TOWN OF MOUNT AIRY

MOUNT AIRY, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2014

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the Town Council
Town of Mount Airy
Mount Airy, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Mount Airy, Georgia, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Town of Mount Airy, Georgia's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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, and each major fund of the Town of Mount Airy, Georgia, as of December 31, 2014, and the respective changes in financial position, and, where applicable, cash flows, and the budgetary comparison of the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted Management's Discussion and Analysis 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 statements 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 budgetary comparison information on page 25 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Mount Airy, Georgia's basic financial statements. The Schedule of Expenditures of Special Purpose Local Option Sales Tax Proceeds (as required by the Official Code of Georgia Annotated 48-8-21) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2015, on our consideration of the Town of Mount Airy, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Mount Airy, Georgia's internal control over financial reporting and compliance.

Duncan & Kitchens, LLC

Duncan & Kitchens, LLC
Certified Public Accountants
Clarkesville, Georgia
June 15, 2015

TOWN OF MOUNT AIRY, GEORGIA
STATEMENT OF NET POSITION
DECEMBER 31, 2014

EXHIBIT 1

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash	$ 628,268	$ 115,572	$ 743,840
Accounts Receivable-Net	9,966	44,832	54,798
Internal Balances	(2,128)	2,128	-
Total Current Assets	636,106	162,532	798,638
Non-current Assets			
Capital Assets			
Non-Depreciable	1,447	16,759	18,206
Depreciable Assets - Net	276,403	379,653	656,056
Total Non-current Assets	277,850	396,412	674,262
TOTAL ASSETS	913,956	558,944	1,472,900
LIABILITIES			
Current Liabilities			
Accounts Payable	14,731	4,271	19,002
Water Deposits		28,376	28,376
Total Current Liabilities	14,731	32,647	47,378
Noncurrent Liabilities			
Long-term Notes Payable	-	162,285	162,285
Total Noncurrent Liabilites	-	162,285	162,285
TOTAL LIABILITIES	14,731	194,932	209,663
NET POSITION			
Net Investment in Capital Assets	277,850	396,412	674,262
Amounts Restricted for:			
Capital Projects	152,170		152,170
Unrestricted	469,205	(32,400)	436,805
TOTAL NET POSITION	$ 899,225	$ 364,012	$ 1,263,237

The accompanying notes are an integral part of this statement.

TOWN OF MOUNT AIRY, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

EXHIBIT 2

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total
Primary Government							
Governmental Activities							
General Government	$ 209,481	$ 14,650	$	$	$ (194,831)	$	$ (194,831)
Police	74,457	7,953			(66,504)		(66,504)
Streets and Roads	51,805				(51,805)		(51,805)
Parks	5,256				(5,256)		(5,256)
Total Governmental Activities	340,999	22,603			(318,396)		(318,396)
Business-type Activities							
Water and Sewer	339,318	281,317				(58,001)	(58,001)
GCIC	212,488	291,514				79,026	79,026
Total Business-type Activities	551,806	572,831				21,025	21,025
Total Primary Government	$ 892,805	$ 595,434	$	$	(318,396)	21,025	(297,371)
General Revenues:							
Taxes:							
Property					89,775		89,775
Franchise					21,375		21,375
Beer and Wine					12,025		12,025
Liquor Tax					17,900		17,900
Insurance Premium					73,562		73,562
Special Purpose Local Option Sales Tax					23,515		23,515
Licenses and Permits					19,229		19,229
Unrestricted Investment Earnings					2,966	6	2,972
Miscellaneous					4,159	12,992	17,151
Transfers					155,000	(120,000)	35,000
Total General Revenues and Transfers					419,506	(107,002)	312,504
Change in Net Position					101,110	(85,977)	15,133
Net Position - Beginning of Year					798,115	449,989	1,248,104
Net Position - End of Year					$ 899,225	$ 364,012	$ 1,263,237

The accompanying notes are an integral part of this statement.

TOWN OF MOUNT AIRY, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

EXHIBIT 3

	GENERAL FUND	SPLOST CAPITAL PROJECTS	GOVERNMENTAL FUNDS
ASSETS			
Cash	$ 476,098	$ 152,170	$ 628,268
Accounts Receivable - Net	9,966		9,966
Due from Other Funds	1,623		1,623
TOTAL ASSETS	$ 487,687	$ 152,170	$ 639,857
LIABILITIES			
Accounts Payable	$ 14,731	$	$ 14,731
Due to Other Funds	3,751		3,751
TOTAL LIABILITIES	18,482		18,482
DEFERRED INFLOWS OF RESOURCES			
Unavailable Property Tax Revenue	5,798		5,798
FUND BALANCE			
Restricted:			
Capital Projects		152,170	152,170
Unassigned	463,407		463,407
TOTAL FUND BALANCE	463,407	152,170	615,577
TOTAL LIABILITIES AND FUND BALANCE	$ 487,687	$ 152,170	$ 639,857

Adjustments to the Statement of Net Assets

Fund Balance	$	615,577
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds		277,850
Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes		5,798
Net Position of Governmental Activities (Exhibit "1")	$	899,225

The accompanying notes are an integral part of this statement.

