CITY OF MCRAE-HELENA, GEORGIA

FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED

JUNE 30, 2015



HILLIARD & MILTON, LLC

Certified Public Accountants

Certified Internal Auditors

Certified Government Auditing Professionals

CITY OF MCRAE-HELENA, GEORGIA
FINANCIAL STATEMENTS

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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-Helena, GA 31055

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Council
City of McRae-Helena, 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-Helena, Georgia, as of and for the six months ended June 30, 2015, 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-Helena, Georgia as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the six months 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 six months ended June 30, 2015 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 schedules related to pensions on pages 41-42 and the budgetary comparison information on pages 43-44 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-Helena, 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 48 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 June 30, 2015 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 November 6, 2015, on our consideration of the City of McRae-Helena, 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-Helena, Georgia
November 6, 2015

CITY OF MCRAE-HELENA, GEORGIA
STATEMENT OF NET POSITION
JUNE 30, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	$ 2,829,838	$ 843,181	$ 3,673,019
Restricted assets - cash	22,665	-	22,665
Taxes receivable -			
net of uncollectible accounts	72,198	-	72,198
Mortgage receivable	115,768	-	115,768
Other receivables	562,230	206,655	768,885
Internal balances	374,695	(374,695)	-
Prepaids	63,358	15,142	78,500
Other assets	4,264	-	4,264
Capital assets:			
Nondepreciable	65,257	991,836	1,057,093
Depreciable, net	3,304,081	7,663,039	10,967,120
Total assets	7,414,354	9,345,158	16,759,512
DEFERRED OUTFLOWS OF RESOURCES	109,483	44,848	154,331
LIABILITIES			
Accounts payable	54,035	-	54,035
Other accrued liabilities	13,140	27,848	40,988
Noncurrent liabilities:			
Due within one year:			
Capital leases payable	41,800	-	41,800
Notes payable	71,584	225,612	297,196
Due in more than one year:			
Capital leases payable	93,932	-	93,932
Notes payable	1,487,829	2,316,428	3,804,257
Net pension liability	849,436	285,079	1,134,515
Total liabilities	2,611,756	2,854,967	5,466,723
DEFERRED INFLOWS OF RESOURCES	28,407	10,188	38,595
NET POSITION			
Net investment in capital assets	1,674,193	6,112,835	7,787,028
Restricted for - capital projects	964,604	-	964,604
Unrestricted	2,244,877	412,016	2,656,893
Total net position	$ 4,883,674	$ 6,524,851	$ 11,408,525

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

CITY OF MCRAE-HELENA, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE SIX MONTHS ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions
Primary government:			
Governmental activities:			
General government	$ 326,433	$ 139,536	$ -
Public safety	808,124	-	435
Public works	728,892	205,384	10,000
Health and welfare	8,369	-	-
Culture and recreation	42,788	-	-
Housing and development	5,088	-	-
Interest	27,438	-	-
Total governmental activities	1,947,132	344,920	10,435
Business-type activities -			
Water and sewer	867,969	774,828	-
Total business-type activities	867,969	774,828	-
Total primary government	$ 2,815,101	$ 1,119,748	$ 10,435
General revenues:			
Franchise taxes			
Local option sales taxes			
Hotel Motel tax			
Alcoholic beverage taxes			
Interest income			
Miscellaneous			
Gain on sale of capital assets			
Transfers			
Total general revenues and transfers			
Change in net position			
Net position - beginning			
Prior period adjustment - Implementation of GASB 68:			
Net pension liability (measurement date)			
Deferred outflows - City contributions			
Net position - beginning - restated			
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
$ -	$ (186,897)	$ -	$ (186,897)
-	(807,689)	-	(807,689)
405,103	(108,405)	-	(108,405)
-	(8,369)	-	(8,369)
-	(42,788)	-	(42,788)
-	(5,088)	-	(5,088)
-	(27,438)	-	(27,438)
405,103	(1,186,674)	-	(1,186,674)
-	-	(93,141)	(93,141)
-	-	(93,141)	(93,141)
$ 405,103	(1,186,674)	(93,141)	(1,279,815)
	322,823	-	322,823
	280,416	-	280,416
	6,048	-	6,048
	58,469	-	58,469
	5,262	1,605	6,867
	19,927	4,104	24,031
	49,698	-	49,698
	(415,390)	415,390	-
	327,253	421,099	748,352
	(859,421)	327,958	(531,463)
	6,503,268	6,446,124	12,949,392
	(792,441)	(265,913)	(1,058,354)
	32,268	16,682	48,950
	5,743,095	6,196,893	11,939,988
	$ 4,883,674	$ 6,524,851	$ 11,408,525

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

CITY OF MCRAE-HELENA, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General	SPLOST	CDBG Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 1,898,585	$ 732,982	$ 53,918	$ 144,353	$ 2,829,838
Restricted assets - cash	22,665	-	-	-	22,665
Taxes receivable -					
net of uncollectible accounts	72,198	-	-	-	72,198
Mortgage receivable	-	-	-	115,768	115,768
Other receivables	562,230	-	-	-	562,230
Due from other funds	374,695	-	-	2,350	377,045
Prepaids	63,358	-	-	-	63,358
Other assets	4,264	-	-	-	4,264
Total assets	$ 2,997,995	$ 732,982	$ 53,918	$ 262,471	$ 4,047,366
LIABILITIES					
Accounts payable	$ 54,035	$ -	$ -	$ -	$ 54,035
Due to other funds	2,350	-	-	-	2,350
Other accrued liabilities	13,140	-	-	-	13,140
Total liabilities	69,525	-	-	-	69,525
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	26,965	-	-	-	26,965
Unavailable revenue - fines	497,653	-	-	-	497,653
Unavailable revenue - other	-	-	-	-	-
Total deferred inflows of resources	524,618	-	-	-	524,618
FUND BALANCES					
Nonspendable	63,358	-	-	-	63,358
Restricted					
Capital projects	-	732,982	53,918	23,409	810,309
Redevelopment	-	-	-	154,295	154,295
Assigned	600,000	-	-	-	600,000
Unassigned	1,740,494	-	-	84,767	1,825,261
Total fund balances	2,403,852	732,982	53,918	262,471	3,453,223
Total liabilities, deferred inflows of resources, and fund balances	$ 2,997,995	$ 732,982	$ 53,918	$ 262,471	$ 4,047,366

