CITY OF MCRAE, GEORGIA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2014

HILLIARD & MILTON, LLC
Certified Public Accountants
Certified Internal Auditors
Certified Government Auditing Professionals

CITY OF MCRAE, GEORGIA
FINANCIAL STATEMENTS

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I. FINANCIAL SECTION

- **INDEPENDENT AUDITOR'S REPORT**
- **BASIC FINANCIAL STATEMENTS**

HILLIARD & MILTON, LLC
A Professional Services Firm of:
Certified Public Accountants
Certified Government Auditing Professionals
Certified Internal Auditors

Partners:
David Hilliard, CPA
Chris Milton, CPA, CIA, CGAP

18 S. Third Ave.
McRae, GA 31055

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Council
City of McRae, Georgia

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of McRae, Georgia, as of and for the year ended December 31, 2014, which collectively comprise the City's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

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

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards 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.

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, each major fund, and the aggregate remaining fund information of the City of McRae, Georgia as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters
Required Supplementary Information

Management has omitted the Management's Discussion and Analysis for the year ended December 31, 2014 that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statement in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the schedule of funding progress on page 35 and the budgetary comparison information on pages 36-37 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 or economic 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 McRae, Georgia's financial statements as a whole. The combining and individual fund financial statements and schedules and supplementary schedules are presented for purposes of additional analysis and are not a required part of the financial statements. These statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

In the conduct of our audit, we verified and tested expenditures of each project constructed or under construction, which were identified in the resolution or ordinance calling for imposition of the special sales and use tax authorized by OCGA, Section 48-8-110. The accompanying Schedule of Special Purpose Local Option Sales Tax on page 41 lists each project and contains the information required by OCGA, Section 48-8-121. In our opinion this Schedule presents fairly the original estimated cost of each project, expenditures incurred and the estimated percentage of completion of each project through December 31, 2014 and in our opinion, are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2015, on our consideration of the City of McRae, Georgia's internal control structure over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants 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* and should be considered in assessing the results of our audit.

Hilliard & Milton, LLC

McRae, Georgia
March 6, 2015

CITY OF MCRAE, GEORGIA
STATEMENT OF NET POSITION
DECEMBER 31, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	$ 2,026,284	$ 557,576	$ 2,583,860
Restricted assets - cash	17,556	-	17,556
Taxes receivable -			
net of uncollectible accounts	141,507	-	141,507
Mortgage receivable	107,635	-	107,635
Other receivables	786,767	81,293	868,060
Internal balances	374,695	(374,695)	-
Prepaids	23,249	5,051	28,300
Other assets	4,514	-	4,514
Capital assets:			
Nondepreciable	-	688,826	688,826
Depreciable, net	3,000,393	6,484,953	9,485,346
Total assets	6,482,600	7,443,004	13,925,604
LIABILITIES			
Accounts payable	9,932	-	9,932
Other accrued liabilities	6,200	20,138	26,338
Noncurrent liabilities:			
Due within one year -			
Notes payable	84,887	180,804	265,691
Due in more than one year -			
Notes payable	1,593,698	1,914,491	3,508,189
Total liabilities	1,694,717	2,115,433	3,810,150
NET POSITION			
Net investment in capital assets	1,321,808	5,078,484	6,400,292
Restricted for -			
Capital projects	563,406	-	563,406
Unrestricted	2,902,669	249,087	3,151,756
Total net position	$ 4,787,883	$ 5,327,571	$ 10,115,454

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

CITY OF MCRAE, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions
Primary government:			
Governmental activities:			
General government	$ 498,532	$ 326,067	$ -
Public safety	1,294,201	13,497	-
Public works	1,112,271	296,835	-
Health and welfare	8,180	-	-
Culture and recreation	36,932	-	-
Housing and development	14,733	3,492	-
Interest	53,858	-	-
Total governmental activities	3,018,707	639,891	-
Business-type activities -			
Water and sewer	1,180,285	1,112,130	-
Total business-type activities	1,180,285	1,112,130	-
Total primary government	$ 4,198,992	$ 1,752,021	$ -
General revenues:			
Property taxes			
Franchise taxes			
Local option sales taxes			
Hotel Motel tax			
Alcoholic beverage taxes			
Insurance premium taxes			
Interest income			
Miscellaneous			
Transfers			
Total general revenues and transfers			
Change in net position			
Net position - beginning			
Net position - ending			

Program Revenues	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
$ -	$ (172,465)	$ -	$ (172,465)
-	(1,280,704)	-	(1,280,704)
113,647	(701,789)	-	(701,789)
-	(8,180)	-	(8,180)
-	(36,932)	-	(36,932)
-	(11,241)	-	(11,241)
-	(53,858)	-	(53,858)
113,647	(2,265,169)	-	(2,265,169)
-	-	(68,155)	(68,155)
-	-	(68,155)	(68,155)
$ 113,647	(2,265,169)	(68,155)	(2,333,324)
	966,884	-	966,884
	265,256	-	265,256
	384,752	-	384,752
	12,334	-	12,334
	78,145	-	78,145
	305,055	-	305,055
	7,806	2,804	10,610
	362,114	21,148	383,262
	(165,303)	165,303	-
	2,217,043	189,255	2,406,298
	(48,126)	121,100	72,974
	4,836,009	5,206,471	10,042,480
	$ 4,787,883	$ 5,327,571	$ 10,115,454

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

CITY OF MCRAE, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 1,576,983	$ 449,301	$ 2,026,284
Restricted assets - cash	17,556	-	17,556
Taxes receivable - net of uncollectible accounts	141,507	-	141,507
Mortgage receivable	-	107,635	107,635
Other receivables	780,297	6,470	786,767
Due from other funds	374,695	-	374,695
Prepaids	23,249	-	23,249
Other assets	4,514	-	4,514
Total assets	$ 2,918,801	$ 563,406	$ 3,482,207
LIABILITIES			
Accounts payable	$ 9,932	$ -	$ 9,932
Other accrued liabilities	6,200	-	6,200
Total liabilities	16,132	-	16,132
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	43,284	-	43,284
Unavailable revenue - fines	752,822	-	752,822
Unavailable revenue - other	23,000	-	23,000
Total deferred inflows of resources	819,106	-	819,106
FUND BALANCES			
Nonspendable	23,249	-	23,249
Restricted			
Capital projects	-	410,774	410,774
Redevelopment	-	152,632	152,632
Assigned	600,000	-	600,000
Unassigned	1,460,314	-	1,460,314
Total fund balances	2,083,563	563,406	2,646,969
Total liabilities, deferred inflows of resources, and fund balances	$ 2,918,801	$ 563,406	$ 3,482,207

