CITY OF MCRAE-HELENA, GEORGIA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2016

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 year ended June 30, 2016, 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters
Required Supplementary Information

Management has omitted the Management's Discussion and Analysis for the year ended June 30, 2016 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 40-41 and the budgetary comparison information on pages 42-43 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, 2016 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 28, 2016, 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 28, 2016

CITY OF MCRAE-HELENA, GEORGIA
STATEMENT OF NET POSITION
JUNE 30, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	$ 2,970,329	$ 1,006,059	$ 3,976,388
Restricted assets - cash	34,248	-	34,248
Taxes receivable, net of uncollectible accounts	84,961	-	84,961
Mortgage receivable	94,295	-	94,295
Other receivables	577,130	173,871	751,001
Internal balances	374,695	(374,695)	-
Prepaids	70,794	17,806	88,600
Other assets	4,013	-	4,013
Capital assets:			
Nondepreciable	65,257	525,656	590,913
Depreciable, net	3,188,593	8,478,436	11,667,029
Total assets	7,464,315	9,827,133	17,291,448
DEFERRED OUTFLOWS OF RESOURCES	282,668	76,147	358,815
LIABILITIES			
Accounts payable	18,868	5,542	24,410
Other accrued liabilities	12,282	25,253	37,535
Noncurrent liabilities:			
Due within one year:			
Capital leases payable	22,365	-	22,365
Notes payable	66,348	243,572	309,920
Due in more than one year:			
Capital leases payable	71,567	-	71,567
Notes payable	1,406,712	2,755,175	4,161,887
Net pension liability	1,047,659	282,226	1,329,885
Total liabilities	2,645,801	3,311,768	5,957,569
DEFERRED INFLOWS OF RESOURCES	25,844	6,962	32,806
NET POSITION			
Net investment in capital assets	1,686,858	6,005,345	7,692,203
Restricted for - capital projects	848,142	-	848,142
Restricted for - redevelopment	157,453	-	157,453
Unrestricted	2,382,885	579,205	2,962,090
Total net position	$ 5,075,338	$ 6,584,550	$ 11,659,888

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

CITY OF MCRAE-HELENA, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions
Primary government:			
Governmental activities:			
General government	$ 581,379	$ 343,610	$ -
Public safety	1,583,517	-	-
Public works	1,412,076	406,252	-
Health and welfare	11,530	-	-
Culture and recreation	43,661	-	-
Housing and development	13,284	-	-
Interest	57,253	-	-
Total governmental activities	3,702,700	749,862	-
Business-type activities -			
Water and sewer	1,533,723	1,393,942	-
Total business-type activities	1,533,723	1,393,942	-
Total primary government	$ 5,236,423	$ 2,143,804	$ -
General revenues:			
Property taxes			
Franchise taxes			
Local option sales taxes			
Hotel Motel tax			
Alcoholic beverage taxes			
Insurance premium taxes			
Interest income			
Miscellaneous			
Gain on sale of capital assets			
Transfers			
Total general revenues and transfers			
Change in net position			
Net position - beginning			
Net position - ending			

Program Revenues	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
$ -	$ (237,769)	$ -	$ (237,769)
-	(1,583,517)	-	(1,583,517)
498,108	(507,716)	-	(507,716)
-	(11,530)	-	(11,530)
-	(43,661)	-	(43,661)
-	(13,284)	-	(13,284)
-	(57,253)	-	(57,253)
498,108	(2,454,730)	-	(2,454,730)
-	-	(139,781)	(139,781)
-	-	(139,781)	(139,781)
$ 498,108	(2,454,730)	(139,781)	(2,594,511)
	1,237,846	-	1,237,846
	364,075	-	364,075
	555,302	-	555,302
	9,837	-	9,837
	124,369	-	124,369
	491,906	-	491,906
	11,488	3,834	15,322
	34,987	11,945	46,932
	285	-	285
	(183,701)	183,701	-
	2,646,394	199,480	2,845,874
	191,664	59,699	251,363
	4,883,674	6,524,851	11,408,525
	$ 5,075,338	$ 6,584,550	$ 11,659,888

