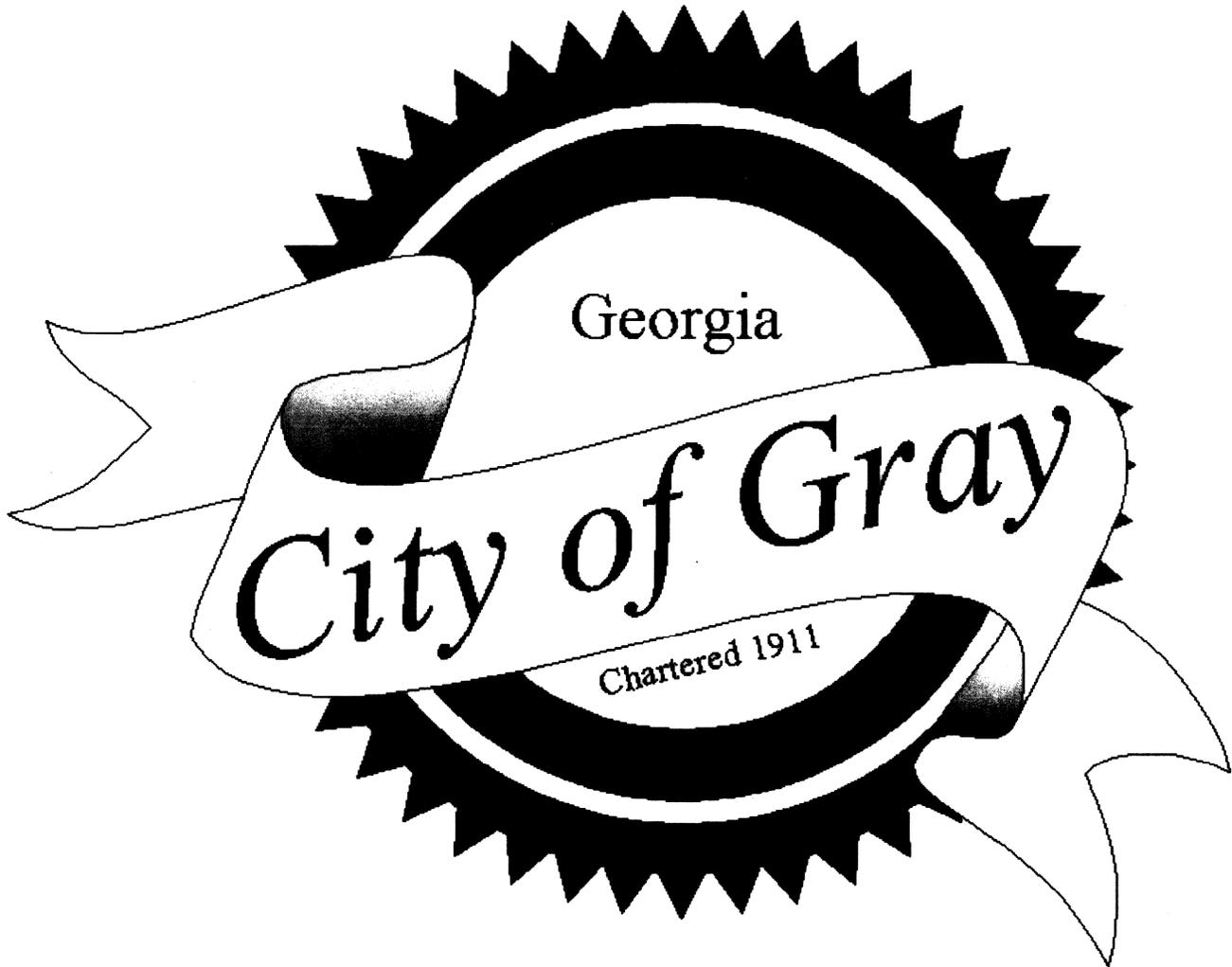


# CITY OF GRAY, GEORGIA



## ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED  
DECEMBER 31, 2016

**CITY OF GRAY, GEORGIA**

**INDEPENDENT AUDITOR'S REPORT  
AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
DECEMBER 31, 2016**

CITY OF GRAY, GEORGIA  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2016

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CITY OF GRAY, GEORGIA  
ANNUAL FINANCIAL REPORT  
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## **FINANCIAL SECTION**