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

CITY OF MCRAE, GEORGIA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2014

Amounts reported for governmental activities in the statement of net position are different because:		
Total governmental fund balance (page 5)		$ 2,646,969
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.		
Cost of capital assets	$ 4,801,289	
Less accumulated depreciation	(1,800,896)	3,000,393
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.		819,106
Long-term liabilities, such as compensated absences and capital leases are not due and payable in the current period and, therefore, are not reported in the funds.		(1,678,585)
Net position of governmental activities (page 3)		$ 4,787,883

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

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

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	$ 2,058,518	$ 12,334	$ 2,070,852
Charges for services	351,823	-	351,823
Licenses and permits	39,808	-	39,808
Intergovernmental	6,864	113,647	120,511
Fines and forfeitures	142,676	-	142,676
Interest income	7,806	4,436	12,242
Other income	368,565	-	368,565
Total revenues	2,976,060	130,417	3,106,477
EXPENDITURES			
Current:			
General government	485,940	6,451	492,391
Public safety	1,157,863	-	1,157,863
Public works	986,719	-	986,719
Health and welfare	6,958	-	6,958
Culture and recreation	36,932	-	36,932
Housing and development	8,850	5,883	14,733
Debt service:			
Principal	86,502	-	86,502
Interest	53,858	-	53,858
Capital outlay:			
Public safety	104,920	-	104,920
Public works	510,822	136,929	647,751
Total expenditures	3,439,364	149,263	3,588,627
Excess of revenues over expenditures	(463,304)	(18,846)	(482,150)
OTHER FINANCING SOURCES (USES)			
Loan proceeds	56,773	-	56,773
Capital lease proceeds	139,092	-	139,092
Transfer in (out)	12,714	(178,017)	(165,303)
Total other financing sources (uses)	208,579	(178,017)	30,562
Net change in fund balances	(254,725)	(196,863)	(451,588)
Fund balances, beginning	2,338,288	760,269	3,098,557
Fund balances, ending	$ 2,083,563	$ 563,406	$ 2,646,969

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

CITY OF MCRAE, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

Amounts reported for governmental activities in the statement of activities (page 4) are different because:		
Net change in fund balances - total governmental funds (page 7)		$ (451,588)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	$ 752,671	
Depreciation expense	(275,704)	476,967
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Unavailable revenue at December 31, 2014	$ 819,106	
Unavailable revenue at December 31, 2013	(783,248)	35,858
The issuance of long-term debt (e.g. bonds, leases), provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Loan proceeds	$ (56,773)	
Capital lease proceeds	(139,092)	
Repayments of long-term debt	86,502	(109,363)
Change in net position of governmental activities (page 4)		$ (48,126)

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

CITY OF MCRAE, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2014

	Business-Type Activity - Enterprise Fund
	Water and Sewer
ASSETS	
Current assets:	
Cash	$ 557,576
Accounts receivable, net	81,293
Prepaids	5,051
Total current assets	643,920
Noncurrent assets -	
Capital assets:	
Land, nondepreciable	519,656
Construction in progress, nondepreciable	169,170
Buildings and plant, depreciable	11,015,186
Machinery and equipment, depreciable	464,924
Less - accumulated depreciation	(4,995,157)
Capital assets, net	7,173,779
Total assets	7,817,699
LIABILITIES	
Current liabilities:	
Other accrued liabilities	20,138
Due to other funds	374,695
Current portion of long-term debt	180,804
Total current liabilities	575,637
Long-term liabilities -	
Long-term debt	1,914,491
Total liabilities	2,490,128
NET POSITION	
Net investment in capital assets	5,078,484
Unrestricted	249,087
Total net position	$ 5,327,571

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

CITY OF MCRAE, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2014

	Business-Type Activity - Enterprise Fund
	Water and Sewer
OPERATING REVENUES	
Sewerage charges	$ 542,287
Water charges	554,174
Late fees	9,319
Cut on fees	6,350
Other revenue	21,148
Total operating revenues	1,133,278
OPERATING EXPENSES	
Personnel services	322,782
Employee benefits	108,188
Repairs and maintenance	27,011
Depreciation	286,972
Supplies and materials	69,782
Professional fees	32,692
Utilities	203,528
Other operating	19,181
Rent	4,162
Insurance	14,937
Total operating expenses	1,089,235
Operating income	44,043
NON-OPERATING REVENUES (EXPENSES)	
Investment income	2,804
Interest expense	(91,050)
Total non-operating revenues, net	(88,246)
Income (loss) before transfers	(44,203)
Transfer in	165,303
Change in net position	121,100
Net position, beginning	5,206,471
Net position, ending	$ 5,327,571

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

CITY OF MCRAE, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
DECEMBER 31, 2014

	Business-Type Activity - Enterprise Fund Water and Sewer
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$ 1,140,917
Cash paid to suppliers for goods and services	(484,258)
Cash paid to employees for services	(322,782)
Net cash provided by operating activities	333,877
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Transfer in from CDBG capital projects fund	165,303
Acquisition and construction of capital assets	(370,032)
Principal paid on long-term debt	(173,402)
Interest and fees paid on long-term debt	(92,639)
Net cash used for capital and related financing activities	(470,770)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income on investments	2,804
Net cash provided by investing activities	2,804
Net decrease in cash	(134,089)
Cash, beginning	691,665
Cash, ending	$ 557,576
Classifed as:	
Current assets	$ 557,576
Restricted assets	-
	$ 557,576
Reconciliation of income from operations to net cash provided by operating activities:	
Income from operations	$ 44,043
Depreciation	286,972
Change in accounts payable	(4,777)
Change in accounts receivable	7,639
Net cash provided by operating activities	$ 333,877

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support.

B. Reporting Entity

The City of McRae, Georgia (City) operates under a mayor-council form of government and provides the following services as authorized by its charter; general administration services, public safety (police and fire), public works, health and welfare, culture and recreation, and housing and development. The City also operates a public utility (water and sewer) for the incorporated and the immediate surrounding areas.

In evaluating the City as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the City may be financially accountable and, as such, should be included within the City's financial statements. The City (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the City. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The City has no potential component units that should be considered for inclusion in the reporting entity.

C. Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise fund. Separate financial statements are provided for governmental funds and proprietary funds.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the City's funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City reports the following non-major governmental fund:

SPLOST Capital Projects Fund accounts for 1% sales tax proceeds required to be used for capital outlay for infrastructure enhancement purposes as authorized by local referendum.

Transportation SPLOST accounts for the 1% regional sales tax proceeds received as part of the Transportation Investment Act to be used for capital outlay for highway and street enhancement purposes.