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

CITY OF MCRAE-HELENA, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	General	SPLOST	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 1,954,418	$ 778,239	$ 237,672	$ 2,970,329
Restricted assets - cash	34,248	-	-	34,248
Taxes receivable -				
net of uncollectible accounts	84,961	-	-	84,961
Mortgage receivable	-	-	94,295	94,295
Other receivables	524,517	46,494	6,119	577,130
Due from other funds	374,695	-	2,350	377,045
Prepaids	70,794	-	-	70,794
Other assets	4,013	-	-	4,013
Total assets	$ 3,047,646	$ 824,733	$ 340,436	$ 4,212,815
LIABILITIES				
Accounts payable	$ 18,868	$ -	$ -	$ 18,868
Due to other funds	2,350	-	-	2,350
Other accrued liabilities	12,282	-	-	12,282
Total liabilities	33,500	-	-	33,500
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	31,383	-	-	31,383
Unavailable revenue - fines	437,882	-	-	437,882
Unavailable revenue - other	-	-	-	-
Total deferred inflows of resources	469,265	-	-	469,265
FUND BALANCES				
Nonspendable	70,794	-	-	70,794
Restricted				
Capital projects	-	824,733	23,409	848,142
Redevelopment	-	-	157,453	157,453
Assigned	600,000	-	-	600,000
Unassigned	1,874,087	-	159,574	2,033,661
Total fund balances	2,544,881	824,733	340,436	3,710,050
Total liabilities, deferred inflows of resources, and fund balances	$ 3,047,646	$ 824,733	$ 340,436	$ 4,212,815

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, 2016

Amounts reported for governmental activities in the statement of net position are different because:		
Total governmental fund balance (page 5)		$ 3,710,050
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.		
Cost of capital assets	$ 6,092,740	
Less accumulated depreciation	(2,838,890)	3,253,850
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.		469,265
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		(1,047,659)
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		114,363
Deferred outflows of resources related to pensions		168,305
Deferred inflows of resources related to pensions		(25,844)
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.		(1,566,992)
Net position of governmental activities (page 3)		$ 5,075,338

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 YEAR ENDED JUNE 30, 2016

	General	SPLOST	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	$ 2,769,087	$ -	$ 9,837	$ 2,778,924
Charges for services	485,027	-	-	485,027
Licenses and permits	48,450	-	-	48,450
Intergovernmental	91,834	228,636	190,461	510,931
Fines and forfeitures	258,521	-	-	258,521
Interest income	11,488	1,384	3,428	16,300
Other income	41,733	-	-	41,733
Total revenues	3,706,140	230,020	203,726	4,139,886
EXPENDITURES				
Current:				
General government	557,300	-	6,753	564,053
Public safety	1,426,313	-	-	1,426,313
Public works	1,224,644	-	-	1,224,644
Health and welfare	10,350	-	-	10,350
Culture and recreation	43,661	-	-	43,661
Housing and development	10,200	-	3,084	13,284
Debt service:				
Principal	108,012	20,141	-	128,153
Interest	56,347	906	-	57,253
Capital outlay:				
General government	-	-	-	-
Public safety	83,450	-	-	83,450
Public works	70,156	90,649	-	160,805
Total expenditures	3,590,433	111,696	9,837	3,711,966
Excess of revenues over expenditures	115,707	118,324	193,889	427,920
OTHER FINANCING SOURCES (USES)				
Loan proceeds	-	-	-	-
Sale of general capital assets	12,608	-	-	12,608
Transfer in (out)	12,714	(26,573)	(169,842)	(183,701)
Total other financing sources (uses)	25,322	(26,573)	(169,842)	(171,093)
Net change in fund balances	141,029	91,751	24,047	256,827
Fund balances, beginning	2,403,852	732,982	316,389	3,453,223
Fund balances, ending	$ 2,544,881	$ 824,733	$ 340,436	$ 3,710,050

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 YEAR ENDED JUNE 30, 2016

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)		$ 256,827
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	$ 244,255	
Depreciation expense	(347,420)	(103,165)
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.		(12,323)
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, 2016	$ 469,265	
Unavailable revenue at June 30, 2015	(524,618)	(55,353)
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	$ 151,584	
Cost of benefits earned net of employee contributions (pension expense)	(174,059)	(22,475)
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	$ -	
Capital lease proceeds	-	
Repayments of long-term debt	128,153	128,153
Change in net position of governmental activities (page 4)		$ 191,664

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, 2016

	Business-Type Activity - Enterprise Fund
	Water and Sewer
ASSETS	
Current assets:	
Cash	$ 1,006,059
Accounts receivable, net	173,871
Prepaids	17,806
Total current assets	1,197,736
Noncurrent assets -	
Capital assets:	
Land, nondepreciable	525,656
Construction in progress, nondepreciable	-
Buildings and plant, depreciable	15,422,274
Machinery and equipment, depreciable	614,115
Less - accumulated depreciation	(7,557,953)
Capital assets, net	9,004,092
Total assets	10,201,828
DEFERRED OUTFLOWS OF RESOURCES	76,147
LIABILITIES	
Current liabilities:	
Accounts payable	5,542
Other accrued liabilities	25,253
Due to other funds	374,695
Current portion of long-term debt	243,572
Total current liabilities	649,062
Long-term liabilities -	
Long-term debt	2,755,175
Net pension liability	282,226
Total liabilities	3,686,463
DEFERRED INFLOWS OF RESOURCES	6,962
NET POSITION	
Net investment in capital assets	6,005,345
Unrestricted	579,205
Total net position	$ 6,584,550

