Financing Sources (Uses)	(80,000)	(83,904)	(83,904)	-
Net change in fund balance	-	(22,138)	267,019	289,157
Fund balance - beginning of year	3,058,403	3,058,403	3,058,403	-
Fund balance - end of year	$ 3,058,403	$ 3,036,265	$ 3,325,422	$ 289,157

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

CITY OF GRAY, GEORGIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2015

	Business-type Activities Enterprise Funds		
	Water and Sewer Fund	Nonmajor Sanitation Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 1,041,348	$ 15,649	$ 1,056,997
Certificates of deposit	224,477	-	224,477
Restricted cash, cash equivalents and investments:			
Revenue bond covenant accounts	245,252	-	245,252
Accrued interest receivable	180	-	180
Accounts receivable (net of allowance for uncollectibles)	118,120	12,111	130,231
Due from other funds	-	755	755
Prepaid items	17,250	-	17,250
Total current assets	1,646,627	28,515	1,675,142
Noncurrent assets:			
Capital assets:			
Nondepreciable assets	344,000	-	344,000
Depreciable assets, net	5,225,311	-	5,225,311
Total capital assets	5,569,311	-	5,569,311
Total noncurrent assets	5,569,311	-	5,569,311
Total assets	7,215,938	28,515	7,244,453
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	24,134	-	24,134
Total deferred outflows of resources	24,134	-	24,134

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

CITY OF GRAY, GEORGIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2015
(CONTINUED)

	Business-type Activities Enterprise Funds		
	Water and Sewer Fund	Nonmajor Sanitation Fund	Total
LIABILITIES			
Current liabilities:			
Accounts payable	$ 49,897	$ 12,411	$ 62,308
Accrued liabilities	14,351	-	14,351
Customer deposits payable	201,983	-	201,983
Accrued interest payable	1,339	-	1,339
Compensated absences	11,380	-	11,380
Due to other funds	30,183	-	30,183
Notes payable - current	50,568	-	50,568
Revenue bonds payable - current	100,000	-	100,000
Total current liabilities	459,701	12,411	472,112
Noncurrent liabilities:			
Revenue bonds payable	490,000	-	490,000
Notes payable	752,682	-	752,682
Net pension liability	130,092	-	130,092
Total noncurrent liabilities	1,372,774	-	1,372,774
Total liabilities	1,832,475	12,411	1,844,886
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	3,963	-	3,963
Total deferred inflows of resources	3,963	-	3,963
NET POSITION			
Net investment in capital assets	4,176,061	-	4,176,061
Restricted:			
Restricted for debt service	245,252	-	245,252
Unrestricted	982,321	16,104	998,425
Total net position	$ 5,403,634	$ 16,104	$ 5,419,738

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

CITY OF GRAY, GEORGIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Business-type Activities Enterprise Funds		
		Nonmajor	
	Water and Sewer Fund	Sanitation Fund	Total
Operating Revenues:			
Charges for sales and services:			
Water sales	$ 911,465	$ -	$ 911,465
Sewerage fees	718,553	-	718,553
Garbage fees	-	148,487	148,487
Connection fees	134,685	-	134,685
Penalties and other fees	34,545	-	34,545
Miscellaneous	3,686	-	3,686
Total operating revenues	1,802,934	148,487	1,951,421
Operating Expenses:			
Salaries	393,308	-	393,308
Employee benefits	55,261	-	55,261
Depreciation	317,831	-	317,831
Utilities	129,377	-	129,377
Maintenance and supplies	298,149	-	298,149
Insurance	142,080	-	142,080
Gas, oil, tires	9,948	-	9,948
Professional fees	15,076	-	15,076
Contracted services	-	148,591	148,591
Travel	9,306	-	9,306
Engineering fees	32,669	-	32,669
County water expense	293,610	-	293,610
Other operating expenses	44,921	-	44,921
Total Operating Expenses	1,741,536	148,591	1,890,127
Operating Income (Loss)	61,398	(104)	61,294
Non-Operating Revenues (Expenses):			
Interest revenue	3,190	-	3,190
Loss on disposal of property	(472,219)	-	(472,219)
Interest expense	(53,521)	-	(53,521)
Total Non-Operating Revenues (Expenses)	(522,550)	-	(522,550)
Net Income (Loss) before Contributions and Transfers	(461,152)	(104)	(461,256)
Capital contributions	43,700	-	43,700
Transfers in	83,904	-	83,904
Change in net position	(333,548)	(104)	(333,652)
Net position - beginning of year, restated	5,737,182	16,208	5,753,390
Net position - end of year	$ 5,403,634	$ 16,104	$ 5,419,738