CDBG Revolving Loan Fund accounts for CDBG Redevelopment Funds received as part of the City's efforts to leverage investments in commercial, downtown and industrial redevelopment and revitalization projects.

Hotel Motel Tax Fund accounts for the revenues and expenditures related to the 5% hotel/motel tax levied by the City. This 5% tax provides funds for the promotion of tourism as provided by O.C.G.A. 48-13-51.

The City reports the following major proprietary fund:

Water and Sewer Fund was established for the control of the operating revenue and expenses of the water distribution system and sewerage processing plants.

During the course of operations the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources.* The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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 for 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.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and 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 government 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 payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the City.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented on the page following the statement which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental column of the government-wide presentation.

The proprietary fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

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

State statutes authorize the City to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and obligations of the other political subdivisions of the State of Georgia.

Investments are reflected following the guidance for investment valuations provided by GASB Statement No. 31 *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Investments in non-negotiable certificates of deposit are stated using a cost-based measure.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2. ***Restricted assets*** – are set aside and classified as restricted on the balance sheet because their use is limited by applicable ordinances. If an expense is incurred for purposes for which both restricted and unrestricted net position are available, restricted assets will be applied first with any unrestricted assets used if necessary.

   As of December 31, 2014, the restricted assets of the City consisted of:

General fund – restricted cash	$ 17,556

3. ***Short-term Interfund Receivables/Payables*** - During the course of operations, numerous transactions may occur between individual funds for goods provided or services rendered. The purpose of the interfund balances is to account for those transactions that have not been settled as of the financial statement date. These receivables and payables are classified as "due from other funds" or "due to other funds" on the respective fund's balance sheet and as internal balances on the statement of net position. All interfund balances shown are expected to be settled within one year.

4. ***Accounts Receivable and Taxes Receivable*** - Accounts receivable and taxes receivable, are shown net of an allowance for uncollectible accounts. The allowance for general government accounts receivable is derived from the age of the individual receivable with age categories ranging from 30 days past due to five years past due, and applicable uncollectible percentages ranging from 3% to 100% of the accounts receivable in that category.

   Utility service accounts receivable reported in the enterprise fund is reported net of an allowance for uncollectible amounts. The uncollectible amounts are based on collection experience and a review of the status of existing receivables.

5. ***Prepaid Items*** - Payments made to vendors for services that will benefit periods beyond December 31, 2014 are recorded as prepaid items.

6. ***Inventories*** – On the government-wide financial statements, inventories, as applicable, are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used (i.e., the consumption method).

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

7. ***Capital Assets*** - Capital assets purchased or acquired are carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date donated. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized in the government-wide financial statements to the extent the City's capitalization threshold of $5,000 is met. Other costs incurred for repairs and maintenance are expensed as incurred. The City's infrastructure consists of roads, bridges and water and sewer lines.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Depreciation on capital assets is calculated on the straight-line basis over the estimated useful lives of the respective assets as follows:

• Buildings and plant	30 - 40 years
• Machinery and equipment	5 - 20 years
• Infrastructure	15 - 25 years

8. Compensated Absences - It is the City's policy to permit employees to accumulate earned but unused vacation that will be paid to employees at the end of the year. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City.

9. 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(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The City has no item that qualifies for reporting in this category.

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 only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue,* is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues primarily from two sources: property taxes and fines and forfeitures. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

10. Fund Equity:

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

Fund Balance - Generally, fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

- **Committed -** fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through the adoption of a resolution. The City Council also may modify or rescind the commitment.

- **Assigned** - fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purpose, but are neither restricted nor committed. Through resolution, the City Council has authorized the City Clerk to assign fund balances.

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

11. Net position flow assumption

Sometimes the City 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 City's policy to consider restricted – net position to have been depleted before unrestricted - net position is applied.

12. Fund balance flow assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

13. 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 period. Actual results could differ from those estimates.

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as 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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. The City levied the 2014 taxes of 9.829 mills on October 20, 2014 payable on December 20, 2014. City property tax revenues are recognized when received unless collection is made within 60 days of year-end, in which case the subsequent collections are recognized at year-end.

Property taxes receivable are recorded in the General Fund. At year end, receivables represent delinquent taxes. Delinquent taxes not paid within 60 days of year end are recorded as unavailable revenue.

3. Proprietary Funds Operating and Nonoperating Revenues and Expenses

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

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budget Policy and Budgetary Data

Budget Policy

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except capital project funds, which adopt a project-length budget. The budget resolution reflects the total of each department's appropriation in each fund.

The governmental funds budgets are adopted on a basis consistent with GAAP. The budget is adopted on a departmental basis and is amended by the governing board on a periodic basis as required by changing conditions. The budgeted amounts shown represent the final amended budget. It has been restructured in order to conform to the structure of the actual data, which is presented in a form to provide the greatest economic meaning to the data. All appropriations lapse at the end of each fiscal year end.

Encumbrance accounting, under which purchase orders, contract and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not utilized by the City. Accordingly, encumbrances outstanding at year end are not reported as reservations of fund balances nor do they constitute expenditures or liabilities. General accepted accounting principles do not require encumbrance accounting.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

A summary of the City's deposits and investments at December 31, 2014 follows:

Account Balances	
Petty cash	$ 980
Demand deposits	1,629,873
Certificates of deposit	970,563
	$ 2,601,416

Ownership of Funds	
Primary Government	
Governmental funds -	
Cash and cash equivalents	$ 2,043,840
Proprietary funds -	
Cash and cash equivalents	557,576
Total reporting entity	$ 2,601,416

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

Custodial Credit Risk is the risk that in the event of a bank failure, the City's deposits (in excess of FDIC insurance) may not be returned to us.

***Deposits**:*

The City's deposits at year-end were entirely covered by federal depository insurance or by collateral held by the City's custodial banks in the City's name.

Investments:

Interest Rate Risk is the risk that changes in interest rates will adversely affect the value of an investment. 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.

Credit Risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The City has no investment policy that would further limit its investment choices from those authorized and listed in Note I. F.

B. Receivables

Receivables at December 31, 2014, consisted of taxes, accounts (billings for user charges), and intergovernmental receivables arising from services provided.