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, 2016

	Business-Type Activity - Enterprise Fund
	Water and Sewer
OPERATING REVENUES	
Sewerage charges	$ 696,571
Water charges	675,647
Late fees	12,649
Cut on fees	9,075
Other revenue	11,945
Total operating revenues	1,405,887
OPERATING EXPENSES	
Personnel services	360,075
Employee benefits	118,430
Repairs and maintenance	104,971
Depreciation	388,982
Supplies and materials	80,448
Professional fees	54,187
Utilities	259,489
Other operating	34,784
Rent	3,378
Insurance	15,808
Total operating expenses	1,420,552
Operating income	(14,665)
NON-OPERATING REVENUES (EXPENSES)	
Investment income	3,834
Interest expense	(113,171)
Total non-operating revenues, net	(109,337)
Income (loss) before transfers	(124,002)
Transfer in	183,701
Change in net position	59,699
Net position, beginning	6,524,851
Net position, ending	$ 6,584,550

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, 2016

	Business-Type Activity - Enterprise Fund
	Water and Sewer
Cash received from customers	$ 1,438,671
Cash paid to suppliers for goods and services	(668,617)
Cash paid to employees for services	(397,453)
Net cash provided by operating activities	372,601
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Transfer in from CDBG capital projects fund	183,701
Acquisition and construction of capital assets	(738,199)
Loan proceeds received	682,353
Principal paid on long-term debt	(225,646)
Interest and fees paid on long-term debt	(115,766)
Net cash used for capital and related financing activities	(213,557)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income on investments	3,834
Net cash provided by investing activities	3,834
Net decrease in cash	162,878
Cash, beginning	843,181
Cash, ending	$ 1,006,059
Classifed as:	
Current assets	$ 1,006,059
Restricted assets	-
	$ 1,006,059
Reconciliation of income from operations to net cash provided by operating activities:	
Income from operations	$ (14,665)
Depreciation	388,982
Change in accounts payable	5,542
Change in prepaids	(2,664)
Change in net pension liability and related deferrals	(37,378)
Change in accounts receivable	32,784
Net cash provided by operating activities	$ 372,601

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

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.

The City reports the following non-major governmental fund:

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, 2016, the restricted assets of the City consisted of:

General fund – restricted cash	$ 34,248

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, 2016 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 City levied the 2015 taxes of 10.921 mills on October 20, 2016 payable on December 20, 2016. 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.

The individual departments which had expenditures in excess of appropriations are as follows:

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

	Expenditures	Appropriations	Variance
General fund:			
Current:			
General government:			
Executive	$ 147,351	$ 144,866	$ 2,485
General administration	264,921	264,909	12
Judicial	97,849	36,376	61,473
Public works:			
Maintenance and shop	4,117	3,600	517
Cemetery	23,038	20,000	3,038
Health and welfare:			
Health	10,081	8,500	1,581
Community services	269	110	159
Housing and development -			
Protective inspection	4,318	4,084	234
Debt service:			
Principal	108,012	62,525	45,487
Interest	56,347	52,550	3,797
Capital outlay -			
Public works	70,156	50,000	20,156

The City absorbed these excesses as a result of expenditures at other department levels not exceeding budgeted totals, revenues and available fund balance.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

A summary of the City's deposits and investments at June 30, 2016 follows:

Account Balances	
Petty cash	$ 1,255
Demand deposits	2,628,847
Certificates of deposit	1,346,286
	$ 3,976,388

Ownership of Funds	
Primary Government	
Governmental funds -	
Cash and cash equivalents	$ 2,970,329
Proprietary funds -	
Cash and cash equivalents	1,006,059
Total reporting entity	$ 3,976,388

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, 2016, consisted of taxes, accounts (billings for user charges), and intergovernmental receivables arising from services provided.