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**INDEPENDENT AUDITOR'S REPORT**

Mayor and City Council  
City of Gray  
Gray, Georgia

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Gray, Georgia (the "City"), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Gray, Georgia, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 4 through 10, the schedule of changes in the City's net pension liability and related ratios on page 49, the schedule of City contributions on page 50, and the notes to the required supplementary information on pages 51 and 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Gray, Georgia's basic financial statements. The combining nonmajor fund financial statements, budgetary comparison schedules, schedule of projects constructed with special sales tax proceeds and the Downtown Development Authority's financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements, budgetary comparison schedules, schedule of projects constructed with special sales tax proceeds, and the Downtown Development Authority's financial statements are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare

the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements, budgetary comparison schedules, schedule of projects constructed with special sales tax proceeds, and the Downtown Development Authority's financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2017 on our consideration of the City of Gray, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Gray, Georgia's internal control over financial reporting and compliance.

Macon, Georgia  
June 5, 2017



## **MANAGEMENT'S DISCUSSION & ANALYSIS**

## CITY OF GRAY, GEORGIA

### MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2016

As management of the City of Gray, Georgia (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the year ended December 31, 2016.

#### **Financial Highlights**

- The assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources as of December 31, 2016 by \$12,684,130.
- The government's total net position increased by \$201,856 for the year ended December 31, 2016.
- As of December 31, 2016, total net position consisted of \$8,062,509 invested in capital equipment, net of related debt, \$749,185 restricted and \$3,872,436 unrestricted.
- As of the close of the current year the City's governmental funds reported combined ending fund balances of \$3,704,438 a decrease of \$275,344 in comparison with the prior year.
- For the year ended December 31, 2016, fund balance for the general fund decreased from \$3,325,422 to \$3,155,004.

#### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1. government-wide financial statements; 2. fund financial statements; and 3. notes to the basic financial statements.

#### **Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from others functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety and public works. The business-type activities of the City include a water and sewer fund.

The government-wide financial statements can be found on pages 11 and 14 of this report.

CITY OF GRAY, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2016  
(CONTINUED)

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

*Governmental Funds*

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because of the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains seven individual governmental funds: the general fund, two SPLOST funds, a law enforcement confiscation fund, a capital improvement fund, a CDBG fund and the perpetual care fund.

The City adopts an annual appropriated budget for the general fund and the law enforcement confiscation fund. A budgetary comparison statement has been provided to demonstrate compliance with these budgets.

The basic governmental funds financial statements can be found on pages 15 through 22 of this report.

*Proprietary Funds*

The City maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the enterprise fund to account for the activities of the water and sewer fund and the sanitation fund.

Proprietary funds provide the same type of information as the government-wide financial statements, on in more detail.

The basic proprietary fund financial statements can be found on pages 23 through 28 of this report.

CITY OF GRAY, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2016  
(CONTINUED)

**Notes to Financial Statements**

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$12,684,130 at the close of the most recent year.

A portion of the City's net position reflects its investment in capital assets, less any related debt outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. As of December 31, 2016 the investment consists of \$17,451,212 in assets, with accumulated depreciation of \$7,621,059 and outstanding debt of \$1,767,644.

An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the City's ongoing obligations.

CITY OF GRAY, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
 DECEMBER 31, 2016  
 (CONTINUED)

As of December 31, 2016 current liabilities increased by \$433,187 and net position increased by \$201,856 compared to December 31, 2015.