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

CITY OF MCRAE-HELENA, GEORGIA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

Amounts reported for governmental activities in the statement of net position are different because:		
Total governmental fund balance (page 5)		$ 3,453,223
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.		
Cost of capital assets	$ 5,963,752	
Less accumulated depreciation	(2,594,414)	3,369,338
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.		524,618
Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds.		
Net pension liability		(849,436)
Deferred outlfow and inflows of resources related to pensions are appliable to future periods and, therefore, are not reported in the funds.		
Deferred outflow of employer contributions after the measurement date		41,335
Deferred outflows of resources related to pensions		68,148
Deferred inflows of resources related to pensions		(28,407)
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.		(1,695,145)
Net position of governmental activities (page 3)		$ 4,883,674

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

CITY OF MCRAE-HELENA, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE SIX MONTHS ENDED JUNE 30, 2015

	General	SPLOST	CDBG Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	$ 907,872	$ -	$ -	$ 6,048	$ 913,920
Charges for services	239,321	-	-	-	239,321
Licenses and permits	47,206	-	-	-	47,206
Intergovernmental	64,905	-	313,208	36,990	415,103
Fines and forfeitures	118,767	-	-	-	118,767
Interest income	5,262	747	-	1,744	7,753
Other income	33,864	-	-	-	33,864
Total revenues	1,417,197	747	313,208	44,782	1,775,934
EXPENDITURES					
Current:					
General government	317,160	-	-	4,884	322,044
Public safety	707,624	-	-	-	707,624
Public works	634,568	-	-	-	634,568
Health and welfare	7,734	-	-	-	7,734
Culture and recreation	42,788	-	-	-	42,788
Housing and development	3,924	-	-	1,164	5,088
Debt service:					
Principal	27,421	19,273	-	-	46,694
Interest	25,664	1,774	-	-	27,438
Capital outlay:					
General government	137,603	-	-	-	137,603
Public safety	23,840	-	-	-	23,840
Public works	48,883	25,473	-	43,672	118,028
Total expenditures	1,977,209	46,520	-	49,720	2,073,449
Excess of revenues over expenditures	(560,012)	(45,773)	313,208	(4,938)	(297,515)
OTHER FINANCING SOURCES (USES)					
Loan proceeds	23,840	-	-	-	23,840
Sale of general capital assets	81,556	-	-	-	81,556
Transfer in (out)	-	-	(415,390)	-	(415,390)
Total other financing sources (uses)	105,396	-	(415,390)	-	(309,994)
Net change in fund balances	(454,616)	(45,773)	(102,182)	(4,938)	(607,509)
Fund balances, beginning	2,858,468	778,755	156,100	267,409	4,060,732
Fund balances, ending	$ 2,403,852	$ 732,982	$ 53,918	$ 262,471	$ 3,453,223

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

CITY OF MCRAE-HELENA, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE SIX MONTHS ENDED JUNE 30, 2015

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)		$ (607,509)
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	$ 282,702	
Depreciation expense	(196,110)	86,592
In the statement of activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the the change in fund balance by the cost of the assets sold.		(35,089)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Unavailable revenue at June 30, 2015	$ 524,618	
Unavailable revenue at December 31, 2014	(842,700)	(318,082)
Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.		
Pension contributions	$ 138,600	
Cost of benefits earned net of employee contributions (pension expense)	(146,787)	(8,187)
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	$ (23,840)	
Capital lease proceeds	-	
Repayments of long-term debt	46,694	22,854
Change in net position of governmental activities (page 4)		$ (859,421)

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

CITY OF MCRAE-HELENA, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2015

	Business-Type Activity - Enterprise Fund
	Water and Sewer
ASSETS	
Current assets:	
Cash	$ 843,181
Accounts receivable, net	206,655
Prepaids	15,142
Total current assets	1,064,978
Noncurrent assets -	
Capital assets:	
Land, nondepreciable	525,656
Construction in progress, nondepreciable	466,180
Buildings and plant, depreciable	14,217,895
Machinery and equipment, depreciable	614,115
Less - accumulated depreciation	(7,168,971)
Capital assets, net	8,654,875
Total assets	9,719,853
DEFERRED OUTFLOWS OF RESOURCES	44,848
LIABILITIES	
Current liabilities:	
Other accrued liabilities	27,848
Due to other funds	374,695
Current portion of long-term debt	225,612
Total current liabilities	628,155
Long-term liabilities -	
Long-term debt	2,316,428
Net pension liability	285,079
Total liabilities	3,229,662
DEFERRED INFLOWS OF RESOURCES	10,188
NET POSITION	
Net investment in capital assets	6,112,835
Unrestricted	412,016
Total net position	$ 6,524,851

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

CITY OF MCRAE-HELENA, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
JUNE 30, 2015

	Business-Type Activity - Enterprise Fund
	Water and Sewer
OPERATING REVENUES	
Sewerage charges	$ 390,820
Water charges	373,164
Late fees	5,294
Cut on fees	5,550
Other revenue	4,104
Total operating revenues	778,932
OPERATING EXPENSES	
Personnel services	190,757
Employee benefits	77,800
Repairs and maintenance	20,996
Depreciation	244,356
Supplies and materials	34,759
Professional fees	81,457
Utilities	122,905
Other operating	19,859
Rent	1,458
Insurance	18,819
Total operating expenses	813,166
Operating income	(34,234)
NON-OPERATING REVENUES (EXPENSES)	
Investment income	1,605
Interest expense	(54,803)
Total non-operating revenues, net	(53,198)
Income (loss) before transfers	(87,432)
Transfer in	415,390
Change in net position	327,958
Net position, beginning	6,446,124
Prior period adjustment - Implementation of GASB 68:	
Net pension liability (measurement date)	(265,913)
Deferred outflows - City contributions	16,682
Net position as restated, January 1, 2015	6,196,893
Net position, ending	$ 6,524,851