	Receivable	Allowance	Net
General Fund:			
Taxes receivable	$ 90,961	$ (6,000)	$ 84,961
Customers	530,517	(6,000)	524,517
SPLOST -			
Intergovernmental	46,494	-	46,494
TSPLOST 25% Discretionary -			
Intergovernmental	6,119	-	6,119
CDBG Revolving Loan Fund -			
Mortgage	94,295	-	94,295
Total governmental activities	768,386	(12,000)	756,386
Water and Sewer -			
Customers	212,871	(39,000)	173,871
Total business-type activities	212,871	(39,000)	173,871
Total	$ 981,257	$ (51,000)	$ 930,257

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, 2016 follows:

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

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. These amounts also include balances of working capital loans made between funds which the City expects to collect in subsequent years.

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

D. Transfers

A summary of fund transfers for the year ended June 30, 2016 follows:

	Transfer in (out): Water and Sewer Fund
Transfers out:	
CDBG Capital Projects	$ 169,842
SPLOST	26,573
Transfers (in) -	
General Fund	(12,714)
	$ 183,701

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

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

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

E. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

Governmental Activities:	Balance 6/30/2015	Additions	Retirements	Balance 6/30/2016
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	2,114,335	-	(35,000)	2,079,335
Machinery and equipment	2,634,648	83,450	(80,267)	2,637,831
Infrastructure	1,149,512	160,805	-	1,310,317
Total capital assets being depreciated	5,898,495	244,255	(115,267)	6,027,483
Less accumulated depreciation for:				
Buildings and improvements	577,701	59,115	(22,677)	614,139
Machinery and equipment	1,896,594	206,563	(80,267)	2,022,890
Infrastructure	120,119	81,742	-	201,861
Total accumulated depreciation	2,594,414	347,420	(102,944)	2,838,890
Total capital assets, being depreciated, net	3,304,081	(103,165)	(12,323)	3,188,593
Governmental activities capital assets, net	$ 3,369,338	$ (103,165)	$ (12,323)	$ 3,253,850
Business-type Activities:				
Capital assets, not being depreciated -				
Land	$ 525,656	$ -	$ -	$ 525,656
Construction in progress	466,180	711,626	(1,177,806)	-
Total capital assets not being depreciated	991,836	711,626	(1,177,806)	525,656
Capital assets, being depreciated:				
Buildings and plant	14,217,895	26,573	1,177,806	15,422,274
Machinery and equipment	614,115	-	-	614,115
Total capital assets being depreciated	14,832,010	26,573	1,177,806	16,036,389
Less accumulated depreciation for:				
Buildings and improvements	6,664,324	355,001	-	7,019,325
Machinery and equipment	504,647	33,981	-	538,628
Total accumulated depreciation	7,168,971	388,982	-	7,557,953
Total capital assets, being depreciated, net	7,663,039	(362,409)	1,177,806	8,478,436
Business-type activities capital assets, net	$ 8,654,875	$ 349,217	$ -	$ 9,004,092

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

Depreciation expense was charged to functions / programs as follows:

Governmental Activities:	
General government and administration	$ 19,876
Public safety	144,498
Public works	181,926
Health and welfare	1,120
Total depreciation expense - governmental activities	$ 347,420
Business-type Activities -	
Water and sewer	$ 388,982
Total depreciation expense - business-type activities	$ 388,982

F. Long-term Obligations

The following is a summary of changes in long-term obligations of the City for the year ended June 30, 2016:

	Beginning Balance	Additions	Payments/ Retirements	Ending Balance	Current Portion	Long-term Portion
Governmental activities:						
USDA #97-01	$ 9,073	$ -	$ (2,922)	$ 6,151	$ 3,025	$ 3,126
USDA #97-03	27,920	-	(8,991)	18,929	9,305	9,624
USDA #97-05	988,645	-	(23,147)	965,498	23,937	941,561
USDA #97-06	301,181	-	(6,994)	294,187	7,244	286,943
USDA #97-07	210,544	-	(22,249)	188,295	22,837	165,458
KS StateBank	22,050	-	(22,050)	-	-	-
Capital leases payable	135,732	-	(41,800)	93,932	22,365	71,567
Governmental activities - long-term liabilities	$ 1,695,145	$ -	$ (128,153)	$ 1,566,992	$ 88,713	$ 1,478,279
Business-type activities:						
Series 1983 revenue bonds	320,000	-	(35,000)	285,000	35,000	250,000
Series 1996 revenue bonds	216,376	-	(6,177)	210,199	6,297	203,902
GEFA note 99-L95WJA	1,508,236	-	(113,475)	1,394,761	118,422	1,276,339
GEFA note 99-L95WJ	497,428	-	(70,994)	426,434	74,102	352,332
GEFA note 2014L24WQ	-	682,353	-	682,353	9,751	672,602
Business-type Activities - long-term liabilities	$ 2,542,040	$ 682,353	$ (225,646)	$ 2,998,747	$ 243,572	$ 2,755,175