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

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF GRAY, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Business-type Activities Enterprise Funds		
		Nonmajor	
	Water and	Sanitation	
Cash Flows from Operating Activities:	Sewer Fund	Fund	Total
Cash received from customers	$ 1,808,862	$ 148,315	$ 1,957,177
Cash paid to suppliers for good and services	(967,078)	(149,235)	(1,116,313)
Cash paid to employees	(446,047)	-	(446,047)
Net Cash Provided by (Used for) Operating Activities	395,737	(920)	394,817
Cash Flows from Noncapital Financing Activities:			
Transfer from General Fund	83,904	-	83,904
Net Cash Provided by (Used for) Noncapital Financing Activities	83,904	-	83,904
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of assets	(14,887)	-	(14,887)
Principal paid on revenue bonds	(100,000)	-	(100,000)
Principal paid on notes	(49,568)	-	(49,568)
Interest paid on revenue bonds	(53,603)	-	(53,603)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(218,058)	-	(218,058)
Cash Flows from Investing Activities:			
Interest received	3,376	-	3,376
Net Cash Provided by (Used for) Investing Activities	3,376	-	3,376
Net Increase (Decrease) in Cash and Cash Equivalents	264,959	(920)	264,039
Cash and Cash Equivalents - Beginning of Year	1,246,118	16,569	1,262,687
Cash and Cash Equivalents - End of Year	$ 1,511,077	$ 15,649	$ 1,526,726
Reconciliation of Cash Equivalents:			
Cash	$ 1,265,825	$ 15,649	$ 1,281,474
Restricted cash	245,252	-	245,252
Total Cash and Cash Equivalents	$ 1,511,077	$ 15,649	$ 1,526,726

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, 2015
(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)	$ 61,398	$ (104)	$ 61,294
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Depreciation	317,831	-	317,831
Changes in Assets and Liabilities:			
(Increase) decrease in accounts receivables	878	(172)	706
(Increase) decrease in due from other funds	-	(755)	(755)
(Increase) decrease in prepaids	2,500	-	2,500
(Increase) decrease in deferred outflows - pensions	(5,122)	-	(5,122)
Increase (decrease) in accounts payable	6,065	111	6,176
Increase (decrease) in accrued liabilities	4,764	-	4,764
Increase (decrease) in customer water deposits	5,050	-	5,050
Increase (decrease) in due to other funds	(507)	-	(507)
Increase (decrease) in compensated absences	2,265	-	2,265
Increase (decrease) in net pension liability	1,605	-	1,605
Increase (decrease) in deferred inflows - pensions	(990)	-	(990)
Total adjustments	334,339	(816)	333,523
Net Cash Provided by (Used for) Operating Activities	$ 395,737	$ (920)	$ 394,817
NONCASH CAPITAL FINANCING ACTIVITIES			
Contributions of capital assets from government	$ 43,700	$ -	$ 43,700

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

THIS PAGE INTENTIONALLY LEFT BLANK

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 Board (GASB) No. 61 "The Financial Reporting Entity: Omnibus, an amendment of GASB Statement No. 14 and 34," the City's relationships with other governments and agencies have been examined. The component unit column in the combined financial statements includes the financial data for the Downtown Development Authority, as of December 31, 2015. The financial information for the component unit is reported in columns separate from the City's financial information to emphasize that it is legally separate from the City.

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 is 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.

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, 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.

Capital Projects Fund – The 2015 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 are 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, 2015 and amount to $19,169.