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

CITY OF MCRAE-HELENA, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
JUNE 30, 2015

	Business-Type Activity - Enterprise Fund
	Water and Sewer
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$ 718,838
Cash paid to suppliers for goods and services	(388,144)
Cash paid to employees for services	(189,569)
Net cash provided by operating activities	141,125
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Transfer in from CDBG capital projects fund	415,390
Acquisition and construction of capital assets	(415,390)
Principal paid on long-term debt	(92,619)
Interest and fees paid on long-term debt	(48,918)
Net cash used for capital and related financing activities	(141,537)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income on investments	1,605
Net cash provided by investing activities	1,605
Net decrease in cash	1,193
Cash, beginning	841,988
Cash, ending	$ 843,181
Classifed as:	
Current assets	$ 843,181
Restricted assets	-
	$ 843,181
Reconciliation of income from operations to net cash provided by operating activities:	
Income from operations	$ (34,234)
Depreciation	244,356
Change in prepaids	(10,091)
Change in net pension liability and related deferrals	1,188
Change in accounts receivable	(60,094)
Net cash provided by operating activities	$ 141,125

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-Helena, 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 June 30, 2015, the restricted assets of the City consisted of:

General fund – restricted cash	$ 22,665

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 June 30, 2015 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.

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 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. Pensions

The employees of the City participate in the Georgia Municipal Employees Benefit System (GMEBS). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of GMEBS and additions to/deductions from GMEBS's fiduciary net position have been determined on the same basis as they are reported by GMEBS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

11. 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.

- **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.

12. 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

13. 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.

14. 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 former City of McRae, Georgia levied the 2014 taxes of 9.829 mills on October 20, 2014 payable on December 20, 2014. The former City of Helena, Georgia levied the 2014 taxes of 8.000 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 June 30, 2015 follows:

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

Account Balances	
Petty cash	$ 1,280
Demand deposits	2,362,314
Certificates of deposit	1,332,090
	$ 3,695,684

Ownership of Funds	
Primary Government	
Governmental funds -	
Cash and cash equivalents	$ 2,852,503
Proprietary funds -	
Cash and cash equivalents	843,181
Total reporting entity	$ 3,695,684

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.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

B. Receivables

Receivables at June 30, 2015, consisted of taxes, accounts (billings for user charges), and intergovernmental receivables arising from services provided.

	Receivable	Allowance	Net
General Fund:			
Taxes receivable	$ 83,198	$ (11,000)	$ 72,198
Customers	568,230	(6,000)	562,230
TSPLOST 25% Discretionary			
Other	12,517	-	12,517
CDBG Revolving Loan Fund -			
Mortgage	103,251	-	103,251
Total governmental activities	767,196	(17,000)	750,196
Water and Sewer -			
Customers	245,655	(39,000)	206,655
Total business-type activities	245,655	(39,000)	206,655
Total	$ 1,012,851	$ (56,000)	$ 956,851

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-Helena, 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 June 30, 2015 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.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

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 June 30, 2015 follows:

	Transfer in:	
Transfer out:	Water and Sewer Fund	Total
CDBG Capital Projects	$ 415,390	$ 415,390
	$ 415,390	$ 415,390

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 six months ended June 30, 2015 was as follows:

Governmental Activities:	Balance 12/31/2014	Additions	Retirements	Balance 6/30/2015
Capital assets, not being depreciated -				
Land	$ 65,257	$ -	$ -	$ 65,257
Construction in progress	-	-	-	-
Total capital assets not being depreciated	65,257	-	-	65,257
Capital assets, being depreciated:				
Buildings and improvements	2,017,154	137,603	(40,422)	2,114,335
Machinery and equipment	2,606,498	33,370	(5,220)	2,634,648
Infrastructure	1,037,783	111,729	-	1,149,512
Total capital assets being depreciated	5,661,435	282,702	(45,642)	5,898,495
Less accumulated depreciation for:				
Buildings and improvements	556,410	29,855	(8,564)	577,701
Machinery and equipment	1,770,078	128,505	(1,989)	1,896,594
Infrastructure	82,369	37,750	-	120,119
Total accumulated depreciation	2,408,857	196,110	(10,553)	2,594,414
Total capital assets, being depreciated, net	3,252,578	86,592	(35,089)	3,304,081
Governmental activities capital assets, net	$ 3,317,835	$ 86,592	$ (35,089)	$ 3,369,338
Business-type Activities:				
Capital assets, not being depreciated -				
Land	$ 525,656	$ -	$ -	$ 525,656
Construction in progress	448,049	415,390	(397,259)	466,180
Total capital assets not being depreciated	973,705	415,390	(397,259)	991,836
Capital assets, being depreciated:				
Buildings and plant	13,820,636	-	397,259	14,217,895
Machinery and equipment	614,115	-	-	614,115
Total capital assets being depreciated	14,434,751	-	397,259	14,832,010
Less accumulated depreciation for:				
Buildings and improvements	6,443,394	220,930	-	6,664,324
Machinery and equipment	481,221	23,426	-	504,647
Total accumulated depreciation	6,924,615	244,356	-	7,168,971
Total capital assets, being depreciated, net	7,510,136	(244,356)	397,259	7,663,039
Business-type activities capital assets, net	$ 8,483,841	$ 171,034	$ -	$ 8,654,875

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

Depreciation expense was charged to functions / programs as follows:

Governmental Activities:	
General government and administration	$ 7,645
Public safety	95,149
Public works	92,705
Health and welfare	611
Total depreciation expense - governmental activities	$ 196,110
Business-type Activities -	
Water and sewer	$ 244,356
Total depreciation expense - business-type activities	$ 244,356

F. Long-term Obligations

The following is a summary of changes in long-term obligations of the City for the year ended June 30, 2015:

	Beginning Balance	Additions	Payments/ Retirements	Ending Balance	Current Portion	Long-term Portion
Governmental activities:						
USDA #97-01	$ 9,073	$ -	$ -	$ 9,073	$ 2,922	$ 6,151
USDA #97-03	27,920	-	-	27,920	8,991	18,929
USDA #97-05	999,976	-	(11,331)	988,645	23,144	965,501
USDA #97-06	304,605	-	(3,424)	301,181	7,004	294,177
USDA #97-07	221,420	-	(10,876)	210,544	22,021	188,523
KS StateBank	-	23,840	(1,790)	22,050	7,502	14,548
Capital leases payable	155,005	-	(19,273)	135,732	41,800	93,932
Governmental activities - long-term liabilities	$ 1,717,999	$ 23,840	$ (46,694)	$ 1,695,145	$ 113,384	$ 1,581,761
Business-type activities:						
Series 1983 revenue bonds	320,000	-	-	320,000	35,000	285,000
Series 1996 revenue bonds	219,364	-	(2,988)	216,376	5,983	210,393
GEFA note 99-L95WJA	1,563,369	-	(55,133)	1,508,236	113,587	1,394,649
GEFA note 99-L95WJ	531,926	-	(34,498)	497,428	71,042	426,386
Business-type Activities - long-term liabilities	$ 2,634,659	$ -	$ (92,619)	$ 2,542,040	$ 225,612	$ 2,316,428

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

USDA #97-01

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 June 30, 2015, including interest payments are as follows:

Year Ending June 30,	Principal	Interest	Total Payment
2016	$ 2,922	$ 318	$ 3,240
2017	3,025	215	3,240
2018	3,126	109	3,235
	$ 9,073	$ 642	$ 9,715

USDA #97-03

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 June 30, 2015, including interest payments are as follows:

Year Ending June 30,	Principal	Interest	Total Payment
2016	$ 8,991	$ 977	$ 9,968
2017	9,305	663	9,968
2018	9,624	337	9,961
	$ 27,920	$ 1,977	$ 29,897

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

USDA #97-05

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 June 30, 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 June 30, 2015, including interest payments are as follows:

Year Ending June 30,	Principal	Interest	Total Payment
2016	$ 23,144	$ 33,016	$ 56,160
2017	23,937	32,223	56,160
2018	24,757	31,403	56,160
2019	25,606	30,554	56,160
2020	26,484	29,676	56,160
2021-2025	146,674	134,126	280,800
2026-2030	173,595	107,205	280,800
2031-2035	205,458	75,342	280,800
2036-2040	243,168	37,632	280,800
2041-2042	95,822	3,178	99,000
	$ 988,645	$ 514,355	$ 1,503,000

USDA #97-06

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.

The annual requirements to amortize the remaining balance as of June 30, 2015, including interest payments are as follows:

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

June 30,	Principal	Interest	Payment
2016	$ 7,004	$ 10,048	$ 17,052
2017	7,244	9,808	17,052
2018	7,492	9,560	17,052
2019	7,749	9,303	17,052
2020	8,014	9,038	17,052
2021-2025	44,385	40,875	85,260
2026-2030	52,533	32,727	85,260
2031-2035	62,175	23,085	85,260
2036-2040	73,585	11,675	85,260
2041-2042	31,000	1,032	32,032
	$ 301,181	$ 157,151	$ 458,332

USDA #97-07

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 June 30, 2015, including interest payments are as follows:

Year Ending June 30,	Principal	Interest	Total Payment
2016	$ 22,021	$ 6,491	$ 28,512
2017	22,837	5,675	28,512
2018	23,652	4,860	28,512
2019	24,468	4,044	28,512
2020	25,284	3,228	28,512
2021-2024	92,282	5,135	97,417
	$ 210,544	$ 29,433	$ 239,977

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

KS StateBank

During fiscal year 2015 the City obtained a loan from a financial institution for the purpose of purchasing a mobile tag reader camera for use by the police department in the amount of $23,840. The loan calls for monthly installments of $741 beginning April 15, 2015 at 7.45% per annum. The final payment is scheduled for March 15, 2018.

The annual requirements to amortize the remaining balance as of June 30, 2015, including interest payments are as follows:

Year Ending June 30,	Principal	Interest	Total Payment
2016	$ 7,502	$ 1,390	$ 8,892
2017	8,081	812	8,893
2018	6,467	202	6,669
	$ 22,050	$ 2,404	$ 24,454

Santander - 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 June 30, 2015 the net book value of this leased equipment was $120,878 and $9,935 was included in depreciation expense for the six months then ended. The annual requirements to amortize the remaining balance of $115,591 as of June 30, 2015, including interest payments are as follows:

Year Ending June 30,	Principal	Interest	Total Payment
2016	$ 21,659	$ 3,769	$ 25,428
2017	22,365	3,062	25,427
2018	23,095	2,333	25,428
2019	23,847	1,580	25,427
2020	24,625	803	25,428
Total	$ 115,591	$ 11,547	$ 127,138

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

GE Capital - Capital Lease

During fiscal year 2012 the City entered into a capital lease agreement with GE Capital for the purchase of a 2011 International Limb Truck for use by the public works department with an original amount of $92,395. The agreement calls for five annual payments of $21,047 beginning in April 2012 and end in April of 2016 at an interest rate of 4.50%. As of June 30, 2015, the net book value of this leased equipment was $23,099 and $9,240 was included in depreciation expense for the six months then ended. The annual requirements to amortize the remaining balance of $20,150 as of June 30, 2015, including interest payments are as follows:

Year Ending June 30,	Principal	Interest	Total Payment
2017	$ 20,141	$ 906	$ 21,047

Revenue Bonds Payable

Water and Sewer Revenue Bonds, Series 1983 and 1996 - The City issued fixed rate revenue bonds to provide funds to acquire, construct, and equip extensions of and additions and improvements to the City's water and sewer system. The revenues of the Water and Sewer Fund are pledged to secure these outstanding bonds

Revenue bonds payable at December 31, 2014, are comprised of the following individual issues:

Series 1983 - $840,000 water and sewer bonds due in annual installments through December 1, 2022; interest at 5.00%.