	Summary of Net Position					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Assets</b>						
Current and other assets	\$ 4,027,176	\$ 4,130,222	\$ 1,544,489	\$ 1,644,959	\$ 5,571,665	\$ 5,775,181
Capital assets	3,476,422	3,582,363	6,353,731	5,569,311	9,830,153	9,151,674
<b>Total assets</b>	<b>7,503,598</b>	<b>7,712,585</b>	<b>7,898,220</b>	<b>7,214,270</b>	<b>15,401,818</b>	<b>14,926,855</b>
<b>Deferred outflows of resources</b>						
Related to pensions	61,808	36,200	41,206	24,134	103,014	60,334
<b>Total deferred outflows of resources</b>	<b>61,808</b>	<b>36,200</b>	<b>41,206</b>	<b>24,134</b>	<b>103,014</b>	<b>60,334</b>
<b>Liabilities</b>						
Current and other liabilities	484,799	141,155	531,472	441,929	1,016,271	583,084
Long-term liabilities	217,240	539,149	1,567,985	1,372,774	1,785,225	1,911,923
<b>Total liabilities</b>	<b>702,039</b>	<b>680,304</b>	<b>2,099,457</b>	<b>1,814,703</b>	<b>2,801,496</b>	<b>2,495,007</b>
<b>Deferred inflows of resources</b>						
Related to pensions	11,524	5,945	7,682	3,963	19,206	9,908
<b>Total deferred inflows of resources</b>	<b>11,524</b>	<b>5,945</b>	<b>7,682</b>	<b>3,963</b>	<b>19,206</b>	<b>9,908</b>
<b>Net position</b>						
Net investment in capital assets	3,293,526	3,217,384	4,768,983	4,176,061	8,062,509	7,393,445
Restricted	466,797	571,723	282,388	245,252	749,185	816,975
Unrestricted	3,091,520	3,273,429	780,916	998,425	3,872,436	4,271,854
<b>Total net position</b>	<b>\$ 6,851,843</b>	<b>\$ 7,062,536</b>	<b>\$ 5,832,287</b>	<b>\$ 5,419,738</b>	<b>\$ 12,684,130</b>	<b>\$ 12,482,274</b>

CITY OF GRAY, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2016  
(CONTINUED)

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenues						
Charges for services	\$ 217,031	\$ 302,998	\$ 1,857,877	\$ 1,951,421	\$ 2,074,908	\$ 2,254,419
Operating grants and contributions	42,195	-	-	-	42,195	-
Capital grants and contributions	341,302	404,205	558,288	43,700	899,590	447,905
General revenues						
Taxes	1,830,754	1,817,920	-	-	1,830,754	1,817,920
Investment revenues	7,821	4,746	3,379	3,190	11,200	7,936
Miscellaneous	7,813	8,517	-	-	7,813	8,517
Total Revenues	2,446,916	2,538,386	2,419,544	1,998,311	4,866,460	4,536,697
Expenses						
General government	474,717	412,607	-	-	474,717	412,607
Public safety	915,640	935,982	-	-	915,640	935,982
Public works	746,095	577,647	-	-	746,095	577,647
Other	432,423	162,394	-	-	432,423	162,394
Water and Sewer	-	-	1,946,882	2,267,276	1,946,882	2,267,276
Sanitation	-	-	148,847	148,591	148,847	148,591
Total Expenses	2,568,875	2,088,630	2,095,729	2,415,867	4,664,604	4,504,497
Increase (decrease) in net position before transfers	(121,959)	449,756	323,815	(417,556)	201,856	32,200
Transfers	(88,734)	(83,904)	88,734	83,904	-	-
Increase (decrease) in net position	(210,693)	365,852	412,549	(333,652)	201,856	32,200
Net position - beginning of year	7,062,536	6,696,684	5,419,738	5,753,390	12,482,274	12,450,074
Net position - end of year	\$ 6,851,843	\$ 7,062,536	\$ 5,832,287	\$ 5,419,738	\$ 12,684,130	\$ 12,482,274

**Financial Analysis of the City's Funds**

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental Funds*

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

As of December 31, 2016 the City's governmental funds reported combined ending fund balances of \$3,704,438. The unassigned fund balance reflects a balance of \$2,825,969. A total of \$878,469 is restricted or assigned to indicate that it is not available for new spending because it has already been committed for restricted purposes.