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 assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period or periods and so will not be recognized as an outflow of resources (expense / expenditures) until then. The City has one item that qualifies for reporting in this category. The deferred outflow of resources related to the pension plans. This amount is deferred and will be recognized as a reduction of the net pension liability in future years.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items, which arises under a modified accrual basis of accounting that qualifies for reporting in this category. This first 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. The second is the deferred inflow of resources relative to the differences between expected and actual experience and the net difference between projected and actual earnings on the pension plan investments. This amount is deferred and will be recognized as a reduction of the net pension liability in future years.

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, 2015:

	General Fund	2009 SPLOST	2015 SPLOST	Nonmajor Governmental	Total
Fund Balances					
Restricted:					
Perpetual care	$ -	$ -	$ -	$ 97,333	$ 97,333
Law enforcement	-	-	-	7,657	7,657
Capital outlay	-	323,591	143,142	-	466,733
Assigned for:					
Law enforcement	19,787	-	-	-	19,787
Fire department	3,310	-	-	-	3,310
Capital outlay	-	-	-	82,637	82,637
Debt service	236,848	-	-	-	236,848
Unassigned	3,065,477	-	-	-	3,065,477
Total fund balances	$ 3,325,422	$ 323,591	$ 143,142	$ 187,627	$ 3,979,782

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, 2015, the City's total contribution was $75,865. 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, 2015, the City's total contribution was $44,258 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, 2015, the City's only investments were in certificates of deposit.

At December 31, 2015, the City's investments in certificates of deposit were as follows:

Investment	Maturity	Amount
Certificates of deposit - General Fund	1 - 6 months	$ 309,971
	7 - 12 months	162,203
	13 - 24 months	557,245
Certificates of deposit - Water and Sewer Fund	1 - 6 months	103,489
	7 - 12 months	90,407
	12 - 24 months	30,581
Certificates of deposit - Nonmajor Governmental Fund	6 - 12 months	93,497
		$ 1,347,393

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, 2015 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 5	December 1
Due Date and Collection Date	December 31, 2015	Staggered
Lien Date	May 1, 2016	N/A

NOTE 5 – OTHER RECEIVABLES

Receivables at December 31, 2015 consist of the following:

	General Fund	Water & Sewer Fund	Nonmajor Proprietary Fund	Nonmajor Governmental Funds	Total
Receivables:					
Taxes	$ 106,965	$ -	$ -	$ -	$ 106,965
Accounts	366	145,527	18,044	-	163,937
Accrued interest	674	180	-	64	918
Gross Receivables	108,005	145,707	18,044	64	271,820
Less: Allowances for Uncollectibles	(12,920)	(27,407)	(5,933)	-	(46,260)
Net Receivables	$ 95,085	$ 118,300	$ 12,111	$ 64	$ 225,560

NOTE 6 – DUE FROM OTHER GOVERNMENTS

The General Fund reflects $45,386 in Due from Other Governments, which represents vehicle taxes due from Jones County of $14,184 and local option sales tax (LOST) due from the State of $31,202.

The SPLOST 2015 Fund reflects $26,814 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, 2015, was as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Water and Sewer Fund	$ 29,428
Nonmajor Proprietary Fund	Water and Sewer Fund	755
Total		$ 30,183

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:

	Transfers In:	
Transfer out:	Water and Sewer Fund	Total
General Fund	$ 83,904	$ 83,904
Total	$ 83,904	$ 83,904

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, 2015, was as follows:

Primary Government

	Beginning Balance	Additions	Deductions	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 1,004,462	$ 39,001	$ -	$ 1,043,463
Total capital assets, not being depreciated	1,004,462	39,001	-	1,043,463
Capital assets, being depreciated:				
Infrastructure	2,175,540	-	-	2,175,540
Buildings	791,612	43,516	-	835,128
Equipment	435,258	8,580	-	443,838
Vehicles	918,037	33,390	-	951,427
Total capital assets, being depreciated	4,320,447	85,486	-	4,405,933
Less accumulated depreciation for:				
Infrastructure	(597,995)	(108,777)	-	(706,772)
Buildings	(194,503)	(16,265)	-	(210,768)
Equipment	(218,005)	(34,295)	-	(252,300)
Vehicles	(618,948)	(78,245)	-	(697,193)
Total accumulated depreciation	(1,629,451)	(237,582)	-	(1,867,033)
Total capital assets being depreciated, net	2,690,996	(152,096)	-	2,538,900
Governmental capital assets, net	$ 3,695,458	$ (113,095)	$ -	3,582,363
Less related long-term debt outstanding				(364,979)
Net investment in capital assets				$ 3,217,384