	Receivable	Allowance	Net
General Fund:			
Taxes receivable	$ 152,507	$ (11,000)	$ 141,507
Customers	786,297	(6,000)	780,297
Transportation SPLOST -			
Other	6,470	-	6,470
CDBG Revolving Loan Fund -			
Mortgage	107,635	-	107,635
Total governmental activities	1,052,909	(17,000)	1,035,909
Water and Sewer -			
Customers	105,293	(24,000)	81,293
Total business-type activities	105,293	(24,000)	81,293
Total	$ 1,158,202	$ (41,000)	$ 1,117,202

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

During 2010, the City loaned to a private for-profit entity $138,449 from the CDBG Revolving Loan Fund for the purpose of acquiring and restoring a building to be used as a medical facility. The loan is to be paid back to the City of McRae, Georgia in monthly installments of $956 beginning March 1, 2011 and continuing through March 1, 2026. The note bears an interest rate of 3.0%.

C. Interfund Receivables and Payables

A summary of individual interfund receivable and payable balances at December 31, 2014 follows:

	Payable to:
Payable from:	General Fund
Water and Sewer fund	$ 374,695

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. These amounts also include balances of working capital loans made between funds which the City expects to collect in subsequent years.

The amounts payable to the general fund relate to working capital loans made to the water and sewer fund.

D. Transfers

A summary of fund transfers for the year ended December 31, 2014 follows:

	Transfer in:		
Transfer out:	General Fund	Water and Sewer Fund	Total
Water and Sewer Fund	$ 12,714	$ -	$ (12,714)
SPLOST	-	178,017	178,017
	$ 12,714	$ 178,017	$ 165,303

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; to move unrestricted revenues collected in the funds to finance various programs accounted for in other fund in accordance with budgetary authorizations; and to segregate money for anticipated capital projects.

The voter referendum which created the SPLOST Fund authorized a portion of the SPLOST proceeds to be used for water and sewer improvements. From time to time, such expenditures of the SPLOST Fund for water and sewer improvements are reported as a transfer out of the SPLOST Fund to the Water and Sewer Fund. Therefore, the water and sewer improvements are reported in the Water and Sewer Fund.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

E. Capital Assets

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

Governmental Activities:	Balance 12/31/2013	Additions	Retirements	Balance 12/31/2014
Capital assets, not being depreciated -				
Construction in progress	$ 987,026	$ -	$ (987,026)	$ -
Total capital assets not being depreciated	987,026	-	(987,026)	-
Capital assets, being depreciated:				
Buildings and improvements	872,492	12,000	987,026	1,871,518
Machinery and equipment	1,742,367	238,311	(1,050)	1,979,628
Infrastructure	447,783	502,360	-	950,143
Total capital assets being depreciated	3,062,642	752,671	985,976	4,801,289
Less accumulated depreciation for:				
Buildings and improvements	405,537	49,835	-	455,372
Machinery and equipment	1,086,119	183,450	(1,050)	1,268,519
Infrastructure	34,586	42,419	-	77,005
Total accumulated depreciation	1,526,242	275,704	(1,050)	1,800,896
Total capital assets, being depreciated, net	1,536,400	476,967	987,026	3,000,393
Governmental activities capital assets, net	$ 2,523,426	$ 476,967	$ -	$ 3,000,393
Business-type Activities:				
Capital assets, not being depreciated -				
Land	$ 519,656	$ -	$ -	$ 519,656
Construction in progress	405,893	347,187	(583,910)	169,170
Total capital assets not being depreciated	925,549	347,187	(583,910)	688,826
Capital assets, being depreciated:				
Buildings and plant	10,431,276	-	583,910	11,015,186
Machinery and equipment	442,079	22,845	-	464,924
Total capital assets being depreciated	10,873,355	22,845	583,910	11,480,110
Less accumulated depreciation for:				
Buildings and improvements	4,377,506	260,483	-	4,637,989
Machinery and equipment	330,679	26,489	-	357,168
Total accumulated depreciation	4,708,185	286,972	-	4,995,157
Total capital assets, being depreciated, net	6,165,170	(264,127)	583,910	6,484,953
Business-type activities capital assets, net	$ 7,090,719	$ 83,060	$ -	$ 7,173,779

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

Depreciation expense was charged to functions / programs as follows:

Governmental Activities:	
General government and administration	$ 12,592
Public safety	136,339
Public works	125,551
Health and welfare	1,222
Total depreciation expense - governmental activities	$ 275,704
Business-type Activities -	
Water and sewer	$ 286,972
Total depreciation expense - business-type activities	$ 286,972

F. Long-term Obligations

The following is a summary of changes in long-term obligations of the City for the year ended December 31, 2014:

	Beginning Balance	Additions	Payments/ Retirements	Ending Balance	Current Portion	Long-term Portion
Governmental activities:						
USDA note payable #1	$ 966,812	$ 56,773	$ (23,609)	$ 999,976	$ 22,757	$ 977,219
USDA note payable #2	311,254	-	(6,649)	304,605	6,877	297,728
USDA note payable #3	11,897	-	(2,824)	9,073	2,922	6,151
USDA note payable #4	36,607	-	(8,687)	27,920	8,991	18,929
USDA note payable #5	242,652	-	(21,232)	221,420	21,680	199,740
Capital Lease	-	139,092	(23,501)	115,591	21,659	93,932
Governmental activities - long-term liabilities	$ 1,569,222	$ 195,865	$ (86,502)	$ 1,678,585	$ 84,887	$ 1,593,698
Business-type activities:						
GEFA note 99-L95WJA	1,670,086	-	(106,717)	1,563,369	111,245	1,452,124
GEFA note 99-L95WJA	598,611	-	(66,685)	531,926	69,559	462,367
Business-type Activities - long-term liabilities	$ 2,268,697	$ -	$ (173,402)	$ 2,095,295	$ 180,804	$ 1,914,491

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

USDA Note Payable #1

During fiscal year 2012 the City obtained a loan from the U.S. Department of Agriculture (USDA) for the purpose of purchasing and renovating a building for use by the public safety departments in the amount of $1,037,500. As of December 31, 2013, $980,727 of the available loan has been disbursed to the City. The loan calls for an interest only payment due May 21, 2013 followed by monthly installments of $4,680 beginning June 21, 2013 at 3.375% per annum. The final payment is scheduled for May 21, 2042.