The annual requirements to amortize the Series 1983 outstanding revenue bonds as of June 30, 2015, including interest payments are as follows:

Year Ending June 30,	Principal	Interest	Total Payment
2016	$ 35,000	$ 16,000	$ 51,000
2017	35,000	14,250	49,250
2018	40,000	12,500	52,500
2019	40,000	10,500	50,500
2020	40,000	8,500	48,500
2021-2023	130,000	13,250	143,250
Total	$ 320,000	$ 75,000	$ 395,000

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

Series 1996 - $263,624 water and sewer bonds due in monthly installments of $1,427 through August 14, 2036; interest at 5.125%.

The annual requirements to amortize the Series 1996 outstanding revenue bonds as of June 30, 2015, including interest payments are as follows:

Year Ending June 30,	Principal	Interest	Total Payment
2016	$ 5,983	$ 11,141	$ 17,124
2017	6,297	10,827	17,124
2018	6,628	10,496	17,124
2019	6,975	10,149	17,124
2020	7,341	9,783	17,124
2021-2025	42,904	42,716	85,620
2026-2030	55,406	30,214	85,620
2031-2035	71,551	14,069	85,620
2036-2037	13,291	4,207	17,498
Total	$ 216,376	$ 143,602	$ 359,978

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 June 30, 2015, including interest payments are as follows:

Year Ending June 30,	Principal	Interest	Total Payment
2016	$ 113,587	$ 61,442	$ 175,029
2017	118,422	56,608	175,030
2018	123,462	51,567	175,029
2019	128,717	46,312	175,029
2020	134,196	40,834	175,030
2021-2025	761,678	113,472	875,150
2026	128,174	3,099	131,273
	$ 1,508,236	$ 373,334	$ 1,881,570

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 June 30, 2015, including interest payments are as follows:

Year Ending June 30,	Principal	Interest	Total Payment
2016	$ 71,042	$ 19,970	$ 91,012
2017	74,102	16,909	91,011
2018	77,294	13,717	91,011
2019	80,624	10,387	91,011
2020	84,097	6,914	91,011
2021	87,720	3,291	91,011
2022	22,549	204	22,753
	$ 497,428	$ 71,392	$ 568,820

G. Fund Equity

Fund Balances:

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

  General fund –
  Prepaids $ 63,358

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

  Capital Projects Funds -
  SPLOST –
  used to account for capital projects financed with SPLOST $ 732,982
  CDBG Capital Projects Fund –
  used to account for capital projects financed with CDBG grants 53,918
  Transportation SPLOST –
  used to account for capital projects financed with TSPLOST 23,409

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

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 154,295

$ 964,604

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

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

Net Position:

Net investment in capital assets reported on the government-wide statement of position as of June 30, 2015 are as follows:

	Governmental Activities	Business-Type Activities
Net investment in capital assets		
Cost of capital assets	$ 5,963,752	$ 15,823,846
Less accumulated depreciation	(2,594,414)	(7,168,971)
Book value	3,369,338	8,654,875
Less capital related debt	(1,695,145)	(2,542,040)
Net investment in capital assets	$ 1,674,193	$ 6,112,835

H. Government Merger

City of McRae-Helena, Georgia began operations January 1, 2015, and was formed from the merger of City of McRae, Georgia and City of Helena, Georgia to take advantage of the cost efficiencies based on the elimination of redundant services. The initial opening balances of City of McRae-Helena, Georgia's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position, as of the beginning of the period, were determined on the basis of the carrying values reported in the separate financial statements of City of McRae and City of Helena as of December 31, 2014 as follows:

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

Governmental Activities	City of McRae	City of Helena	Total
ASSETS			
Cash and cash equivalents	$ 2,026,284	$ 1,364,614	$ 3,390,898
Restricted assets - cash	17,556	-	17,556
Taxes receivable -			
net of uncollectible accounts	141,507	40,827	182,334
Mortgage receivable	107,635	-	107,635
Other receivables	786,767	38,972	825,739
Internal balances	374,695	-	374,695
Prepaids	23,249	11,575	34,824
Other assets	4,514	-	4,514
Capital assets:			
Nondepreciable	-	65,257	65,257
Depreciable, net	3,000,393	252,185	3,252,578
Total assets	6,482,600	1,773,430	8,256,030
LIABILITIES			
Accounts payable	9,932	12,281	22,213
Other accrued liabilities	6,200	6,350	12,550
Noncurrent liabilities:			
Due within one year:			
Capital leases payable	-	19,273	19,273
Notes payable	84,887	-	84,887
Due in more than one year:			
Capital leases payable	-	20,141	20,141
Notes payable	1,593,698	-	1,593,698
Total liabilities	1,694,717	58,045	1,752,762
NET POSITION			
Net investment in capital assets	1,321,808	278,028	1,599,836
Restricted for -			
Capital projects	563,406	638,858	1,202,264
Unrestricted	2,902,669	798,499	3,701,168
Total net position	$ 4,787,883	$ 1,715,385	$ 6,503,268

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

Business-Type Activities	City of McRae	City of Helena	Total
ASSETS			
Cash and cash equivalents	$ 557,576	$ 220,402	$ 777,978
Restricted assets - cash	-	64,010	64,010
Other receivables	81,293	65,268	146,561
Internal balances	(374,695)	-	(374,695)
Prepaids	5,051	-	5,051
Capital assets:			
Nondepreciable	688,826	284,879	973,705
Depreciable, net	6,484,953	1,025,183	7,510,136
Total assets	7,443,004	1,659,742	9,102,746
LIABILITIES			
Other accrued liabilities	20,138	1,825	21,963
Noncurrent liabilities:			
Due within one year:			
Notes payable	180,804	40,831	221,635
Due in more than one year:			
Notes payable	1,914,491	498,533	2,413,024
Total liabilities	2,115,433	541,189	2,656,622
NET POSITION			
Net investment in capital assets	5,078,484	770,698	5,849,182
Unrestricted	249,087	347,855	596,942
Total net position	$ 5,327,571	$ 1,118,553	$ 6,446,124

IV. OTHER INFORMATION

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 June 30, 2015, 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.