	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	512,220	4,150	(472,220)	(40,000)	4,150
Total capital assets, not being depreciated	852,070	4,150	(472,220)	(40,000)	344,000
Capital assets, being depreciated					
Sewer system	2,224,893	-	-	20,000	2,244,893
Water system	5,020,303	46,494	-	20,000	5,086,797
Wastewater treatment plant	2,605,152	12,168	-	-	2,617,320
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	10,492,725	58,662	-	40,000	10,591,387
Less accumulated depreciation for:					
Sewer system	(1,233,900)	(50,993)	-	-	(1,284,893)
Water system	(2,301,861)	(150,446)	-	-	(2,452,307)
Wastewater treatment plant	(1,153,864)	(74,585)	-	-	(1,228,449)
Building	(41,526)	-	-	-	(41,526)
Equipment	(147,650)	(19,990)	-	-	(167,640)
Storm drainage improvements	(21,247)	(6,891)	-	-	(28,138)
Vehicles	(148,197)	(14,926)	-	-	(163,123)
Total accumulated depreciation	(5,048,245)	(317,831)	-	-	(5,366,076)
Total capital assets, being depreciated, Net	5,444,480	(259,169)	-	40,000	5,225,311
Business-type activities capital assets, Net	$ 6,296,550	$ (255,019)	$ (472,220)	$ -	5,569,311
Less related long-term debt outstanding					(1,393,250)
Net investment in capital assets					$ 4,176,061

During 2015, City Council elected not to pursue the construction of a new Wastewater treatment facility. Therefore, the City reported a loss on disposal of assets of $472,220 during 2015.

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

Governmental activities	
General government	$ 2,897
Public safety	95,270
Public workks	139,415
Total	$ 237,582
Business-type activities	
Water & Sewer	$ 317,831
Total	$ 317,831

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 $66,363.

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

	Principal	Interest	Total
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
2020	25,221	12,550	37,771
2021-2025	145,147	43,710	188,857
2026-2028	104,602	8,713	113,315
Total	$ 364,979	$ 126,051	$ 491,030

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, 2015 is $590,000.

Cash requirements to maturity for this issue are as follows:

	Principal	Interest	Total
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	155,000	12,875	167,875
Total	$ 590,000	$ 109,000	$ 699,000

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
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	54,776	11,395	66,171
2021-2025	290,917	39,938	330,855
2026-2029	249,078	10,090	259,168
Total	$ 803,250	$ 117,628	$ 920,878

Restricted Assets

The balance of the restricted asset accounts in the Water & Sewer enterprise fund as of December 31, 2015 is $245,252.

C. Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2015, was as follows:

	Restated Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Capital lease-building	$ 385,002	$ -	$ (20,023)	$ 364,979	$ 20,968
Net pension liability	192,730	2,408	-	195,138	-
Compensated absences	18,838	24,758	(24,427)	19,169	19,169
Governmental activities Long-term liabilities	$ 596,570	$ 27,166	$ (44,450)	$ 579,286	$ 40,137
Business-type activities:					
Bonds payable:					
Revenue bonds-2005	$ 690,000	$ -	$ (100,000)	$ 590,000	$ 100,000
GEFA Loan payable	852,818	-	(49,568)	803,250	50,568
Net pension liability	128,487	1,605	-	130,092	-
Compensated absences	9,115	16,180	(13,915)	11,380	11,380
Business-type activities Long-term liabilities	$ 1,680,420	$ 17,785	$ (163,483)	$ 1,534,722	$ 161,948

For the governmental activities, compensated absences and net pension liability are generally liquidated by the general fund and for the business-type activities, compensated absences and net pension liability 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.

Benefits Provided

The GMEBS Plan provides retirement, disability and death benefits to plan members and beneficiaries. Effective January 1, 2015, the Plan was amended to provide for immediate

participation for employees. This change has no impact on service credited under the Plan and has no impact on benefits.