The annual requirements to amortize the remaining balance as of December 31, 2014, including interest payments are as follows:

Year Ending December 31,	Principal	Interest	Total Payment
2015	$ 22,757	$ 33,403	$ 56,160
2016	23,538	32,622	56,160
2017	24,344	31,816	56,160
2018	25,179	30,981	56,160
2019	26,042	30,118	56,160
2020-2024	144,227	136,573	280,800
2025-2029	170,699	110,101	280,800
2030-2034	202,028	78,772	280,800
2035-2039	239,111	41,689	280,800
2040-2042	122,051	4,213	126,264
	$ 999,976	$ 530,288	$ 1,530,264

USDA Note Payable #2

During fiscal year 2012 the City obtained a loan from the U.S. Department of Agriculture (USDA) for the purpose of purchasing and renovating a building for use by the public safety departments in the amount of $315,000. The loan calls for an interest only payment due May 21, 2013 followed by monthly installments of $1,421 beginning June 21, 2013 at 3.375% per annum. The final payment is scheduled for May 21, 2042.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

The annual requirements to amortize the remaining balance as of December 31, 2014, including interest payments are as follows:

Year Ending December 31,	Principal	Interest	Total Payment
2015	$ 6,877	$ 10,174	$ 17,051
2016	7,084	9,967	17,051
2017	7,355	9,696	17,051
2018	7,608	9,443	17,051
2019	7,868	9,183	17,051
2020-2024	43,526	41,729	85,255
2025-2029	51,546	33,709	85,255
2030-2034	61,012	24,243	85,255
2035-2039	72,214	13,041	85,255
2040-2042	39,515	1,692	41,207
	$ 304,605	$ 162,877	$ 467,482

USDA Note Payable #3

During fiscal year 2012 the City obtained a loan from the U.S. Department of Agriculture (USDA) for the purpose of purchasing a police vehicle for use by the police department in the amount of $14,625. The loan calls for annual installments of $3,240 beginning September 28, 2013 at 3.5% per annum. The final payment is scheduled for September 28, 2017.

The annual requirements to amortize the remaining balance as of December 31, 2014, including interest payments are as follows:

Year Ending December 31,	Principal	Interest	Total Payment
2015	$ 2,922	$ 318	$ 3,240
2016	3,025	215	3,240
2017	3,126	109	3,235
	$ 9,073	$ 642	$ 9,715

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

USDA Note Payable #4

During fiscal year 2012 the City obtained a loan from the U.S. Department of Agriculture (USDA) for the purpose of purchasing a vehicle for use by the highways and streets department in the amount of $45,000. The loan calls for annual installments of $9,968 beginning September 28, 2013 at 3.5% per annum. The final payment is scheduled for September 28, 2017.

The annual requirements to amortize the remaining balance as of December 31, 2014, including interest payments are as follows:

Year Ending December 31,	Principal	Interest	Total Payment
2015	$ 8,991	$ 977	$ 9,968
2016	9,305	663	9,968
2017	9,624	337	9,961
	$ 27,920	$ 1,977	$ 29,897

USDA Note Payable #5

During fiscal year 2013 the City obtained a loan from the U.S. Department of Agriculture (USDA) for the purpose of purchasing a fire truck and equipment for use by the fire department in the amount of $244,400. The loan calls for monthly installments of $2,376 beginning December 13, 2013 at 3.125% per annum. The final payment is scheduled for November 13, 2023.

The annual requirements to amortize the remaining balance as of December 31, 2014, including interest payments are as follows:

Year Ending December 31,	Principal	Interest	Total Payment
2015	$ 21,680	$ 6,832	$ 28,512
2016	22,488	6,024	28,512
2017	23,296	5,216	28,512
2018	24,103	4,409	28,512
2019	24,911	3,601	28,512
2020-2023	104,942	6,730	111,672
	$ 221,420	$ 32,812	$ 254,232

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

Capital Lease

During fiscal year 2014 the City entered into a capital lease agreement with Santander Leasing, LLC for the purchase of a trailer mounted vacuum unit for use by the highways and streets department with an original amount of $139,092. The agreement calls for six annual payments of $25,427 beginning in December of 2014 and ending in December of 2019 at an interest rate of 3.26%. As of December 31, 2014 the net book value of this leased equipment was $120,878 and $18,214 was included in depreciation expense for the year. The annual requirements to amortize the remaining balance of $115,591 as of December 31, 2014, including interest payments of $11,547 are as follows:

Year Ending December 31,	Principal	Interest	Total Payment
2015	$ 21,659	$ 3,769	$ 25,428
2016	22,365	3,062	25,427
2017	23,095	2,333	25,428
2018	23,847	1,580	25,427
2019	24,625	803	25,428
Total	$ 115,591	$ 11,547	$ 127,138

Note Payable – GEFA #99-L95WJA

During fiscal year 2006 the City was awarded a loan from the Georgia Environmental Facilities Authority (GEFA) for the purpose of making water and wastewater system improvements in the amount of $2,362,423. The loan calls for quarterly installments of $43,757 beginning April 1, 2006 at 4.19% per annum. The final payment is scheduled for January 1, 2026.

The annual requirements to amortize the remaining balance as of December 31, 2014, including interest payments are as follows:

Year Ending December 31,	Principal	Interest	Total Payment
2015	$ 111,245	$ 63,784	$ 175,029
2016	115,980	59,050	175,030
2017	120,916	54,113	175,029
2018	126,062	48,968	175,030
2019	131,428	43,602	175,030
2020-2024	745,966	129,181	875,147
2025-2026	211,772	6,562	218,334
	$ 1,563,369	$ 405,260	$ 1,968,629

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

Note Payable – GEFA #99-L95WJ

During fiscal year 2002 the City was awarded a loan from the Georgia Environmental Facilities Authority (GEFA) for the purpose of making water and wastewater system improvements in the amount of $1,173,113. The loan calls for quarterly installments of $22,753 beginning February 1, 2003 at 4.24% per annum. The final payment is scheduled for August 1, 2021.

The annual requirements to amortize the remaining balance as of December 31, 2014, including interest payments are as follows:

Year Ending December 31,	Principal	Interest	Total Payment
2015	$ 69,559	$ 21,452	$ 91,011
2016	72,555	18,456	91,011
2017	75,682	15,329	91,011
2018	78,941	12,070	91,011
2019	82,342	8,669	91,011
2020-2021	152,847	6,424	159,271
	$ 531,926	$ 82,400	$ 614,326

G. Fund Equity

Fund Balances:

- ***Nonspendable*** – The following fund balances are nonspendable because they are allocated to:

General fund –	
Prepaids	$ 23,249

- ***Restricted*** – The following fund balances are restricted for:

Capital Projects Funds -	
SPLOST –	
used to account for capital projects financed with SPLOST	$ 347,522
Transportation SPLOST –	
used to account for capital projects financed with TSPLOST	63,252
Special Revenue Funds -	
CDBG Revolving Loan Fund –	
used to account for CDBG Redevelopment Funds received as part of the City's redevelopment and revitalization projects	152,632
	$ 563,406

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

- ***Assigned*** – The following fund balances are assigned to:

General fund –

to be used for capital outlay purposes of the City	$ 600,000

IV. OTHER INFORMATION

Net Position:

Net investment in capital assets reported on the government-wide statement of position as of December 31, 2014 are as follows:

	Governmental Activities	Business-Type Activities
Net investment in capital assets		
Cost of capital assets	$ 4,801,289	$ 12,168,936
Less accumulated depreciation	(1,800,896)	(4,995,157)
Book value	3,000,393	7,173,779
Less capital related debt	(1,678,585)	(2,095,295)
Net investment in capital assets	$ 1,321,808	$ 5,078,484

A. Risk Management

The City is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year ending December 31, 2014, the City was covered by general liability insurance through Trident Insurance Services. The City was also covered by worker's compensation insurance through Lion Insurance Company.