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, 2016, including interest payments are as follows:

Year Ending June 30,	Principal	Interest	Total Payment
2017	$ 3,025	$ 215	$ 3,240
2018	3,126	109	3,235
	$ 6,151	$ 324	$ 6,475

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, 2016, including interest payments are as follows:

Year Ending June 30,	Principal	Interest	Total Payment
2017	$ 9,305	$ 663	$ 9,968
2018	9,624	337	9,961
	$ 18,929	$ 1,000	$ 19,929

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, 2016, including interest payments are as follows:

Year Ending June 30,	Principal	Interest	Total Payment
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	27,392	28,768	56,160
2022-2026	151,702	129,098	280,800
2027-2031	179,545	101,255	280,800
2032-2036	212,501	68,299	280,800
2037-2041	251,503	29,297	280,800
2042	42,071	769	42,840
	$ 965,498	$ 481,342	$ 1,446,840

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, 2016, including interest payments are as follows:

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

Year Ending June 30,	Principal	Interest	Total Payment
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	8,289	8,763	17,052
2022-2026	45,907	39,353	85,260
2027-2031	54,333	30,927	85,260
2032-2036	64,306	20,954	85,260
2037-2041	76,109	9,151	85,260
2042	14,744	236	14,980
	$ 294,187	$ 147,093	$ 441,280

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, 2016, including interest payments are as follows:

Year Ending June 30,	Principal	Interest	Total Payment
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	26,099	2,413	28,512
2022-2024	65,955	2,949	68,904
	$ 188,295	$ 23,169	$ 211,464

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 loan was paid off during fiscal year 2016.

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 $101,007 and $19,870 was included in depreciation expense for the year then ended. The annual requirements to amortize the remaining balance of $93,932 as of June 30, 2016, including interest payments are as follows:

Year Ending June 30,	Principal	Interest	Total Payment
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	$ 93,932	$ 7,778	$ 101,710

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 $4,620 and $18,479 was included in depreciation expense for the year then ended. The lease was paid out during fiscal year 2016.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

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 June 30, 2016, 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, 2016, including interest payments are as follows:

Year Ending June 30,	Principal	Interest	Total Payment
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	40,000	6,500	46,500
2022-2023	90,000	6,750	96,750
Total	$ 285,000	$ 59,000	$ 344,000

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, 2016, including interest payments are as follows:

Year Ending June 30,	Principal	Interest	Total Payment
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	7,726	9,398	17,124
2022-2026	45,156	40,464	85,620
2027-2031	58,283	27,337	85,620
2032-2036	71,793	13,827	85,620
Total	$ 210,199	$ 132,281	$ 342,480

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, 2016, including interest payments are as follows:

Year Ending June 30,	Principal	Interest	Total Payment
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	139,908	35,122	175,030
2022-2026	750,056	81,337	831,393
	$ 1,394,761	$ 311,780	$ 1,706,541

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, 2016, including interest payments are as follows:

Year Ending June 30,	Principal	Interest	Total Payment
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	22,597	156	22,753
	$ 426,434	$ 51,374	$ 477,808

Note Payable – GEFA #2014L24WQ

During fiscal year 2016 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 $1,802,616. As of June 30, 2016 $682,353 had been borrowed. Interest only payments will be required until all funds have been received and an amortization schedule will be established at that time.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

G. Fund Equity

Fund Balances:

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

General fund –	
Prepaids	$ 70,794

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

Capital Projects Funds -	
SPLOST –	
used to account for capital projects financed with SPLOST	$ 824,733
Transportation SPLOST –	
used to account for capital projects financed with TSPLOST	23,409
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	157,453
	$ 1,005,595

- ***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, 2016 are as follows:

	Governmental Activities	Business-Type Activities
Net investment in capital assets		
Cost of capital assets	$ 6,092,740	$ 16,562,045
Less accumulated depreciation	(2,838,890)	(7,557,953)
Book value	3,253,850	9,004,092
Less capital related debt	(1,566,992)	(2,998,747)
Net investment in capital assets	$ 1,686,858	$ 6,005,345

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, 2016, the City was covered by general liability insurance through Trident Insurance Services. The City was also covered by worker's compensation insurance through Lion Insurance Company.