Contributions

The plan members are not required to contribute to the plan. The City is required to contribute at an actuarially determined rate; the current rate is 7.71% of annual covered payroll. The contribution requirements of the City are established and may be amended by the GMEBS Board of Trustees.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2015, the City reported a net pension liability. The net pension liability was measured as of March 31, 2015. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of July 1, 2015. An expected total pension liability as of December 31, 2014 was determined using standard roll-forward techniques.

For the year ended December 31, 2015, the City recognized pension expense relative to GMEBS in the amount of $75,338. At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to the Pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2,650	$ -
Changes of assumptions	1,180	-
Net difference between projected and actual earnings on pension plan investments	-	9,908
Employer contributions subsequent to the measurement date	56,504	-
	$ 60,334	$ 9,908

City contributions subsequent to the measurement date of March 31, 2015 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended December 31, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

Year ended December 31:	
2016	$ (1,711)
2017	(1,711)
2018	(1,711)
2019	(1,711)
2020	766
2021 and thereafter	-

Actuarial Assumptions: The total pension liability as of December 31, 2015 was determined by an actuarial valuation as of July 1, 2015 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increase	3.25%, plus service based merit increases
Investment rate of return	7.75%, On-going basis, based on long-term expected rate of return of pension plan investments

Mortality rates were based on the RP-2000 Combined Mortality Table with sex-distinct rates, set forward two years for males and one year for females, and the RP-2000 Disabled Mortality Table with sex-distinct rates.

The mortality and economic actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 to June 30, 2014.

Net Pension Liability:

Changes in the Net Pension Liability:	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2014	$ 959,087	$ 637,870	$ 321,217
Changes for the year:			
Service cost	43,993	-	43,993
Interest	73,019	-	73,019
Difference between expected and actual experience	3,180	-	3,180
Contributions - employer	-	61,770	(61,770)
Net investment income	-	62,637	(62,637)
Benefit payments	(33,821)	(33,821)	-
Administrative expense	-	(6,813)	6,813
Other	1,415	-	1,415
Net changes	87,786	83,773	4,013
Balance at December 31, 2015	$ 1,046,873	$ 721,643	$ 325,230

The City's net pension liability is recorded in the Government-Wide Statement of Net Position in the amounts of $195,138 and $130,092 respectively.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class

included in the pension plan's target asset allocation as of March 31, 2015 is summarized in the following table:

Asset class	Target allocation	Expected real rate of return	Nominal real rate of return
Domestic Equity	50%	5.95%	9.20%
International Equity	15%	6.45%	9.70%
Fixed Income	25%	1.55%	4.80%
Real estate	10%	3.75%	7.00%
Cash	0%		
Total	100%		

Discount Rate: The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount rate: The following presents the City's net pension liability calculated using the discount rate of 7.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current discount rate (7.75%)	1% Increase (8.75%)
Sensitivity of the Net Pension Liability to Changes in the Discount Rate	$ 501,161	$ 325,230	$ 182,090

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued GMEBS financial report which is publically available at www.gmanet.com.

NOTE 11 – SPECIAL FUNDING DEFINED BENEFIT PENSION PLAN

A. Peace Officers' Annuity and Benefit Fund of Georgia

The City's Deputies are covered by the State of Georgia Peace Officers' Annuity and Benefit Fund. The City makes no contribution to this plan. Contributions are collected by the City as the agent for this fund through its court systems. This plan is administered through the Peace Officers' Annuity and Benefit Fund of Georgia located at 1210 Greenbelt Parkway in Griffin, Georgia where separate financial statements may be obtained. This plan is considered immaterial to the City of Gray's financial statements.

B. Georgia Firefighters' Pension Fund

The City's Volunteer Firemen are eligible to participate in the Georgia Firefighters' Pension Fund, a voluntary pension system. The City makes no contributions to this plan. Contributions are made through monthly dues by eligible firefighters electing to participate in the plan and non-employer contributions which consist of insurance premium taxes collected and remitted by insurers directly to the pension fund in accordance with the law. The plan is administered by the Georgia Firefighters' Pension Fund located at 2171 Eastview Parkway NE in Conyers, Georgia where separate financial statements may be obtained. This plan is considered immaterial to the City of Gray's financial statements.