TOWN OF MOUNT AIRY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

EXHIBIT 4

	GENERAL FUND	SPLOST CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Taxes			
Property	$ 91,383	$	$ 91,383
Franchise	21,375		21,375
Beer and Wine Tax	12,025		12,025
Liquor Tax	17,900		17,900
Insurance Premium	73,562		73,562
License and Permits	19,229		19,229
Charges for Services	14,650		14,650
Fines and Forfeitures	7,953		7,953
Intergovernmental		23,515	23,515
Interest Income	2,966		2,966
Other	4,159		4,159
TOTAL REVENUE	265,202	23,515	288,717
EXPENDITURES			
Current:			
General Government	163,594	36,594	200,188
Police Department	58,680	12,258	70,938
Streets and Sanitation	44,284		44,284
Parks	5,256		5,256
Capital Oulays	163,171		163,171
TOTAL EXPENDITURES	434,985	48,852	483,837
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(169,783)	(25,337)	(195,120)
OTHER FINANCING SOURCES (USES)			
Transfers In	155,000		155,000
Transfers Out			-
TOTAL OTHER FINANCING SOURCES (USES)	155,000	0	155,000
Net Change in Fund Balances	(14,783)	(25,337)	(40,120)
FUND BALANCE - BEGINNING OF YEAR	478,190	177,507	655,697
FUND BALANCE - END OF YEAR	$ 463,407	$ 152,170	$ 615,577

Adjustments to the Statement of Activities	
Net Change in Fund Balance	$ (40,120)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These include recognition of unavailable deferred revenue.	(1,608)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which Capital Outlays ($163,171). Depreciation ($20,333) exceeded	142,838
Change in net position of governmental activities (Exhibit 2)	$ 101,110

The accompanying notes are an integral part of this statement.

TOWN OF MOUNT AIRY, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

EXHIBIT 5

	WATER ENTERPRISE FUND	GCIC	TOTAL
ASSETS			
Current Assets:			
Cash	$ 61,523	$ 54,049	$ 115,572
Accounts Receivable	18,248	26,584	44,832
Due From Other Funds		3,751	3,751
Total Current Assets	79,771	84,384	164,155
Non-current Assets:			
Capital Assets			
Nondepreciable Assets	16,759		16,759
Depreciable Assets -net	379,653		379,653
Total Non-current Assets	396,412		396,412
TOTAL ASSETS	476,183	84,384	560,567
LIABILITIES			
Current Liabilities			
Accounts Payable	3,261	1,010	4,271
Due to General Fund	1,623		1,623
Total Current Liabilities	4,884	1,010	5,894
Noncurrent Liabilities			
Water Deposits	28,376		28,376
Long-Term Notes Payable	162,285		162,285
Total Noncurrent Liabilities	190,661	-	190,661
TOTAL LIABILITIES	195,545	1,010	196,555
NET POSITION			
Net investment in capital assets	396,412		396,412
Unrestricted	(115,774)	83,374	(32,400)
TOTAL NET POSITION	$ 280,638	$ 83,374	$ 364,012

The accompanying notes are an integral part of this statement.

TOWN OF MOUNT AIRY GEORGIA
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

EXHIBIT 6

	WATER ENTERPRISE FUND	GCIC	TOTAL
OPERATING REVENUES			
Water Sales	$ 171,713	$	$ 171,713
Garbage	71,033		71,033
Fire Protection	38,571		38,571
GCIC Fees		291,514	291,514
TOTAL OPERATING REVENUES	281,317	291,514	572,831
OPERATING EXPENSES - By Department			
Water	206,720		206,720
Garbage Collection	66,258		66,258
Fire Protection	37,406		37,406
GCIC		212,488	212,488
Depreciation	28,934		28,934
TOTAL OPERATING EXPENSES	339,318	212,488	551,806
OPERATING INCOME	(58,001)	79,026	21,025
NON-OPERATING REVENUES (EXPENSE)			
Interest Income	6		6
Other Income	12,992		12,992
TOTAL NON-OPERATING INCOME (EXPENSE)	12,998		12,998
INCOME (LOSS) BEFORE TRANSFERS	(45,003)	79,026	34,023
Transfers in (out)			
Transfers in			-
Transfers out	(20,000)	(100,000)	(120,000)
	(20,000)	(100,000)	(120,000)
CHANGE IN NET POSITION	(65,003)	(20,974)	(85,977)
NET POSITION - BEGINNING OF YEAR	345,641	104,348	449,989
NET POSITION - END OF YEAR	$ 280,638	$ 83,374	$ 364,012

The accompanying notes are an integral part of this statement.