B. Contingencies and Other

Grant contingencies - The City has received Federal and state grant monies for specific purposes that are subject to review and audit by grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Based upon prior experience, City management believes such disallowances, if any, will not be significant.

Other contingencies and pending litigation - Certain claims, suits, and complaints arising in the ordinary course of operations have been filed or are pending against the City. In the opinion of the City's management, all such matters are adequately covered by insurance, or if not so covered are without merit or are of such kind, or involve such amounts, as would not have a significant effect on the financial position or results of operations of the City if disposed of unfavorably.

IV. OTHER INFORMATION

C. Joint Ventures

A joint venture is a legal entity or other organization that results from a contractual agreement and that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain (a) an ongoing financial interest or (b) an on-going financial responsibility. The City participates in the following joint venture:

Heart of Georgia Altamaha Regional Commission – Under Georgia law, the City, in conjunction with other cities and counties in the region, is a member of the Heart of Georgia Altamaha Regional Commission (RC) and is required to pay annual dues thereto. During its year ended December 31, 2014, the City paid $5,740 in such dues. 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 of 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:

Heart of Georgia Altamaha Regional Commission
5405 Oak Street
Eastman, Georgia 31023

D. Hotel Motel Lodging Tax

The City has levied a 5% hotel motel tax under the provisions of O.C.G.A. 48-13-51. The code section provides that the City shall expend for the purpose of promoting tourism, conventions, and trade shows a percentage of the total taxes collected under this code section which is not less than the percentage of such tax collections expended for such purposes during the immediately preceding fiscal year. During 2014, the City received $12,334 in hotel motel taxes. The City distributes 40% of the tax receipts to the Pioneer Arts and Historical Society of Telfair County, Georgia on a quarterly basis and expends the remaining 60% for general government purposes. For the year ended December 31, 2014, the City has complied with the expenditures requirements of code section 48-13-51.

E. Retiree Life Insurance Program

The City offers its retired employees $10,000 of term life insurance through the Georgia Municipal Association. The life insurance is a continuation of the insurance provided with health insurance for current employees. The benefit provisions and obligation to contribute are established by approval of the City. Once an active employee retires, the City begins to pay the premium to continue the life insurance for each retired employee. The only employee requirement for insurance coverage is to be a current City employee when retiring. The City has the right to establish and amend the benefit provisions of the plan. The current charges for each employee is $3.50 per month, per year and the City covered seven employees for twelve months during 2014 for a total payment of $294. An additional employee is covered but a waiver of premium is in force due to disability. The City expenses the payment within the department the former employee worked. The City has not adopted GASB Statement No. 45 relating to its OPEB as it is deemed immaterial to the financial statements taken as a whole.

IV. OTHER INFORMATION

F. Peace Officers' Annuity and Benefit Fund

The police officers are covered under a pension plan, which requires that a certain percentage of fines be remitted on a monthly basis to the pension plan before the payment of any costs or other claims.

G. Pension Plan

1. Plan Description

The City contributes to the Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer public employee retirement system that acts as an investment and administrative agent for cities and municipalities in Georgia. The City has the right to establish and amend the benefit provisions of the plan. These amendments become effective once approved by the Board of Trustees of GMEBS. The plan is a defined benefit plan.

All full-time employees of the City are eligible to participate after being employed for one year working at least 30 hours per week. Benefits fully vest after five (5) years of service. Employees who retire at or after age sixty-five (65) with five (5) years of credited service or after attainment of age fifty-five (55) with ten (10) years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to a percentage of their average monthly earnings as defined in the plan for each year of credit service. The system also provides death and disability benefits. GMEBS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Georgia Municipal Employees Benefit System, 201 Pryor Street-SW, Atlanta, Georgia 30303.

Current membership in the GMEBS is comprised of the following:

Group	July 1, 2014
Retirees and beneficiaries currently receiving benefits	31
Vested terminated employees	16
Active employees:	
Vested	27
Nonvested	11
Total membership in the plan	85

IV. OTHER INFORMATION

2. Funding Policy

The City is required to contribute based on actuarial funding policy. The annual recommended contribution is the sum of 1) the normal cost (including administrative expenses), 2) the closed level dollar amortization of the unfunded actuarial accrued liability (initial unfunded actuarial accrued liability over 30 years from 1981 and changes in the unfunded actuarial liability over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods from the end of the year during which such changes arise, and 3) interest on these amounts from the valuation date to the date contributions are paid. These amortization periods, if applicable, are closed for this plan year. The inflation rate assumption for the City of McRae, Georgia is assumed to be the same rate as the current year cost of living adjustments.

Plan provisions and contribution requirements are established by state statute and may be amended by the State. Employees are not required to contribute to the fund.

3. Annual Pension Cost

For 2014, the City's annual pension cost of $154,442, for GMEBS was equal to the City's required and actual contributions. The required contribution was determined as part of the July 1, 2014 actuarial valuation using the entry age normal actuarial cost method. The significant actuarial assumptions used to compute the actuarial accrued liability and the annual recommended contribution of the plan meet the Actuarial Standard of Practice No. 4, *Measuring Pension Obligations*, establishing generally accepted actuarial principles and practices.