NOTE 12 – 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.

NOTE 13 – EVALUATION OF SUBSEQUENT EVENTS

The City has evaluated subsequent events through June 8, 2016, the date which the financial statements were available to be issued.

NOTE 14 – RESTATEMENT FOR NEW ACCOUNTING STANDARD

During 2015, the City implemented new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27, as well as Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68,* as of January 1, 2015.

The effect of this adjustment is as follows:

	Governmental Activities	Business-type Activities	Total Primary Government	Water and Sewer Fund
Net position December 31, 2014, as previously reported	$ 6,868,326	$ 5,867,818	$ 12,736,144	$ 5,851,610
Implementation of GASB 68 / 71 for pensions:				
Record net pension liability	(171,642)	(114,428)	(286,070)	(114,428)
Net position (Deficit) December 31, 2014 restated	$ 6,696,684	$ 5,753,390	$ 12,450,074	$ 5,737,182

THIS PAGE INTENTIONALLY LEFT BLANK

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GRAY, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2015

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS

Total pension liability	
Service cost	$ 43,993
Interest on total pension liability	73,019
Difference between expected and actual experience	3,180
Benefit payments, including refunds of employee contributions	(33,821)
Other	1,415
Net change in total pension liability	87,786
Total pension liability - beginning, January 1, 2015	959,087
Total pension liability - ending, December 31, 2015 (a)	$ 1,046,873
Plan fiduciary net position	
Contributions - employer	$ 61,770
Net investment income	62,637
Benefit payments, including refunds of member contributions	(33,821)
Administrative expenses	(6,813)
Net change in plan fiduciary net position	83,773
Plan fiduciary net position - beginning, January 1, 2015	637,870
Plan fiduciary net position - ending, December 31, 2015 (b)	$ 721,643
City's net pension liability (asset) - ending (a) - (b)	$ 325,230
Plan fiduciary net position as a percentage of the total pension liability	68.93%
Covered-employee payroll	973,479
Net pension liability as a percentage of covered-employee payroll	33.41%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

The accompanying notes to the required supplementary information are an integral part of this schedule

CITY OF GRAY, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2015

SCHEDULE OF CITY CONTRIBUTIONS

	2015
Actuarially determined contributions	$ 75,338
Contributions in relation to the actuarially determined contribution	75,338
Contribution deficiency (excess)	$ -
City's covered-employee payroll	$ 973,479
Contributions as a percentage of covered-employee payroll	7.74%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

The accompanying notes to the required supplementary information are an integral part of this schedule

Changes of assumptions:

As a result of the plan change to provide immediate participation for employees, for the fiscal year ending 2016, the eligibility assumption has been changed from one year to immediate. The increase in the Plan's NPL is minimal and has been included in the differences between expected and actuarial experience.

As a result of the new administrative fee structure approved by the Board, the administrative expense assumption was updated for fiscal years beginning in 2016.

Amounts reported for the fiscal year ending in 2016, and later reflect the following assumption changes approved by the Board in December, 2014 based on the results of an actuarial experience study covering the period January 1, 2010 to June 30, 2014:

- The mortality table for disabled participants was changed to remove the two-year set-forward for males and the one-year set forward for females.
- The turnover rates were updated to introduce select rates for service less than five years and to reduce the ultimate rate by 15% and to assume no turnover on and after age 55. The select period rates were further constrained to not be less than the ultimate rates.
- The retirement rates were normal retirement is only available on or after age 65 were changed from the prior assumption of 100% at age 65 to the new assumption of 60% at age 65 to 69 and 100% at age 70. Where normal retirement is available prior to age 65, the rates were changed from the prior assumption of 100% at earliest unreduced age, but not below age 60, to the new assumption of 10% at ages 55 to 59, 20% at age 60, 25% at age 61, 35% at age 62, 40% at age 63, 45% at age 64, 50% at ages 65 to 69, and 100% at age 70.
- The inflation assumption was decreased from 3.50% to 3.25%.
- The salary increase assumption was changed from select period rates during the first five years of service, followed by age-related rates to an assumption based on new service-related rates. Under the prior assumption, the salary increases ranged from 4.00% to 11.00% and included an inflation assumption of 3.50%. Under the new assumption, the salary increases range from 3.75% to 8.00% and include an inflation assumption of 3.25%.