TOWN OF MOUNT AIRY, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

EXHIBIT 7

	WATER ENTERPRISE FUND	GCIC	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	$ 278,561	$ 289,971	$ 568,532
Payments to Suppliers	(209,030)	(69,848)	(278,878)
Payments to Employees	(99,449)	(141,630)	(241,079)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(29,918)	78,493	48,575
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from loans	162,285		162,285
Payments to other funds	(20,000)	(100,000)	(120,000)
Payments for acquisitions of capital assets	(162,876)		(162,876)
	(20,591)	(100,000)	(120,591)
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES			
Other Income	12,992		12,992
NET CASH PROVIDED (USED) FOR NONCAPITAL AND RELATED FINANCING ACTIVITIES	12,992		12,992
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Earned	6		6
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	6		6
NET INCREASE IN CASH AND CASH EQUIVALENTS	(37,511)	(21,507)	(59,018)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	99,034	$ 75,556	$ 174,590
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 61,523	$ 54,049	$ 115,572
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating Income (Loss)	$ (58,001)	$ 79,026	$ 21,025
Adjustments To Reconcile Operating Income (Loss) To Net Cash Provided By Operating Activities			
Depreciation	28,934		28,934
(Increase) Decrease in Accounts Receivable	(6,731)	(678)	(7,409)
Increase (Decrease) in Due To Other Funds	(27)		(27)
(Increase) Decrease in Due from Other Funds		(865)	(865)
Increase (Decrease) in Accounts Payable	1,932	1,010	2,942
Increase (Decrease) in Service Deposits	3,975		3,975
TOTAL ADJUSTMENTS	28,083	(533)	27,550
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ (29,918)	$ 78,493	$ 48,575

The accompanying notes are an integral part of this statement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Government Unit

The Town of Mount Airy (the "Town") was incorporated under the laws of the State of Georgia in 1874 and operates under an elected mayor-commission for of Government. The Town's combined financial statements include the accounts of all the Town's operations.

The financial statements of the Town of Mount Airy have been prepared in conformity with the accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for the Town's accounting and financial reporting policies. The more significant of the Town's accounting policies are described below.

A. Financial Reporting Entity

Component units are legally separate organizations for which the Town is financially accountable. The Town is financially accountable for an organization if the Town appoints a voting majority of the organization's governing board and (1) the Town is able to significantly influence the programs or services performed or provided by the organization; or (2) the Town is legally entitled to or can otherwise access the organization's resources; the Town is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to the organization; or the Town is obligated for the debt of the organization. Component units also may include organizations that are fiscally dependent on the Town in that the Town approves the budget, levies taxes or issues their debt.

Based on the aforementioned criteria, the Town has no component units.

B. Basis of Presentation

The Town's basic financial statements consist of government-wide statements, including a statement of net position, a statement of activities and fund financial statements, which provide a more detailed level of financial information.

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 non-fiduciary activities of the primary government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the Town. Individual funds are not displayed. The statements distinguish between governmental activities, generally supported by taxes, intergovernmental revenues, and other non-exchange transactions and business-type activities, which are generally financed in whole or in part by fees charged to external parties.

The statement of net position presents the financial position of the governmental and business type activities of the Town at year end.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities, for identifiable activity of the business-type activities of the Town. Direct expenses are those that are clearly identifiable with a specific function or segment. The Town does not allocate indirect expenses to functions in the statement of activities.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional

NOTE 1 – (Continued)

activity. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. These revenues are subject to externally imposed restrictions to these program uses.

For identifying to which function program revenue pertains, the determining factor for *charges for services* is which function *generates* the revenue. For *grants and contributions*, the determining factor is to which functions the revenues are *restricted.*

Taxes and other revenue sources not properly included with the program revenues are reported as general revenues of the Town. The comparison between direct expenses with program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or draws from the general revenues of the Town.

Fund Financial Statements – During the year, the Town segregates transactions related to certain Town functions or activities in separate funds in order to aid financial management and demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at this more detailed level. Fund financial statements are provided for governmental and proprietary funds.

Major individual governmental and enterprise funds are reported in separate columns.

Fund Accounting – The Town uses funds to maintain its financial records during the year. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The Town uses two categories of funds: governmental and proprietary.

Governmental Funds: - Governmental Funds are those through which most of the governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balance of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The Town reports the difference between governmental fund assets and liabilities as fund balance. The following are the Town's major governmental funds:

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

The *Capital Projects Fund* accounts for the funds from the Town's share of the Habersham County Special Purpose Local Option Sales Tax.

Proprietary Funds*:* – Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. The Town has two major proprietary funds:

The *Water Fund* accounts for the operation of the water system including all revenues from sources applicable to the system's operations and all expenses of its operations.

The *GCIC Fund* accounts for the operations of the criminal background checks performed by the Town through the Georgia Crime Information Center.

NOTE 1 – (Continued)

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

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the Town are included in the statement of net position. The statement of activities reports revenues and expenses.

Fund Financial Statements – All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements.

Like the government-wide statements, all proprietary funds types are accounted for on a flow of economic resources measurement focus on both financial reporting levels. All assets and liabilities associated with the operation of these funds are included on the statements of net position. The statements of changes in fund net position present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Town finances and meets the cash flow needs of its proprietary activities.

Basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting.

At the fund reporting level, governmental funds use the modified accrual basis of accounting. Proprietary funds use the accrual basis of accounting at both reporting levels. Differences in the accrual method and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues- Exchange Transactions – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the calendar year which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current calendar year. For the Town, the phrase "available for exchange transactions" means expected to be received within 60 days of year end.