IV. OTHER INFORMATION

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.

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 six months ended June 30, 2015, the City paid $4,312 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 the six months ended June 30, 2015, the City received $6,048 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 six months ended June 30, 2015, the City has complied with the expenditures requirements of code section 48-13-51.

IV. OTHER INFORMATION

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 six months during 2015 for a total payment of $147. 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.

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. The Fund's GASB Statement No. 68 Schedules may be obtained by writing to Peace Officers' Annuity & Benefit Fund of Georgia , P.O. Box 56, Griffin, Georgia 30224.

G. Pension Plan

Plan Description

The former Cities of McRae and Helena, which merged effective January 1, 2015 both contribute 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. Effective July 1, 2015 the former Cities of McRae and Helena consolidated their pension plan into the City of McRae-Helena Pension Plan with GMEBS.

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.

IV. OTHER INFORMATION

Current membership in the GMEBS is comprised of the following:

	City of McRae Plan	City of Helena Plan
Valuation date	7/1/2015	1/1/2015
Pensioners as of valuation date	35	11
Participants inactive with vested rights	15	4
Participants active:		
Fully vested	27	10
Not vested	9	8

Contributions

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 over a period that ranges form 10 to 30 years based on the funding policy adopted by the GMEBS Board of Trustees, and 3) interest on these amounts from the valuation date to the date contributions are paid (assumed monthly). These amortization periods, if applicable, are closed for this plan year. The inflation rate assumption for the City of McRae-Helena, 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.

Net Pension Liability

The City's net pension liability was measured as of March 31, 2015 for the former City of McRae plan and September 30, 2014 for the former City of Helena plan, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates.

Actuarial assumptions. The total pension liability in the June 30, 2015 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	3.25% plus service based merit increases
Investment rate of return	7.75%

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

IV. OTHER INFORMATION

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 investments expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting 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 September 30, 2014 are summarized in the following table:

	Target Allocation	Long-Term Expected Real Rate of Return	Long-Term 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 plan member contributions will be made at the current contribution rate. 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.

The changes in the net pension liability follows:

City of McRae Plan	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at March 31, 2014	$ 2,963,863	$ 2,056,055	$ 907,808
Changes for the year:			
Service cost	$ 77,161	$ -	$ 77,161
Interest	222,906	-	222,906
Differences between expected and actual experience	94,758	-	94,758
Contributions - employer	-	144,002	(144,002)
Net investment income	-	197,044	(197,044)
Benefit payments	(175,324)	(175,324)	-
Administrative expense	-	(9,097)	9,097
Other	2,347	-	2,347
Net changes	$ 221,848	$ 156,625	$ 65,223
Balances at March 31, 2015	$ 3,185,711	$ 2,212,680	$ 973,031

IV. OTHER INFORMATION

City of Helena Plan	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at September 30, 2013	$ 391,377	$ 240,831	$ 150,546
Changes for the year:			
Service cost	$ 9,340	$ -	$ 9,340
Interest	28,892	-	28,892
Differences between expected and actual experience	28,301	-	28,301
Contributions - employer	-	31,544	(31,544)
Net investment income	-	27,283	(27,283)
Benefit payments	(37,163)	(37,163)	-
Administrative expense	-	(3,253)	3,253
Other	(21)	-	(21)
Net changes	$ 29,349	$ 18,411	$ 10,938
Balances at September 30, 2014	$ 420,726	$ 259,242	$ 161,484

City of McRae-Helena Combined	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Beginning balance	$ 3,355,240	$ 2,296,886	$ 1,058,354
Changes for the year:			
Service cost	$ 86,501	$ -	$ 86,501
Interest	251,798	-	251,798
Differences between expected and actual experience	123,059	-	123,059
Contributions - employer	-	175,546	(175,546)
Net investment income	-	224,327	(224,327)
Benefit payments	(212,487)	(212,487)	-
Administrative expense	-	(12,350)	12,350
Other	2,326	-	2,326
Net changes	$ 251,197	$ 175,036	$ 76,161
Ending balance	$ 3,606,437	$ 2,471,922	$ 1,134,515

Sensitivity of the net pension liability changes in the discount rate. The following presents the net pension liability of the City, 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%)
City of McRae Plan	$ 1,387,832	$ 973,031	$ 626,660
City of Helena Plan	201,883	161,484	127,748
City's net pension liability	$ 1,589,715	$ 1,134,515	$ 754,408

IV. OTHER INFORMATION

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued GMEBS financial report.

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

For the year ended June 30, 2015, the City recognized pension expense of $196,246. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 92,295	
Changes of assumptions	1,761	(15)
Net difference between projected and actual earnings on pension plan investments	-	(38,580)
Employer contributions subsequent to the measurement date	60,275	-
Total	$ 154,331	$ (38,595)

The City's contributions subsequent to the measurement date of $60,275 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows or resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	City of McRae Plan	City of Helena Plan	Total
Year ended June 30:			
2016	16,424	5,278	21,702
2017	16,424	5,278	21,702
2018	16,424	5,278	21,702
2019	(7,853)	(1,792)	(9,645)

CITY OF MCRAE-HELENA, GEORGIA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