Benefit Changes

Effective January 1, 2015, the Plan was amended to provide for immediate participation for employees. This change has no impact on service credited under the Plan and has no impact on benefits.

Valuation date	The actuarially determined contribution rate was determined as of July 1, 2015, with an interest adjustment to the fiscal year. Contributions in relation to this actuarially determined contribution rate will be reported for the year ending December 31, 2016.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Projected Unit Credit
Amortization method	Closed level dollar for the 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 the end of the 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	3.25% plus service based merit increases
Cost of Living Adjustments	0.00%
Retirement Age	Ages 55-59 rate of 10%, age 60 rate of 20%, age 61 rate of 25%, age 62 rate of 35%, age 63 rate of 40%, age 64 rate of 45%, ages 65-69 rate of 50% and age 70 and over rate of 100%
Mortality	RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females RP-2000 Disabled Retiree Mortality Table with sex-distinct rates.

THIS PAGE INTENTIONALLY LEFT BLANK

SUPPLEMENTARY INFORMATION

THIS PAGE INTENTIONALLY LEFT BLANK

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 restricted 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.

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, 2015

	Special Revenue Law Enforcement Confiscation	Capital Projects Capital Improvements	Permanent Fund Perpetual Care	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	$ 7,657	$ 82,637	$ 3,772	$ 94,066
Certificates of deposit	-	-	93,497	93,497
Interest receivable	-	-	64	64
Total Assets	$ 7,657	$ 82,637	$ 97,333	$ 187,627
LIABILITIES				
Due to other funds	$ -	$ -	$ -	$ -
Total Liabilities	-	-	-	-
FUND BALANCES				
Restricted	7,657	-	97,333	104,990
Assigned	-	82,637	-	82,637
Total Fund Balances	7,657	82,637	97,333	187,627
Total Liabilities and Fund Balances	$ 7,657	$ 82,637	$ 97,333	$ 187,627

CITY OF GRAY, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Special Revenue Law Enforcement Confiscation	Capital Projects Capital Improvements	Permanent Fund Perpetual Care	Total Nonmajor Governmental Funds
REVENUES				
Investment earnings	$ -	$ -	$ 146	$ 146
Total Revenues	-	-	146	146
EXPENDITURES				
Current				
Culture and recreation	-	-	7,200	7,200
Capital outlay	-	17,500	-	17,500
Total Expenditures	-	17,500	7,200	24,700
Net change in fund balance	-	(17,500)	(7,054)	(24,554)
Fund balances - beginning of year	7,657	100,137	104,387	212,181
Fund balances - end of year	$ 7,657	$ 82,637	$ 97,333	$ 187,627

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, 2015

	Final Budget	Actual	Variance with Final Budget
REVENUES			
Fines and forfeitures	$ -	$ -	$ -
Total Revenues	-	-	-
EXPENDITURES			
Current			
Public safety	-	-	-
Total Expenditures	-	-	-
Net change in fund balance	-	-	-
Fund balance - beginning of year	7,657	7,657	-
Fund balance - end of year	$ 7,657	$ 7,657	$ -

CITY OF GRAY, GEORGIA

SCHEDULE OF PROJECTS CONSTRUCTED
WITH SPECIAL SALES TAX PROCEEDS
FOR THE YEAR ENDED DECEMBER 31, 2015

2009 SPLOST	Original Estimated Cost	Expenditures Prior Years	Current Year	Total
Water & sewer system Improvements	$ 1,688,000	$ 1,277,799	$ 85,221	$ 1,363,020
Police Vehicles	400,000	362,311	-	362,311
Street Improvements	250,000	178,137	47,839	225,976
Fire Equipment	200,000	67,468	6,702	74,170
Public Works Vehicles and Equipment	150,000	205,447	8,580	214,027
Total 2009 SPLOST	$ 2,688,000	$ 2,091,162	$ 148,342	$ 2,239,504