Revenues – Non-exchange Transactions – Non-exchange transactions, in which the Town receives value without directly giving equal value in return, includes sales tax, property taxes, grants and donations. On an accrual basis, revenue from sales tax is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the calendar year for which the taxes are levied. Revenue from grants and donations is recognized in the calendar year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specific the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Town must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions also must be available (i.e., collected within 60 days for property taxes and other non-exchange transactions) before it can be recognized.

NOTE 1 – (Continued)

Under the modified accrual basis, the following revenue sources are considered to be susceptible to accrual: property taxes, sales tax, special assessments and federal and state grants.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred, if measurable. On the modified accrual basis, expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

D Assets, Liabilities and Equity

1. ***Cash and Investments*** - Cash and cash equivalents include amounts in demand and time deposits as well as short-term investments with a maturity date within three months of the date acquired by the Town. Cash and cash equivalents are reported on the balance sheets, statements of net position and in cash flow statements.

   State statutes authorize the Town to invest in the following types of obligations:
   - Obligations of the State of Georgia or of any other states
   - Obligations of the United States Government
   - Obligations fully insured or guaranteed by the United States Government or Government Agency
   - Obligations of any corporation of the United States Government
   - Prime Bankers acceptances
   - The State of Georgia local government investment pool (i.e., Georgia Fund 1)
   - Obligations of the other political subdivisions of the State of Georgia

2. ***Receivables*** – Levied property taxes are recorded as receivables and recognized as revenue in the year they become due. The levy is made on assessed valuations as of January 1, and the taxes are due on December 20 of each year.

   The tax bills are mailed at least 60 days prior to the due date. The billings are considered past due 60 days after the tax billings date or December 20, whichever is later, at which time the applicable property is subject to lien, and penalties are assessed.

   All trade and property tax receivables are shown net of an allowance for uncollectibles, where applicable.

3 *Interfund Balances*

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

4 *Inventories*

The cost of supplies is recorded as expenditure at the time the individual items are purchased. The amount of inventory on hand is insignificant and therefore not recorded.

NOTE 1 – (Continued)

5. *Capital Assets*

Capital outlays are recorded as expenditures of the General Fund and as assets in the government-wide financial statements to the extent that the Town's capitalization threshold is met. The Town capitalizes asset purchases valued at $5,000 or more. Depreciation is recorded on general fixed assets on a government-wide basis. Capital outlays of the Proprietary Fund are recorded as fixed assets and depreciated over their estimated useful lives on a straight-line basis on both the funds basis and the government-wide basis. All fixed assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated fixed assets are valued at their estimated fair market value on the date donated.

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenditures that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

Major outlays of capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the assets constructed. $590 of interest was capitalized during 2014.

Infrastructure (roads, bridges and traffic lights) acquired prior to January 1, 2000 have not been reported.

6 *Compensated Absences*

The Town's policy does not allow the accumulation of vacation pay beyond a six-month period subsequent to year-end. Vacation taken subsequent to year-end requires approval of the department head and the Mayor and is lost if not taken by the end of the six-month period. The amount of 2014 vacation time taken in 2015 could not be reasonably estimated but it deemed to be immaterial. Sick pay benefits are nonvesting accumulating rights and are not accrued as allowed by FASB-43 (Accounting for Compensated Absences).

7 *Accrued Liabilities and Long-term Obligations*

The Town reports long-term debt of governmental activities at face value in the Government-wide Statement of Net Assets. Long-term debt is not reported for governmental activities in the fund financial statements. Long-term debt and other obligations financed by the proprietary fund are reported as liabilities in both the Government-wide and fund financial statements.

8 *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 Town 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 the amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash like inventories and prepaid items) or (b) legally or contractually required to be maintained intact.

NOTE 1 – (Continued)

- *Restricted* – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town 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 Town Council through the adoption of a resolution prior to the end of the fiscal year. In order to modify or rescind the commitment, the Town Council must adopt another resolution.
- *Assigned*- Fund balances are reported as assigned when the amounts are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the Town Council has authorized the Town's finance director 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 Town reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all other governmental funds.

Net Position – The net position represents the difference between assets and liabilities. The net position component "invested in capital assets, net of related debt" consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any debt used for the acquisition, construction, or improvement of those assets. In determining the outstanding balance of any borrowing, proceeds of that debt which has not been spent is deducted. Accounts payable for costs related to acquisition, construction, or improvement of those capital assets is considered debt for this calculation. Net assets are reported as restricted as described in the fund balance section above. All other assets are reported as unrestricted.

Fund Balance Flow Assumptions – Sometimes the government 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 government'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.

Net Position Flow Assumptions – Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted- net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

9 ***Operating Revenue and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Town, these revenues are charges for services for water and development. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of each fund.

10 ***Interfund Activity***

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/ expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related

NOTE 1 – (Continued)

cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

11 *Estimates*

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Accordingly, actual results could differ from those estimates.

12 *Deferred Outflows/Inflows of Resources*

The Town implemented GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB No. 65, *Items Previously Reported as Assets and Liabilities* in fiscal year 2014. This implementation resulted primarily in changes to terminology and the elimination of reporting unamortized debt issuance costs (i.e., unamortized loan origination fees) as a deferred charge.