CITY OF GRAY, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
 DECEMBER 31, 2016  
 (CONTINUED)

The fund balance of the City's governmental funds decreased by \$275,344 during the current year.

*Proprietary Funds*

The City's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail.

The water and sewer system fund provides to the City's residential and commercial customers. The City strives to maintain competitive rates to its customers while providing safe drinking water and sewerage treatment. Unrestricted net position of the water and sewerage and sanitation operations at the end of the year amounted to \$780,916.

**General Fund Budgetary Highlights**

The City is ever cognizant of the necessity of being good stewards of public funds while at the same time having the responsibility of accumulating sufficient funds to effectively promote growth and development of the economy.

A detailed comparison of the general fund budget to actual amounts can be found on pages 19 through 22 of this report.

**Capital Assets and Debt Administration**

*Capital Assets*

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2016 totals \$9,830,153 net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, infrastructure, machinery and equipment, and vehicles. The total increase in the City's investment in capital assets for the current year was \$678,479. Detailed information regarding the capital asset activity for 2016 can be found in Note 8 of this report.

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 1,043,463	\$ 1,043,463	\$ 26,167	\$ 26,167	\$ 1,069,630	\$ 1,069,630
Water Rights	-	-	313,683	313,683	313,683	313,683
Construction in progress	-	-	841,610	4,150	841,610	4,150
Infrastructure	1,359,991	1,468,768	4,751,615	4,983,361	6,111,606	6,452,129
Buildings	611,826	624,360	-	-	611,826	624,360
Storm Drainage Improve	-	-	102,800	109,691	102,800	109,691
Equipment	174,493	191,538	192,957	108,712	367,450	300,250
Vehicles	286,649	254,234	124,899	23,547	411,548	277,781
<b>Total</b>	<b>\$ 3,476,422</b>	<b>\$ 3,582,363</b>	<b>\$ 6,353,731</b>	<b>\$ 5,569,311</b>	<b>\$ 9,830,153</b>	<b>\$ 9,151,674</b>

CITY OF GRAY, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2016  
(CONTINUED)

*Long-Term Debt*

During 2008, the City entered into a capital lease with the Georgia Municipal Association in the amount of \$495,000 for the purchase of a new building for the police department. The water and sewer fund reflects revenue bonds as long-term debt as of December 31, 2016. Bonds payable equal \$485,000 as of December 31, 2016, including \$110,000 due within one year. In 2009, the City borrowed an additional \$1,090,026 from GEFA for a belt press for the wastewater treatment. Notes payable equal \$752,681 as of December 31, 2016, with \$51,589 due within one year. Detailed information regarding the long-term debt activity for 2016 can be found in Note 9.

**Accomplishments/Growth for 2016**

In 2016, the City of Gray continued to make great strides in upgrading its water and sewer infrastructure. New automatic meters were installed throughout the City. The Water and Sewer Department purchased five new vehicles. The Police Department purchased five new vehicles. In October of 2016 the City was awarded a Community Development Block Grant in the amount of \$500,000 from the Georgia Department of Community Affairs.

**Request for Information**

This financial report is designed to provide a general overview of the City's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to the City Clerk of Gray, P. O. Box 443, Gray, Georgia 31032.

## **FINANCIAL STATEMENTS**

CITY OF GRAY, GEORGIA

STATEMENT OF NET POSITION  
DECEMBER 31, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
<u>ASSETS</u>				
Cash and cash equivalents	\$ 2,713,359	\$ 881,760	\$ 3,595,119	\$ 8,957
Certificates of deposit	1,108,530	224,599	1,333,129	-
Receivables (net of allowance):				
Accrued interest	-	129	129	-
Taxes	117,981	-	117,981	-
Accounts	13,457	155,677	169,134	-
Due from other governments	39,239	19,796	59,035	-
Prepays	-	14,750	14,750	-
Internal balances	34,610	(34,610)	-	-
Restricted assets:				
Cash and cash equivalents	-	282,388	282,388	-
Capital assets:				
Nondepreciable assets	1,043,463	1,181,461	2,224,924	370,006
Depreciable assets, net	2,432,959	5,172,270	7,605,229	-
<b>Total assets</b>	<b>7,503,598</b>	<b>7,898,220</b>	<b>15,401,818</b>	<b>378,963</b>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred outflows of resources related to pensions	61,808	41,206	103,014	-
<b>Total deferred outflows of resources</b>	<b>61,808</b>	<b>41,206</b>	<b>103,014</b>	<b>-</b>