	Fiscal Year End									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Total pension liability										
Service cost	$ 86,501									
Interest	251,798									
Differences between expected and actual experience	123,059	(Historical information prior to implementation of GASB 67/68 is not required)								
Changes of assumptions	2,326									
Changes of benefit terms	-									
Benefit payments, including refunds of employee contributions	(212,487)									
Net change in total pension liability	251,197	-	-	-	-	-	-	-	-	-
Total pension liability - beginning	3,355,240									
Total pension liability - ending (a)	$ 3,606,437	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Plan fiduciary net position										
Contributions - employer	$ 175,546									
Contributions - employee	-									
Net investment income	224,327									
Benefit payments, including refunds of employee contributions	(212,487)	(Historical information prior to implementation of GASB 67/68 is not required)								
Administrative expense	(12,350)									
Other	-									
Net change in fiduciary net position	175,036	-	-	-	-	-	-	-	-	-
Plan fiduciary net position - beginning	2,296,886									
Plan fiduciary net position - ending (b)	$ 2,471,922	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Net pension liability - ending: (a)-(b)	$ 1,134,515	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Plan's fiduciary net position as a percentage of the total pension liability	68.54%									
Covered-employee payroll	$ 1,753,409	(Historical information prior to implementation of GASB 67/68 is not required)								
Net pension liability as a percentage of covered-employee payroll	64.70%									

Refer to Notes To Required Supplementary Information

CITY OF MCRAE-HELENA, GEORGIA
SCHEDULE OF CONTRIBUTIONS

	Fiscal Year End									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially determined contribution	*									
Contributions in relation to the actuarially determined contribution	*									
Contribution deficiency (excess)	*		(Historical information prior to implementation of GASB 67/68 is not required)							
Covered-employee payroll	*									
Contributions as a percentage of covered-employee payroll	*									

* 2015 information will be determined after fiscal year end and will be included in the 2016 valuation report.

CITY OF MCRAE-HELENA, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
FOR THE SIX MONTHS ENDED JUNE 30, 2015

	Original Budget	Budget As Amended	Actual	Variance with Final Budget - Over (Under)
REVENUES				
Taxes	$ -	$ -	$ 907,872	$ 907,872
Charges for services	-	-	239,321	239,321
Licenses and permits	-	-	47,206	47,206
Intergovernmental	-	-	64,905	64,905
Fines and forfeitures	-	-	118,767	118,767
Interest income	-	-	5,262	5,262
Other income	-	-	33,864	33,864
Total revenues	-	-	1,417,197	1,417,197
EXPENDITURES				
Current:				
General government:				
Legislative	-	-	21,336	21,336
Executive	-	-	73,394	73,394
Elections	-	-	11,240	11,240
General administration	-	-	157,533	157,533
Judicial	-	-	53,657	53,657
	-	-	317,160	317,160
Public safety:				
Public safety facility	-	-	33,335	33,335
JAG grant expenditures	-	-	-	-
Police	-	-	508,230	508,230
Fire	-	-	165,942	165,942
Other protection	-	-	117	117
	-	-	707,624	707,624
Public works:				
Public works administration	-	-	34,400	34,400
Highways and streets	-	-	265,866	265,866
Solid waste and recycling	-	-	323,140	323,140
Maintenance and shop	-	-	2,233	2,233
Cemetary	-	-	8,929	8,929
	-	-	634,568	634,568

CITY OF MCRAE-HELENA, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
FOR THE SIX MONTHS ENDED JUNE 30, 2015

	Original Budget	Budget As Amended	Actual	Variance with Final Budget - Over (Under)
Health and welfare:				
Health	-	-	7,013	7,013
Community services	-	-	721	721
	-	-	7,734	7,734
Culture and recreation:				
Recreation	-	-	34,028	34,028
Library	-	-	8,760	8,760
	-	-	42,788	42,788
Housing and development:				
Protective inspection	-	-	1,949	1,949
Planning and zoning	-	-	-	-
Economic development and assistance	-	-	1,975	1,975
	-	-	3,924	3,924
Debt service:				
Principal	-	-	27,421	27,421
Interest	-	-	25,664	25,664
	-	-	53,085	53,085
Capital outlay:				
General government	-	-	137,603	137,603
Public safety	-	-	23,840	23,840
Public works	-	-	48,883	48,883
	-	-	210,326	210,326
Total expenditures	-	-	1,977,209	1,977,209
Excess of revenues over expenditures	-	-	(560,012)	(560,012)
OTHER FINANCING SOURCES (USES)				
Loan proceeds	-	-	23,840	23,840
Capital lease proceeds	-	-	81,556	81,556
Transfer in (out)	-	-	-	-
Total other financing sources (uses)	-	-	105,396	105,396
Net change in fund balances	$ -	$ -	(454,616)	$ (454,616)
Fund balances, beginning			2,858,468	
Fund balances, ending			$ 2,403,852	

See Independent Auditor's Report.

PENSION

1. Changes of Assumptions

As a result of the plan change to provide immediate participation for Employees, for the Fiscal Year ending in 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.

2. Method and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution rate was determined as of January 1, 2015, with an interest adjustment to the fiscal year. Contributions in relation to this actuarially determined contribution rate will be reported for the fiscal year ending June 30, 2016.

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:	
Net investment rate of return	7.75%
Projected salary increases	3.25% plus service based merit increases
Cost of living adjustments	0.00%
Inflation rate	3.25%

BUDGET

1. 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.

2. Excess of Expenditures Over Appropriations in Individual Funds

During the six months ended June 30, 2015, no budget was prepared.

CITY OF MCRAE-HELENA, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015

	Capital Projects	Special Revenue			Total
	Transportation SPLOST	CDBG Revolving Loan Fund	TSPLOST 25% Discretionary	Hotel Motel Tax Fund	Nonmajor Governmental Funds
ASSETS					
Cash and cash equivalents	$ 23,409	$ 51,044	$ 69,900	$ -	$ 144,353
Due from other funds	-	-	2,350	-	2,350
Mortgage receivable	-	103,251	12,517	-	115,768
Total assets	$ 23,409	$ 154,295	$ 84,767	$ -	$ 262,471
LIABILITIES	$ -	$ -	$ -	$ -	$ -
FUND BALANCES					
Restricted:					
Capital projects	23,409	-	-	-	23,409
Redevelopment	-	154,295	-	-	154,295
Unassigned	-	-	84,767	-	84,767
Total fund balances	23,409	154,295	84,767	-	262,471
Total liabilities and fund balances	$ 23,409	$ 154,295	$ 84,767	$ -	$ 262,471