The development of the recommended contribution follows:

	Year Beginning July 1, 2014
Total normal cost	$ 86,721
Administrative expenses	10,278
Expected employee contributions	-
Employer normal cost	96,999
Payment on unfunded/(surplus) actuarial accrued liability	51,785
Full funding credit	-
Recommended contribution	148,784
Adjustment to fiscal year	5,658
Total recommended contribution, adjusted for timing	$ 154,442
Recommended contribution as a percentage of expected payroll	11.32%

IV. OTHER INFORMATION

4. Basis of Valuation

Current valuation date -	July 1, 2014
Actuarial cost method -	Projected Unit Credit
Amortization method -	Closed level dollar for remaining unfunded liability
Remaining amortization period -	Remaining amortization period varies for the bases, with a net effective amortization period of 10 years
Asset valuation method -	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 20% of market value
Actuarial assumptions:	
Annual return on invested plan assets	7.75%
Projected annual salary increases	3.5% plus age and service based merit increases
Expected annual inflation	3.5%
Cost of living adjustment	0.0%

5. Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [b-a)/c]
7/1/2014	2,238,002	2,610,653	372,651	85.73%	1,341,366	27.78%

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

IV. OTHER INFORMATION

6. Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Actual City Contribution	Percentage of APC Contributed	Net Pension Obligation
12/31/2011	$ 119,095	$ 119,095	100.00%	$ -
12/31/2012	$ 112,740	$ 112,740	100.00%	$ -
12/31/2013	$ 140,522	$ 140,522	100.00%	$ -
12/31/2014	$ 154,442	$ 154,442	100.00%	$ -

H. Subsequent Event

Effective January 1, 2015, the City of McRae, Georgia merged with the City of Helena, Georgia. These cities ceased to exist as of January 1, 2015 and a new City, the City of McRae Helena, Georgia was formed. The City of McRae Helena, Georgia has adopted a calendar year for reporting purposes.

CITY OF MCRAE, GEORGIA

REQUIRED SUPPLEMENTARY INFROMATION
SCHEDULE OF FUNDING PROGRESS
GEORGIA MUNICIPAL EMPLOYEES BENEFIT SYSTEM

	Actuarial Valuation Date			
	7/1/2014	7/1/2013	7/1/2012	7/1/2011
Actuarial Accrued Liability (AAL) Entry Age (b)	$ 2,610,653	$ 2,481,569	$ 2,287,587	$ 2,237,672
Actuarial Value of Assets (a)	2,238,002	2,155,690	2,077,016	2,013,627
Unfunded AAL (funding excess) (UAAL) (b-a)	$ 372,651	$ 325,879	$ 210,571	$ 224,045
Funded Ratio (a/b)	85.73%	86.87%	90.80%	89.99%
Covered Payroll (c)	$ 1,341,366	$ 1,232,328	$ 1,131,882	$ 1,199,432
UAAL as a Percentage of Covered Payroll ((b-a)/c)	27.78%	26.44%	18.60%	18.68%

CITY OF MCRAE, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	Original Budget	Budget As Amended	Actual	Variance with Final Budget - Over (Under)
REVENUES				
Taxes	$ 2,048,900	$ 2,078,850	$ 2,058,518	$ (20,332)
Charges for services	322,825	328,975	351,823	22,848
Licenses and permits	30,200	39,300	39,808	508
Intergovernmental	2,500	7,000	6,864	(136)
Fines and forfeitures	201,180	215,800	142,676	(73,124)
Interest income	5,000	8,000	7,806	(194)
Other income	73,500	366,150	368,565	2,415
Total revenues	2,684,105	3,044,075	2,976,060	(68,015)
EXPENDITURES				
Current:				
General government:				
Legislative	50,985	36,931	35,056	(1,875)
Executive	137,584	139,365	132,717	(6,648)
Elections	3,603	-	-	-
General administration	237,977	256,395	249,298	(7,097)
Judicial	66,884	69,807	68,869	(938)
	497,033	502,498	485,940	(16,558)
Public safety:				
Public safety facility	66,427	81,652	80,292	(1,360)
JAG grant expenditures	-	-	-	-
Police	715,647	743,391	738,034	(5,357)
Fire	294,127	332,431	332,052	(379)
Other protection	8,111	7,900	7,485	(415)
	1,084,312	1,165,374	1,157,863	(7,511)
Public works:				
Public works administration	47,911	50,109	49,483	(626)
Highways and streets	494,153	422,705	422,669	(36)
Solid waste and recycling	485,131	497,366	496,346	(1,020)
Maintenance and shop	2,175	2,075	2,033	(42)
Cemetary	15,800	16,200	16,188	(12)
	1,045,170	988,455	986,719	(1,736)

See Independent Auditor's Report.

CITY OF MCRAE, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	Original Budget	Budget As Amended	Actual	Variance with Final Budget - Over (Under)
Health and welfare:				
Health	8,410	6,753	6,679	(74)
Community services	400	300	279	(21)
	8,810	7,053	6,958	(95)
Culture and recreation:				
Recreation	31,260	31,260	31,185	(75)
Library	6,000	5,750	5,747	(3)
	37,260	37,010	36,932	(78)
Housing and development:				
Protective inspection	4,163	4,358	4,321	(37)
Planning and zoning	350	750	714	(36)
Economic development and assistance	8,500	9,725	3,815	(5,910)
	13,013	14,833	8,850	(5,983)
Debt service:				
Principal	40,000	86,577	86,502	(75)
Interest	50,000	54,023	53,858	(165)
	90,000	140,600	140,360	(240)
Capital outlay:				
Public safety facility	-	-	-	-
Police	37,000	66,228	65,908	(320)
Fire	26,500	39,412	39,012	(400)
Highways and streets	151,000	518,892	510,822	(8,070)
	214,500	624,532	615,742	(8,790)
Total expenditures	2,990,098	3,480,355	3,439,364	(40,991)
Excess of revenues over expenditures	(305,993)	(436,280)	(463,304)	(27,024)
OTHER FINANCING SOURCES (USES)				
Loan proceeds	-	57,000	56,773	(227)
Capital lease proceeds	-	139,092	139,092	-
Transfer in (out)	-	12,714	12,714	-
Total other financing sources (uses)	-	208,806	208,579	(227)
Net change in fund balances	$ (305,993)	$ (227,474)	(254,725)	$ (27,251)
Fund balances, beginning			2,338,288	
Fund balances, ending			$ 2,083,563	

See Independent Auditor's Report.

1. Schedule of Funding Progress - Georgia Municipal Employee Benefit System

The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

2. Budgetary Policy

The budget is prepared by City management using generally accepted accounting principles. The budget is then adopted by ordinance of the City Council, as required by generally accepted accounting principles.

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

- The City Administrator may transfer funds from one object or purpose to another within the same department.
- The City council may amend the budget by motion during the fiscal year.

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

3. Excess of Expenditures Over Appropriations in Individual Funds

During the year ended December 31, 2014, no expenditures exceeded appropriations in any functions.