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 future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditures) until then. The Town has no items that qualify for reporting in this category.

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

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The Town finance director prepares a draft of the annual budget from which the Commissioners prepare a proposed budget. The Town then advertises in a local newspaper giving notice regarding a public hearing in which local citizens may give their input regarding the proposed budget. The Town also places a copy of the proposed budget on file for public inspection prior to actual approval. Once all of the steps have been taken, the Commissioners then formally adopt the annual, balanced budget. The legal level of control of the budget is at the department level. All appropriations lapse at year end. During the current fiscal year, there were no amendments made to the original budget.

The Commission annually adopts budgets for the General Fund of the Primary Government. All appropriations are legally controlled at the departmental level for the General Fund. The budgets are integrated into the accounting system, and the budgetary, as presented in financial statements for all funds with annual budgets, compare the expenditures with the amended budgets. All budgets are presented on the modified accrual basis of accounting. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance

NOTE 2 – (Continued)

accounting - under which purchase orders, contracts and other commitments for the expenditures are recorded to reserve that portion of the applicable appropriation - is not utilized by the Town of Mount Airy.

NOTE 3 – DEPOSIT AND INVESTMENT RISK

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the Town's deposits may not be returned. The Town has no formal policy, but follows the State of Georgia requirement that all deposits be federally insured or fully collateralized. At December 31, 2014 the Town had no uninsured, uncollateralized deposits.

Interest Rate Risk

The Town 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

Stat of Georgia law limits investments to include certificates of deposit, repurchase agreements, direct and agency obligations of the United States, obligations of the State of Georgia or other states, obligations of other political subdivisions of the State of Georgia, and pooled investment programs of the State of Georgia. The Town has no investment policy that would further limit the investment choices. Investments are to be reported at fair value.

Concentration of Credit Risk

The Town has no formal policy on the amount the Town may invest in any one issuer.

Foreign Currency Risk

The Town has no investments denominated in a foreign currency.

NOTE 4 - RECEIVABLES

Receivables at December 31, 2014 consisted of the following:

	General Fund	Enterprise Fund	Total
Receivables:			
Taxes	$ 9,966	$	$ 9,966
Water and Sewer Receivables		44,832	44,832
Total Receivables	$ 9,966	$ 44,832	$ 54,798

The delinquent taxes receivable account represents uncollected tax levies. The Town maintains an allowance for doubtful accounts of $1,000.

Property taxes are assessed as of January 1, 2014 on property values. Taxes were levied on October 20, 2014 for the 2014 tax year, and were due on December 20, 2014. All unpaid taxes levied on October 20, 2014 become delinquent as of December 20, 2014. Interest and penalties accrue after December 20, 2014.

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within 60 days after year end.

NOTE 5 – INTERFUND BALANCES

DUE TO - FROM OTHER FUNDS

Major Funds		
Due To	**Due From**	**Amount**
General	Water	1,623
GCIC	General	3,751
Total		$ 5,374

INTERFUND TRANSFERS

	Major Funds			
	General	Water	GCIC	Total
***Transfer Out To*:**				
Major Funds				
General Fund	$	$	$ (100,000)	$ (100,000)
Water Fund		(20,000)		(20,000)
GCIC				-
***Transfer In From*:**				
Major Funds				
General Fund				-
Water Fund	20,000			20,000
GCIC	100,000			100,000
	$ 120,000	$ (20,000)	$ (100,000)	$ -

Interfund transfers are used to 1) move revenues from the fund that statute or budget requires them to the fund that statute or budget requires to expend them, and 2) use restricted revenues collected to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers are eliminated in the government-wide financial statements if the interfund transfer is within the governmental fund group or business-type group.

NOTE 6 - CHANGES IN FIXED ASSETS

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

Governmental-Type Activities:

	Balance 1/1/2014	Additions	Deletions	Balance 12/31/2014
Capital Assets not being Depreciated				
Land	$ 947	$ 500	$ -	$ 1,447
Depreciable Assets				
Buildings	264,324	145,000	-	409,324
Machinery & Equipment	218,425	17,671	-	236,096
Total Depreciable Assets	482,749	162,671	-	645,420
Less: Accumulated Depreciation				
Buildings	(194,882)	(10,274)	-	(205,156)
Machinery & Equipment	(153,802)	(10,059)	-	(163,861)
Total Accumulated Depreciation	(348,684)	(20,333)	-	(369,017)
Net Depreciable Assets	134,065	142,338	-	276,403
Governmental activities assets, net	135,012	142,838	-	277,850

Depreciation was charged to governmental functions as follows:

General Government Administration	$ 9,293
Police	3519
Streets and Sanitation	7521
Total	$ 20,333

Business-Type Activities:

	Balance 1/1/2014	Additions	Deletions	Balance 12/31/2014
Capital Assets not being Depreciated				
Land	$ 16,759	$ -	$ -	$ 16,759

NOTE 6 – (Continued)