B. Contingencies and Other

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

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

C. Joint Ventures

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

Heart of Georgia Altamaha Regional Commission – Under Georgia law, the City, in conjunction with other cities and counties in the region, is a member of the Heart of Georgia Altamaha Regional Commission (RC) and is required to pay annual dues thereto. During its year ended June 30, 2016, the City paid $8,623 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

IV. OTHER INFORMATION

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 year ended June 30, 2016, the City received $9,837 in hotel motel taxes. The City distributes 40% of the tax receipts to the Pioneer Arts and Historical Society of Telfair County, Georgia on a quarterly basis and expends the remaining 60% for general government purposes. For the year ended June 30, 2016, the City has complied with the expenditures requirements of code section 48-13-51.

E. Retiree Life Insurance Program

The City offers its retired employees $10,000 of term life insurance through the Georgia Municipal Association. The life insurance is a continuation of the insurance provided with health insurance for current employees. The benefit provisions and obligation to contribute are established by approval of the City. Once an active employee retires, the City begins to pay the premium to continue the life insurance for each retired employee. The only employee requirement for insurance coverage is to be a current City employee when retiring. The City has the right to establish and amend the benefit provisions of the plan. The current charges for each employee is $3.50 per month, per year and the City covered seven employees for year during 2016 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.

IV. OTHER INFORMATION

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.

Current membership in the GMEBS is comprised of the following:

Valuation date	1/1/2016
Retired participants and beneficiaries	45
Participants inactive with vested rights	25
Participants active:	
Fully vested	35
Not vested	12
Total	117

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.

IV. OTHER INFORMATION

Net Pension Liability

The City's net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total pension liability in the June 30, 2016 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, set forward two years for males and one year for females.

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, 2015 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.

IV. OTHER INFORMATION

The changes in the net pension liability follows:

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at prior measurement date	$ 3,606,437	$ 2,471,922	$ 1,134,515
Changes for the year:			
Service cost	$ 48,691	$ -	$ 48,691
Interest	152,821	-	152,821
Differences between expected and actual experience	(43,726)	-	(43,726)
Contributions - employer	-	107,793	(107,793)
Net investment income	-	(109,550)	109,550
Benefit payments	(129,446)	(129,446)	-
Administrative expense	-	(9,160)	9,160
Other	26,667	-	26,667
Net changes	$ 55,007	$ (140,363)	$ 195,370
Balances at September 30, 2015	$ 3,661,444	$ 2,331,559	$ 1,329,885

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's net pension liability	$ 1,800,971	$ 1,329,885	$ 936,743

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

IV. OTHER INFORMATION

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

For the year ended June 30, 2016, the City recognized pension expense of $177,785. At June 30, 2016, 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	$ 73,375	$ (32,796)
Changes of assumptions	1,467	(10)
Net difference between projected and actual earnings on pension plan investments	138,802	-
Employer contributions subsequent to the measurement date	145,171	-
Total	$ 358,815	$ (32,806)

The City's contributions subsequent to the measurement date of $145,171 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, 2017. Other amounts reported as deferred outflows or resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30:	Amount
2017	$ 53,686
2018	53,686
2019	34,477
2020	38,989

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

	Fiscal Year End									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Total pension liability										
Service cost	$ 48,691	$ 86,501								
Interest	152,821	251,798								
Differences between expected and actual experience	(43,726)	123,059		(Historical information prior to implementation of GASB 67/68 is not required)						
Changes of assumptions	-	2,326								
Changes of benefit terms	26,667	-								
Benefit payments, including refunds of employee contributions	(129,446)	(212,487)								
Net change in total pension liability	55,007	251,197	-	-	-	-	-	-	-	-
Total pension liability - beginning	3,606,437	3,355,240								
Total pension liability - ending (a)	$ 3,661,444	$ 3,606,437	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Plan fiduciary net position										
Contributions - employer	$ 107,793	$ 175,546								
Contributions - employee	-	-								
Net investment income	(109,550)	224,327								
Benefit payments, including refunds of employee contributions	(129,446)	(212,487)		(Historical information prior to implementation of GASB 67/68 is not required)						
Administrative expense	(9,160)	(12,350)								
Other	-	-								
Net change in fiduciary net position	(140,363)	175,036	-	-	-	-	-	-	-	-
Plan fiduciary net position - beginning	2,471,922	2,296,886								
Plan fiduciary net position - ending (b)	$ 2,331,559	$ 2,471,922	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Net pension liability - ending: (a)-(b)	$ 1,329,885	$ 1,134,515	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Plan's fiduciary net position as a percentage of the total pension liability	63.68%	68.54%								
Covered-employee payroll	$ 1,734,016	$ 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	76.69%	64.70%								

Refer to Notes To Required Supplementary Information

CITY OF MCRAE-HELENA, GEORGIA
SCHEDULE OF CONTRIBUTIONS

	Fiscal Year End									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
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	*									

* 2016 information will be determined after fiscal year end and will be included in the 2017 valuation report.