CITY OF MCRAE-HELENA, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE SIX MONTHS ENDED JUNE 30, 2015

	Capital Projects	Special Revenue			Total
	Transportation SPLOST	CDBG Revolving Loan Fund	TSPLOST 25% Discretionary	Hotel Motel Tax Fund	Nonmajor Governmental Funds
REVENUES					
Intergovernmental	$ -	$ -	$ 36,990	$ -	$ 36,990
Taxes	-	-	-	6,048	6,048
Interest income	-	1,663	81	-	1,744
Total revenues	-	1,663	37,071	6,048	44,782
EXPENDITURES					
Current:					
General government	-	-	-	4,884	4,884
Housing and development	-	-	-	1,164	1,164
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital outlay -					
Public works	43,672	-	-	-	43,672
Total expenditures	43,672	-	-	6,048	49,720
Excess of revenues over expenditures	(43,672)	1,663	37,071	-	(4,938)
OTHER FINANCING SOURCES (USES)					
Transfer in (out)	3,829	-	(3,829)	-	-
Total other financing sources (uses)	3,829	-	(3,829)	-	-
Net change in fund balances	(39,843)	1,663	33,242	-	(4,938)
Fund balances - beginning	63,252	152,632	51,525	-	267,409
Fund balances - ending	$ 23,409	$ 154,295	$ 84,767	$ -	$ 262,471

CITY OF MCRAE-HELENA, GEORGIA
SCHEDULE OF EXPENDITURES OF
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
FOR THE SIX MONTHS ENDED JUNE 30, 2015

Project Description Per SPLOST Referendum	Original Estimated Cost	Expenditures			Estimated Percentage of Completion
		Prior Years	Current Year	Total	
2009 SPLOST:					
City of McRae, Georgia					
Streets	$ 303,200	$ 115,661	$ 11,600	$ 127,261	41.97%
Downtown revitalization	303,200	118,313	-	118,313	39.02%
Water and sewer	303,200	267,627	-	267,627	88.27%
	$ 909,600	$ 501,601	$ 11,600	$ 513,201	
City of Helena, Georgia					
Streets		$ 294,226	$ -	$ 294,226	
Water and sewer		33,319	34,920	68,239	
	$ 782,400	$ 327,545	$ 34,920	$ 362,465	46.33%
2014 SPLOST:					
City of McRae, Georgia					
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	$ -	$ -	$ -	
City of Helena, Georgia					
Construction and furnishing new City Hall; Acquisition of law enforcement vehicles	$ 400,000	$ -	$ -	$ -	0.00%
Improvements; Acquisition of roads and street equipment and buildings	100,000	-	-	-	0.00%
Water/sewer improvements; Vehicles, equipment and and buildings for public works	198,800	-	-	-	0.00%
	$ 698,800	$ -	$ -	$ -	

See Independent Auditor's Report.

CITY OF MCRAE-HELENA, GEORGIA
CDBG REVOLVING LOAN FUND
SCHEDULE OF PROGRAM LOANS
FOR THE SIX MONTHS ENDED JUNE 30, 2015

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	14,183
Current year program income	1,663
Funds available for disposition / lending	$ 15,846

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	(30,814)
Current year repayment of principal	(4,384)
Mortgage loan balance outstanding	$ 103,251

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-Helena, 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-Helena, 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-Helena, Georgia, as of and for the six months ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of McRae-Helena, Georgia's basic financial statements, and have issued our report thereon dated November 6, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City McRae-Helena, 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-Helena, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of McRae-Helena, 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 certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2015-1 and 2015-2 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of McRae-Helena, 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-Helena, Georgia's Response to Findings

City of McRae-Helena, Georgia's responses to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of McRae-Helena, 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-Helena, Georgia

November 6, 2015

CITY OF MCRAE-HELENA, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE SIX MONTHS ENDED JUNE 30, 2015

Section I – Summary of Auditor's Results

Financial Statements:

Type of report issued on the financial statements -	Unmodified
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 six months ended June 30, 2015:

Audit Finding

2015-1 Lack of segregation of duties

Criteria:
Duties should be segregated between employees so that the responsibility for authorizing transactions, recording transactions, and maintaining custody of assets are assigned to different personnel.

Condition:
The City is a small local government and has a limited amount of resources and employees. Therefore, the City does not have an adequate number of employees to provide for the proper segregation of duties.

Cause of Condition:
Since the City is a small local government, it is not financially feasible for the City to hire additional employees to provide for an adequate segregation of duties.

Effect of Condition:
The City's internal control structure does not contain adequate safeguarding controls provided by segregation of duties that would provide for the prevention or timely detection of unauthorized transactions and unauthorized access to assets that could result in losses that are material to the financial statements.

Response of Management:
Management concurs with the finding and is continually working to improve controls to mitigate the risks associated with this condition. We realize that with limited personnel adequate segregation of duties is not possible. Therefore, to mitigate this we exercise alert supervision over all employees.

2015-2 Budgetary Control

Criteria:
The Official Code of Georgia Annotated (OCGA) Section 36-81-3(b)(1) states that each unit of local government shall adopt and operate under an annual balanced budget for the general fund, each special revenue fund, and each debt service fund in use by the local governments.

Condition:
The City did not adopt a budget for the six months ended June 30, 2015.

Effect of Condition:
The City is not in compliance with OGCA Section 36-81-3(b)(1)

Recommendation:
We recommend management adopt a balanced budget each year, operate under that budget or amend the budget through an adoption of ordinance or resolution. It is further recommended that the City review a budget versus actual on a monthly basis to prevent expenditures in excess of budgeted amounts.

Management's Response:
The City recognizes that maintaining appropriate budgetary controls on its expenditures is important in keeping costs below approved amounts and serves as a management tool in evaluating results of operations. As the City of McRae-Helena was newly formed upon the merger of the City of McRae and City of Helena as of January 1, 2015, a budget was not prepared for the short year audit. Management will adopt annual budgets going forward. Any required amendments needed to prevent expenditures from going over budget will require prior approval of the City Council and an amended budget will be prepared.