Depreciable Assets				
Well Housing	18,852	-	-	18,852
Water System	606,604	162,876	-	769,480
Water Tanks	185,317	-	-	185,317
Total Depreciable Assets	810,773	162,876	-	973,649
Less: Accumulated Depreciation				
Well Housing	(16,608)	(585)	-	(17,193)
Water System	(363,137)	(24,572)	-	(387,709)
Water Tanks	(185,317)	(3,778)		(189,095)
Total Accumulated Depreciation	(565,062)	(28,935)	-	(593,997)
Net Depreciable Assets	245,711	133,941	-	379,652
Business-Type activities assets, net	262,470	133,941	-	396,411

In the governmental and business-type activities, the following estimated useful lives are used to compute depreciation using the straight-line method:

General Government Buildings	40 Years
Streets	5-20 Years
Water System	50 Years
Machinery and Equipment	5-20 Years

NOTE 7 - EMPLOYEE RETIREMENT PLAN

Plan Description

The Town contributes to the Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer defined benefit pension plan that acts as a common investment and administrative agent for cities and municipalities in Georgia. Authority to establish and amend benefit provisions is held by the Town Council of the Town of Mounty Airy. The plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Section 47-20-10 of the Georgia Code sets forth the funding standards for state and local government pension plans. Administrative expenses are based on total covered payroll of plan members and are added to the annual funding requirement. The GMEBS issues a publicly available financial report that includes financial statements and required supplementary information for the Town of Mount Airy retirement plan. That report may be obtained by writing to Georgia Municipal Association, 201 Pryor Street, SW, Atlanta, Georgia 30303.

Vested employees who have reached the age of 65 and have completed five years of credited service are eligible to receive a monthly benefit, payable for life. The benefit is equal to 1.0% of the employees' average salary up to a floating break point and 1.75% of the employee's average salary above the floating break point for the five highest years of employment multiplied by the years of credited service. The floating break point is based upon average Social Security earnings determined by the employee's year of employment termination. The plan also provides

NOTE 7 – (Continued)

benefits in the event of death or disability. These benefits provisions were established by an adoption agreement executed by the Town Council.

Vested employees who have reached age 55 with at least ten years of credited service are eligible to receive an early retirement benefit, payable monthly for life, reduced on an actuarial equivalent basis. Death benefits and optional forms of retirement income on an actuarial equivalent basis are also available.

Current Membership is as follows:

Retirees and beneficiaries currently receiving benefits	11
Terminated vested participants	6
Active vested participants	8
Active non-vested participants	5
Total number of participants	30

Funding Policy

Town employees are not required to contribute to the Plan. The Town is required to contribute at an actuarially determined rate; the current rate is 19.41% of annual covered payroll. This new contribution represents an 1.44% decrease of pay from the 20.85% previous calculation. The contribution requirements of plan members and the Town are established and may be amended by the Georgia Municipal Employee Benefit System Board of Trustees.

Annual Pension Cost

For 2014 the Town's annual pension cost of $36,822 to GMEBS was equal to the Town's required and actual contributions. The last actuarial valuation date was July, 2014. The funding policy for the plan is to contribute an amount equal to the recommended contribution in each year. The recommended contribution meets the guidelines for calculating annual required contributions set forth in Paragraphs 9-10 of Statement No. 27. These contributions are determined under the projected unit credit actuarial cost method and the asset valuation method for developing the actuarial value of assets. The period, and related method, for amortizing the initial unfunded actuarial liability is 30 years from 1982 and the current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods, if applicable, are open for this plan year.

To minimize the effect of random variations in financial market values on the recommended contribution, the Board of Trustees adopted an asset valuation method for use in the calculation. The method for determining the actuarial value of assets is part of GMEBS actuarial funding policy. The smoothing technique gradually incorporates investment performance that exceeds or falls short of the expected return of 7.75%, which is the valuations investment return assumption.

NOTE 7 – (Continued)

The Town of Mount Airy Retirement Plan

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06-30-08	$ 19,285	100.%	0
06-30-09	26,400	100.%	0
06-30-10	35,793	100.%	0
06-30-11	38,908	100.%	0
06-30-12	36,934	100.%	0
06-30-13	38,816	100.%	0
06-30-14	36,822	100.%	0

The Town of Mount Airy Retirement Plan
Analysis of Funding Progress

Actuarial Valuation Date July 1	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Funded Ratio (a/b)	Unfunded AAL (UALL) (b-a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)*
2009	254,654	429,638	59.27%	174,984	120,385	145.35%
2010	343,669	422,469	81.35%	78,800	127,532	61.79%
2011	378,279	452,606	83.58%	74,327	129,342	57.47%
2012	406,287	490,862	82.77%	84,575	113,819	74.31%
2013	437,985	532,820	82.20%	94,835	182,952	51.84%
2014	472,853	562,553	84.05%	89,700	186,502	48.10%

Effect of plan changes on the actuarial accrued liability of any current-year changes in assumption or benefit provisions is:

The plan provision valued and the actuarial assumptions are the same as those used in the preceding valuation. The actuarial assumptions have been changed since the preceding year and the effect will be provided upon request.