Refer to Notes To Required Supplementary Information

CITY OF MCRAE-HELENA, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Budget As Amended	Actual	Variance with Final Budget - Over (Under)
REVENUES				
Taxes	$ 2,799,400	$ 2,799,400	$ 2,769,087	$ (30,313)
Charges for services	514,850	514,850	485,027	(29,823)
Licenses and permits	47,850	47,850	48,450	600
Intergovernmental	-	-	91,834	91,834
Fines and forfeitures	162,800	162,800	258,521	95,721
Interest income	10,000	10,000	11,488	1,488
Other income	139,650	139,650	41,733	(97,917)
Total revenues	3,674,550	3,674,550	3,706,140	31,590
EXPENDITURES				
Current:				
General government:				
Legislative	49,589	49,589	44,685	(4,904)
Executive	144,866	144,866	147,351	2,485
Elections	3,895	3,895	2,494	(1,401)
General administration	264,909	264,909	264,921	12
Judicial	36,376	36,376	97,849	61,473
	499,635	499,635	557,300	57,665
Public safety:				
Public safety facility	82,273	82,273	67,449	(14,824)
JAG grant expenditures	-	-	-	-
Police	1,007,098	1,007,098	985,273	(21,825)
Fire	427,195	427,195	365,830	(61,365)
Other protection	7,885	7,885	7,761	(124)
	1,524,451	1,524,451	1,426,313	(98,138)
Public works:				
Public works administration	57,065	57,065	42,674	(14,391)
Highways and streets	581,076	581,076	544,374	(36,702)
Solid waste and recycling	645,784	645,784	610,441	(35,343)
Maintenance and shop	3,600	3,600	4,117	517
Cemetery	20,000	20,000	23,038	3,038
	1,307,525	1,307,525	1,224,644	(82,881)

CITY OF MCRAE-HELENA, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Budget As Amended	Actual	Variance with Final Budget - Over (Under)
Health and welfare:				
Health	8,500	8,500	10,081	1,581
Community services	110	110	269	159
	8,610	8,610	10,350	1,740
Culture and recreation:				
Recreation	45,310	45,310	33,861	(11,449)
Library	9,800	9,800	9,800	-
	55,110	55,110	43,661	(11,449)
Housing and development:				
Protective inspection	4,084	4,084	4,318	234
Planning and zoning	550	550	182	(368)
Economic development and assistance	12,000	12,000	5,700	(6,300)
	16,634	16,634	10,200	(6,434)
Debt service:				
Principal	62,525	62,525	108,012	45,487
Interest	52,550	52,550	56,347	3,797
	115,075	115,075	164,359	49,284
Capital outlay:				
General government	-	-	-	-
Public safety	97,510	97,510	83,450	(14,060)
Public works	50,000	50,000	70,156	20,156
	147,510	147,510	153,606	6,096
Total expenditures	3,674,550	3,674,550	3,590,433	(84,117)
Excess of revenues over expenditures	-	-	115,707	115,707
OTHER FINANCING SOURCES (USES)				
Loan proceeds	-	-	-	-
Capital lease proceeds	-	-	12,608	12,608
Transfer in (out)	-	-	12,714	12,714
Total other financing sources (uses)	-	-	25,322	25,322
Net change in fund balances	$ -	$ -	141,029	$ 141,029
Fund balances, beginning			2,403,852	
Fund balances, ending			$ 2,544,881	

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, 2016, 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, 2017.

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

The individual departments which had expenditures in excess of appropriations are as follows:

	Expenditures	Appropriations	Variance
General fund:			
Current:			
General government:			
Executive	$ 147,351	$ 144,866	$ 2,485
General administration	264,921	264,909	12
Judicial	97,849	36,376	61,473
Public works:			
Maintenance and shop	4,117	3,600	517
Cemetery	23,038	20,000	3,038
Health and welfare:			
Health	10,081	8,500	1,581
Community services	269	110	159
Housing and development -			
Protective inspection	4,318	4,084	234
Debt service:			
Principal	108,012	62,525	45,487
Interest	56,347	52,550	3,797
Capital outlay -			
Public works	70,156	50,000	20,156

The City absorbed these excesses as a result of expenditures at other department levels not exceeding budgeted totals, revenues and available fund balance.