CITY OF MCRAE, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	Capital Projects		Special Revenue		Total
	SPLOST	Transportation SPLOST	CDBG Revolving Loan Fund	Hotel Motel Tax Fund	Nonmajor Governmental Funds
ASSETS					
Cash and cash equivalents	$ 347,522	$ 56,782	$ 44,997	$ -	$ 449,301
Other receivables	-	6,470	-	-	6,470
Mortgage receivable	-	-	107,635	-	107,635
Total assets	$ 347,522	$ 63,252	$ 152,632	$ -	$ 563,406
LIABILITIES	$ -	$ -	$ -	$ -	$ -
FUND BALANCES					
Restricted:					
Capital projects	347,522	63,252	-	-	410,774
Redevelopment	-	-	152,632	-	152,632
Tourism promotion	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	347,522	63,252	152,632	-	563,406
Total liabilities and fund balances	$ 347,522	$ 63,252	$ 152,632	$ -	$ 563,406

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

	Capital Projects		Special Revenue		Total
	SPLOST	Transportation SPLOST	CDBG Revolving Loan Fund	Hotel Motel Tax Fund	Nonmajor Governmental Funds
REVENUES					
Intergovernmental	$ 62,823	$ 50,824	$ -	$ -	$ 113,647
Taxes	-	-	-	12,334	12,334
Interest income	838	106	3,492	-	4,436
Total revenues	63,661	50,930	3,492	12,334	130,417
EXPENDITURES					
Current:					
General government	-	-	-	6,451	6,451
Housing and development	-	-	-	5,883	5,883
Capital outlay -					
Public works	103,754	33,175	-	-	136,929
Total expenditures	103,754	33,175	-	12,334	149,263
Excess of revenues over expenditures	(40,093)	17,755	3,492	-	(18,846)
OTHER FINANCING SOURCES (USES)					
Transfer in (out)	(178,017)	-	-	-	(178,017)
Total other financing sources (uses)	(178,017)	-	-	-	(178,017)
Net change in fund balances	(218,110)	17,755	3,492	-	(196,863)
Fund balances - beginning	565,632	45,497	149,140	-	760,269
Fund balances - ending	$ 347,522	$ 63,252	$ 152,632	$ -	$ 563,406

CITY OF MCRAE, GEORGIA
SCHEDULE OF EXPENDITURES OF
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
FOR THE YEAR ENDED DECEMBER 31, 2014

Project Description Per SPLOST Referendum	Original Estimated Cost	Expenditures			Estimated Percentage of Completion
		Prior Years	Current Year	Total	
2009 SPLOST:					
Streets	$ 303,200	$ -	$ 115,661	$ 115,661	38.15%
Downtown revitalization	303,200	130,220	(11,907)	118,313	39.02%
Water and sewer	303,200	89,610	178,017	267,627	88.27%
	$ 909,600	$ 219,830	$ 281,771	$ 501,601	
2014 SPLOST:					
Water and sewer	$ 463,868	$ -	$ -	$ -	0.00%
Roads, streets and bridges	309,244	-	-	-	0.00%
Downtown revitalization	309,244	-	-	-	0.00%
City buildings	309,244	-	-	-	0.00%
	$ 1,391,600	$ -	$ -	$ -	

See Independent Auditor's Report.

CITY OF MCRAE, GEORGIA
CDBG REVOLVING LOAN FUND
SCHEDULE OF PROGRAM LOANS
FOR THE YEAR ENDED DECEMBER 31, 2014

Grant No. 09rd-x-134-2-5208

Total CDBG grant award	$ 146,756
Prior year funds advanced	146,756
Current year funds advanced	-
Total grant funds advanced	146,756
Prior year program expenditures	146,756
Current year program expenditures	-
Total program expenditures	146,756
Funds available after expenditures	-
Prior years program income	10,691
Current year program income	3,492
Funds available for disposition / lending	$ 14,183

Program Activity and Related Projects:	Authorized Loans
Direct assistance to private for-profit entity:	
Direct loans to local business for creation of area jobs and building rehabilitation	$ 138,449
Prior years repayment of principal	(22,229)
Current year repayment of principal	(8,585)
Mortgage loan balance outstanding	$ 107,635

See Independent Auditor's Report.

II. REPORTS REQUIRED BY GOVERNMENTAL AUDITING STANDARDS

HILLIARD & MILTON, LLC
A Professional Services Firm of:
Certified Public Accountants
Certified Government Auditing Professionals
Certified Internal Auditors

Partners:
David Hilliard, CPA
Chris Milton, CPA, CIA, CGAP

18 S. Third Ave.
McRae, GA 31055

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor, City Council and Management
City of McRae, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of McRae, Georgia, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City of McRae, Georgia's basic financial statements, and have issued our report thereon dated March 6, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City McRae, Georgia '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 of McRae, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of McRae, Georgia's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2014-1 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of McRae, Georgia's financial statements are free from 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 is required to be reported under *Government Auditing Standards*.

City of McRae, Georgia's Response to Findings

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

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

Hilliard & Milton, LLC

McRae, Georgia

March 6, 2015

CITY OF MCRAE, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2014

Section I – Summary of Auditor's Results

Financial Statements:

Type of report issued on the financial statements -	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified not considered to be material weaknesses?	Yes
Noncompliance material to the financial statements noted?	No

Section II – Financial Statement Findings:

The following conditions were disclosed for the year ended December 31, 2014:

Audit Finding

2014-1 Lack of segregation of duties

The audit fieldwork disclosed that the City does not have adequate segregation of duties. It was noted that many of the day to day activities are performed by the same employees. This overlapping of duties presents a situation where unauthorized use of assets could occur and not be detected on a timely basis.

We recommend management continually exercise alert supervision of employees in order to protect the assets of the City

Management's Response:

We realize that with limited personnel adequate segregation of duties is not possible. Therefore, to mitigate this we exercise alert supervision over all employees.

COUNCILMEMBERS
Sarah J. Bowen
Fred Crawford
Charles Mathis
Vergilene McDonald
Martha Ann Mullis
David Neal

City of McRae

Chartered 1874

P.O. Box 157
McRae, Georgia 31055

JUNE D. BRADFIELD
Mayor

GRETA S. DAVIDSON
City Clerk/Administrator

CITY HALL
25 South First Avenue
(229) 868-6051
Fax: (229) 868-2747

March 6, 2015

Georgia Department of Audits and Accounts
Nonprofit and Local Government Audits Division
270 Washington Street, S.W., Room 1-156
Atlanta, Georgia 30334-8400

Dear Sir or Madam:

The following is the corrective action plan for the City of McRae, Georgia for the year ended December 31, 2014. We are in concurrence with the findings and/or recommendations noted in the report. With regards to:

Item 2014-1 – Inadequate Segregation of Duties:

We realize that with limited personnel adequate segregation of duties is not possible. Currently, there are not sufficient funds to hire additional personnel needed to obtain a proper segregation of duties in the City's operations. Due to the current circumstances, management exercises alert supervision over all employees in order to protect the assets of the City of McRae, Georgia.

Sincerely

Greta Davidson

Greta Davidson
City Clerk / Manager