The effect on the recommended contributions of any current-year changes in actuarial assumptions, benefit provisions or actuarial funding method is:

The plan provisions valued and the actuarial assumptions and cost methods are the same as those used to determine the contribution requirement for the preceding year and the effect will be provided upon request.

NOTE 7 – (Continued)

Actuarial Assumptions and Methods:	
Economic Assumptions	
Interest Rate	7.8%
Annual Rates of Increase in:	
Inflation	3.5%
Salaries:	
Merit	3.5%
Cost of Living Adjustment	3.5%

NOTE 8 – CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts collected, may constitute a liability of the applicable funds. The amount, if any which may be disallowed by the grantor cannot be determined at this time although the government expects such amount, if any, to be immaterial.

The Town is not aware of any litigation or other contingent liabilities either in effect or pending against itself.

NOTE 9 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; Errors and omissions; injuries to employees; and natural disasters. The Town has joined together with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency Property and Liability Insurance Fund and the Georgia Municipal Association Group Self-Insurance Workers Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for member local governments.

As part of these risk pools, the Government is obligated to pay all contributions and assessments as prescribed in the pools, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the fund, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The Government is also to allow the pool's agents and attorneys to represent the Government in investigation, settlement discussions and all levels of litigation arising out of any claim against the Government within the scope of loss protection furnished by the fund.

The Fund is to defend, in the name of and on behalf of the members, any suits or other proceedings which may at any time be instituted against them on account of injuries or death within the preview of the Worker's Compensation Law of Georgia, or on the basis of employer's liability, including suits or other proceedings, allegations or demands be wholly groundless, false or fraudulent. The fund is to pay all cost taxes against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiations or defense.

NOTE 9 – (Continued)

However, the enabling statute creating the Plans permits the funds to levy assessment upon its members to make up any deficiency the Plans may have in surplus or reserves. Since excess insurance is purchased by the Plans to protect them for catastrophic losses, no amount has been recorded in the financial statements for this contingency as management believes the likelihood for assessment is remote.

There have been no insurance settlements exceeding coverage within the past three years.

NOTE 10– GEORGIA MOUNTAIN REGIONAL COMMISSION

The Town of Mount Airy, in conjunction with cities and counties in the Northeast Georgia area, is a member of the Georgia Mountains Regional Commission. Membership in a commission is automatic for each municipality and Town in the state. The official Code of Georgia Section 50-8-34 (Georgia Planning Act of 1989) provides for the organizational structure of the commissions. Each Town and municipality in the state is required by law to pay minimum annual dues to the commission. The commission Board membership includes the chief elected official of each Town and the chief elected official of each municipality. The Town Board members and municipal Board members from the same Town elect one member of the Board who is a resident (but not an elected or appointed official or employee of the Town or municipality) to serve as the non-public Board member from a Town. Separate financial statements can be obtained from:

Georgia Mountains Regional Commission
P.O. Box 1720
Gainesville, Georgia 30503

The Georgia Planning Act of 1989 (O.C.G.A. 50-8-34) defines RDCs as "public agencies and instrumentalities of their members". Georgia laws also provide that the member governments are liable for any debts or obligations of a commission beyond its resources. (O.C.G.A. 50-8-39.1)

TOWN OF MOUNT AIRY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

EXHIBIT 8

	ORIGINAL BUDGET	BUDGET AS AMENDED	ACTUAL	VARIANCE FROM AMENDED
REVENUES				
Taxes				
Property	$ 89,083	$ 89,083	$ 91,383	$ 2,300
Franchise	25,000	25,000	21,375	(3,625)
Beer and Wine Tax	8,500	8,500	12,025	3,525
Liquor Tax	13,000	13,000	17,900	4,900
Insurance Premium	65,000	65,000	73,562	8,562
License and Permits	20,050	20,050	19,229	(821)
Charges for Services	11,900	11,900	14,650	2,750
Fines and Forfeitures	9,050	9,050	7,953	(1,097)
Interest Income	3,500	3,500	2,966	(534)
Misc Income	12,000	12,000	4,159	(7,841)
TOTAL REVENUES	257,083	257,083	265,202	8,119
EXPENDITURES				
Current:				
General Government	150,929	150,929	163,594	(12,665)
Police Department	59,750	59,750	58,680	1,070
Streets	54,854	54,854	44,284	10,570
Parks	5,850	5,850	5,256	594
Capital Expenditures			163,171	
TOTAL EXPENDITURES	271,383	271,383	434,985	(431)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(14,300)	(14,300)	(169,783)	(155,483)
OTHER FINANCING SOURCES (USES)				
Transfers In	0	0	155,000	(155,000)
Transfers Out	0	0		0
TOTAL OTHER FINANCING SOURCES (USES)	0	0	155,000	(155,000)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses			(14,783)	
FUND BALANCE - BEGINNING OF YEAR (ORIGINAL)			478,190	
FUND BALANCE - END OF YEAR			$ 463,407	

TOWN OF MOUNT AIRY, GEORGIA
SCHEDULE OF FUNDING PROGRESS FOR
TOWN OF MOUNT AIRY RETIREMENT PLAN
FOR THE YEAR ENDED DECEMBER 31, 2013