CITY OF MCRAE-HELENA, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

	Capital Projects		Special Revenue			Total
	Transportation SPLOST	CDBG	CDBG Revolving Loan Fund	TSPLOST 25% Discretionary	Hotel Motel Tax Fund	Nonmajor Governmental Funds
ASSETS						
Cash and cash equivalents	$ 23,409	$ -	$ 63,158	$ 151,105	$ -	$ 237,672
Other receivables	-	-	-	6,119	-	6,119
Due from other funds	-	-	-	2,350	-	2,350
Mortgage receivable	-	-	94,295	-	-	94,295
Total assets	$ 23,409	$ -	$ 157,453	$ 159,574	$ -	$ 340,436
LIABILITIES	$ -	$ -	$ -	$ -	$ -	$ -
FUND BALANCES						
Restricted:						
Capital projects	23,409	-	-	-	-	23,409
Redevelopment	-	-	157,453	-	-	157,453
Unassigned	-	-	-	159,574	-	159,574
Total fund balances	23,409	-	157,453	159,574	-	340,436
Total liabilities and fund balances	$ 23,409	$ -	$ 157,453	$ 159,574	$ -	$ 340,436

CITY OF MCRAE-HELENA, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Capital Projects		Special Revenue			Total
	Transportation SPLOST	CDBG	CDBG Revolving Loan Fund	TSPLOST 25% Discretionary	Hotel Motel Tax Fund	Nonmajor Governmental Funds
REVENUES						
Intergovernmental	$ -	$ 115,924	$ -	$ 74,537	$ -	$ 190,461
Taxes	-	-	-	-	9,837	9,837
Interest income	-	-	3,158	270	-	3,428
Total revenues	-	115,924	3,158	74,807	9,837	203,726
EXPENDITURES						
Current:						
General government	-	-	-	-	6,753	6,753
Housing and development	-	-	-	-	3,084	3,084
Total expenditures	-	-	-	-	9,837	9,837
Excess of revenues over expenditures	-	115,924	3,158	74,807	-	193,889
OTHER FINANCING SOURCES (USES)						
Transfer in (out)	-	(169,842)	-	-	-	(169,842)
Total other financing sources (uses)	-	(169,842)	-	-	-	(169,842)
Net change in fund balances	-	(53,918)	3,158	74,807	-	24,047
Fund balances - beginning	23,409	53,918	154,295	84,767	-	316,389
Fund balances - ending	$ 23,409	$ -	$ 157,453	$ 159,574	$ -	$ 340,436

CITY OF MCRAE-HELENA, GEORGIA
SCHEDULE OF EXPENDITURES OF
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
FOR THE YEAR ENDED JUNE 30, 2016

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	$ 127,261	$ 12,899	$ 140,160	46.23%
Downtown revitalization	303,200	118,313	29,900	148,213	48.88%
Water and sewer	303,200	267,627	26,573	294,200	97.03%
	$ 909,600	$ 513,201	$ 69,372	$ 582,573	
City of Helena, Georgia					
Streets		$ 68,239	$ 68,897	$ 137,136	
Water and sewer		294,226	-	294,226	
	$ 782,400	$ 362,465	$ 68,897	$ 431,362	55.13%
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 YEAR ENDED JUNE 30, 2016

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	15,846
Current year program income	3,158
Funds available for disposition / lending	$ 19,004

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	(35,198)
Current year repayment of principal	(8,956)
Mortgage loan balance outstanding	$ 94,295

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 year ended June 30, 2016, 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 28, 2016.

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 2016-1 and 2016-2 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 28, 2016

CITY OF MCRAE-HELENA, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

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 year ended June 30, 2016:

Audit Finding

2016-1 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.

2016-2 Budgetary Control

Criteria:

Maintaining appropriate budgetary controls over expenditures is important in keeping costs below approved amounts and serves as a management tool in evaluating results of operations.

Condition:

The City over-expended funds in various departments.

Cause of Condition:

The City did not amend the adopted budget where expenditures would exceed the original budgeted amounts.

Effect of Condition:

The City over-expended funds in the general government: executive, general administration, and judicial departments; public works: maintenance and shop and cemetery departments; health and welfare: health and community services departments; housing and development – protective inspection department; Debt service: principal and interest and capital outlay- public works department.

Recommendation:

We recommend the City review a budget versus actual report on a monthly basis to prevent expenditures in excess of budgeted amounts.

Management's Response:

In our efforts to continually improve and to comply with the highest form of governmental accounting and financial reporting, we have implemented a formal review process to compare actual to budgeted amounts on a monthly basis.