2015 SPLOST	Original Estimated Cost	Expenditures Prior Years	Current Year	Total
Water & sewer system Improvements	$ 1,318,800	$ -	$ 154	$ 154
Police Vehicles	362,250	-	-	-
Street Improvements	199,500	-	-	-
Fire Equipment, Vehicles, and Facilities	119,280	-	-	-
Public Works Vehicles and Equipment	100,170	-	-	-
Total 2015 SPLOST	$ 2,100,000	$ -	$ 154	$ 154

CITY OF GRAY, GEORGIA

BALANCE SHEET
COMPONENT UNIT-DOWNTOWN DEVELOPMENT AUTHORITY
DECEMBER 31, 2015

ASSETS		
Cash and cash equivalent	$	9,003
Total Assets	$	9,003
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	$	-
Total Liabilities		-
Fund Balances:		
Unassigned		9,003
Total Fund Balance		9,003
Total Liabilities and Fund Balance	$	9,003

CITY OF GRAY, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
COMPONENT UNIT-DOWNTOWN DEVELOPMENT AUTHORITY
FOR THE YEAR ENDED DECEMBER 31, 2015

Revenues:	
Intergovernmental	$ 10,000
Total Revenues	10,000
Expenditures:	
Current:	
Housing and development	45,107
Total Expenditures	45,107
Net change in fund balances	(35,107)
Fund Balance, beginning of year	44,110
Fund Balance, end of year	$ 9,003

THIS PAGE INTENTIONALLY LEFT BLANK

GOVERNMENTAL REPORTS

THIS PAGE INTENTIONALLY LEFT BLANK

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, 2015, and the related notes to the financial statements, and have issued our report thereon dated June 8, 2016.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. 2015-002 and 2015-003

1503 Bass Road
P.O. Box 6315 Macon, Georgia 31208-6315
Phone 478-742-3313 Fax 478-742-0316

Member of
American Institute of
Certified Public Accountants
www.clhp.com

468 South Houston Lake Road
Warner Robins, Georgia 31088
Phone 478-953-0125 Fax 478-953-0983

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. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency. 2015-001

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 8, 2016

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*:

2015-001 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 did not record accrued salaries at year end.

CONTEXT
Adjustments of $24,764 and $15,513 were necessary to record accrued salaries in the General Fund and Water & Sewer Fund.

EFFECT
The City's accounting records contained 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 City did not record accrued salaries at year end. The City will work to establish procedures to insure the proper accrual and classification of all liabilities during the fiscal period. This will include additional training to City personnel.

2015-002 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
During 2015, the City elected to abandon a waste water treatment facility that had been in construction in progress for a few years. Various capital asset transactions related to this decision had not been changed in the capital asset records at year-end. In addition, capital contributions from the 2009 SPLOST Fund were not recorded for the year-ended December 31, 2015.

CONTEXT
Material adjustments of $472,219 were required to remove the waste water treatment facility accumulated cost out of construction in progress at year-end. In addition, an audit adjustment of $43,700 was necessary to record capital contributions from the 2009 SPLOST Fund.

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.

VIEW OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
We agree that various capital asset transactions including capital contributions were unrecorded for the year ending December 31, 2015. 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.

COMPONENT UNIT – DOWNTOWN DEVELOPMENT AUTHORITY

2015-003 General Ledger Maintenance

CRITERIA
Timely and accurate financial reports are essential in order to perform analysis of the financial condition of the Authority, review data for accuracy and completeness, monitor compliance with budget appropriations, and to prepare annual financial statements.

CONDITION
During 2015, the Authority did not record their accounting transactions into an accounting system.

CONTEXT
Adjusting entries were required to record the 2015 accounting activity which included recording $43,516 of building renovations.

EFFECT
Management did not have complete and accurate interim financial reports prior to the audit.

CAUSE
The Authority lacked adequate accounting procedures to insure the proper recording of accounting transactions.

RECOMMENDATION
The Authority should establish procedures to record all transactions of the Authority in a timely manner into a general ledger accounting system.

VIEW OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
We agree that the Downtown Development Authority did not record their transactions into an accounting system. The City will work with the Authority to establish procedures to record all transactions into a general ledger accounting system.

(THIS PAGE INTENTIONALLY LEFT BLANK)