Analysis of Funding Progress

Acturial Valuation Date July 1	Actuarial Value of Assets (a)	Acturial Accrued Liability (AAL) (b)	Funded Ratio (a/b)	Unfunded AAL (UALL) (b-a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)*
2011	378,279	452,606	83.58%	74,327	129,342	57.47%
2012	406,287	490,862	82.80%	84,575	113,819	74.31%
2013	437,985	532,820	82.20%	94,835	189,952	51.84%
2014	472,853	562,553	84.05%	89,700	186,502	48.10%

Effect of plan changes on the actuarial accrued liability of any current-year changes in assumption or benefit provisions is:

The plan provision valued and the actuarial assumptions are the same as those used in the preceding valuation. The actuarial assumptions have been changed since the preceding year and the effect will be provided upon request.

The effect on the recommended contributions of any current-year changes in actuarial assumptions, benefit provisions or actuarial funding method is:

The plan provisions valued and the actuarial assumptions and cost methods are the same as those used to determine the contribution requirement for the preceding year and the effect will be provided upon request.

BUDGETARY ACCOUNTING AND CONTROL

The Town is required by law to adopt a budget. The procedures in establishing the budget reflected in the financial statements are as follows:

1. Prior to January1, the Town Clerk submits to the Town Commission a proposed operating budget for the fiscal year commencing January 1. The operating budget includes proposed expenditures and the means of financing them.

2. Public hearings are conducted at Town Hall to obtain taxpayer comments.

3. Prior to January 1, the Commission approves the budget.

4. The Town Clerk is authorized to transfer budgeted amounts within departments within any fund; however, any revisions that alter the total expenditures of any department must be approved by the Town Commission.

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

6. The budget is presented on the modified accrual basis of accounting. Accordingly, the Budgetary Comparison Schedule for the General Funds presents actual expenditures in accordance with accounting principles generally accepted in the United States on a basis consistent with legally adopted budget.

7. Unexpended appropriations on annual budgets lapse at the end of each fiscal year.

8. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting-under which purchase orders, contracts and other commitments for the expenditures are recorded to reserve that portion of the applicable appropriation, is not utilized by the Town of Mount Airy.

TOWN OF MOUNT AIRY, GEORGIA SCHEDULE 1
SUPPLEMENTARY INFORMATION
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAX
FOR THE YEAR ENDED DECEMBER 31, 2014

SPLOST V	Original Estimated Costs	Expenditures			Estimated Percentage of Completion
		Prior Years	Current Year	Total	
Recreation	$ 60,000	$ 39,126	$ -	$ 39,126	65.2%
Public Facilities	250,000	2,847	36,290	39,137	15.7%
Water Development	60,000	47,490	-	47,490	79.2%
Roads and Bridges	168,111	37,818	10,304	48,122	28.6%
Public Safety	40,000	4,985	2,258	7,243	18.1%
	$ 578,111	$ 132,266	$ 48,852	$ 181,118	

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

Honorable Mayor and
Members of the Town Council
Town of Mount Airy
Mount Airy, 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, and each major fund of the Town of Mount Airy, Georgia , as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Town of Mount Airy, Georgia 's basic financial statements, and have issued our report thereon dated June 15, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Mount Airy, 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 Town of Mount Airy, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Mount Airy, 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 first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency. This is reported as item 2012-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Mount Airy, 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 are required to be reported under *Government Auditing Standards*.

Town of Mount Airy, Georgia's Response to Findings

The Town of Mounty Airy, Georgia's response to the findings identified in our audit is described in the schedule of findings and responses. The Town of Mount Airy, Georgia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Duncan & Kitchens, LLC
Certified Public Accountants
Clarkesville, Georgia
June 15, 2015

12-1
Comment:

Condition: Town personnel may require additional training in the application of generally accepted principles and the preparation of financial statements. Currently, the Town relies on the external auditors for technical assistance in applying generally accepted accounting principles and the preparation of the financial statements. This is common in governments of similar size and structure to the Town. Under current auditing standards, providing technical assistance does not impair the independence of the external auditor. However, future changes to auditing standards by standards setting boards could state that providing technical assistance would impair the independence of the external auditor. This does not indicate that the Finance Director is not trained to perform the daily accounting functions, but that the Town has elected as a cost benefit to outsource this expertise to their auditors. As required, we have indicated this as a significant deficiency in our letter on Internal Control and Compliance.

Criteria: Effective internal control requires that the Town accept responsibility and understanding of the audited financial report.

Effect: Failure to understand the financial statements may lead to material misstatements.

Recommendation: Town personnel should continue to receive training in the identification and application of generally accepted accounting principles and the preparation of the Town's financial statements.

Management Response: Mount Airy, Georgia's Town Management concurs with this finding and understands the requirement of SAS 112 to issue this statement as a Significant Deficiency. All employees of the Board of Commissioners Finance Office will continue to seek training in the application of generally accepted accounting principles and in the preparation of the Town's financial statements. Until such time it is financially feasible for the Town finance staff to prepare the Town's financial statements, the Finance Office will continue to rely on an independent auditor to prepare them.