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

CITY OF GRAY, GEORGIA

STATEMENT OF NET POSITION  
 DECEMBER 31, 2016  
 (CONTINUED)

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
<u>LIABILITIES</u>				
Accounts payable	241,496	139,524	381,020	-
Accrued liabilities	34,514	19,651	54,165	-
Accrued interest	3,808	1,254	5,062	-
Customer deposits	-	197,810	197,810	-
Noncurrent liabilities:				
Due within one year				
Capital leases	182,896	-	182,896	-
Loans payable	-	51,589	51,589	-
Bonds payable	-	110,000	110,000	-
Compensated absences	22,085	11,644	33,729	-
Due in more than one year				
Loans payable	-	1,048,159	1,048,159	-
Bonds payable	-	375,000	375,000	-
Net pension liability	217,240	144,826	362,066	-
Total liabilities	702,039	2,099,457	2,801,496	-
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred inflows of resources related to pensions	11,524	7,682	19,206	-
Total deferred inflows of resources	11,524	7,682	19,206	-
<u>NET POSITION</u>				
Net investment in capital assets	3,293,526	4,768,983	8,062,509	-
Restricted for:				
Debt service	-	282,388	282,388	-
Perpetual care	90,288	-	90,288	-
Capital outlay	369,551	-	369,551	-
Law enforcement	6,958	-	6,958	-
Unrestricted	3,091,520	780,916	3,872,436	378,963
Total net position	\$ 6,851,843	\$ 5,832,287	\$ 12,684,130	\$ 378,963

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

CITY OF GRAY, GEORGIA

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government				
Governmental activities				
General government	\$ 474,717	\$ 69,401	\$ -	\$ -
Public safety	915,640	147,630	42,195	-
Public works	746,095	-	-	341,302
Culture and recreation	7,200	-	-	-
Community Development	411,714	-	-	-
Interest on long-term debt	13,509	-	-	-
Total governmental activities	<u>2,568,875</u>	<u>217,031</u>	<u>42,195</u>	<u>341,302</u>
Business-type activities				
Water & Sewer	1,946,882	1,707,948	-	558,288
Sanitation	148,847	149,929	-	-
Total business-type activities	<u>2,095,729</u>	<u>1,857,877</u>	<u>-</u>	<u>558,288</u>
Total primary government	<u>\$ 4,664,604</u>	<u>\$ 2,074,908</u>	<u>\$ 42,195</u>	<u>\$ 899,590</u>
Component Unit:				
Downtown Development Authority	<u>\$ 1,720</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 370,000</u>

General Revenues:  
 Property taxes  
 Sales taxes  
 Insurance premium tax  
 Franchise tax  
 Other taxes  
 Unrestricted investment earnings  
 Miscellaneous  
 Total general revenues

Transfers

Change in net position

Net position - beginning of year

Net position - end of year

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

CITY OF GRAY, GEORGIA

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(CONTINUED)

Net (Expense) Revenue and Changes in Net Position			Component Unit
Primary Government			Downtown Development Authority
Governmental Activities	Business-type Activities	Total	
\$ (405,316)	\$ -	\$ (405,316)	\$ -
(725,815)	-	(725,815)	-
(404,793)	-	(404,793)	-
(7,200)	-	(7,200)	-
(411,714)	-	(411,714)	-
(13,509)	-	(13,509)	-
<u>(1,968,347)</u>	<u>-</u>	<u>(1,968,347)</u>	<u>-</u>
-	319,354	319,354	-
-	1,082	1,082	-
<u>-</u>	<u>320,436</u>	<u>320,436</u>	<u>-</u>
<u>(1,968,347)</u>	<u>320,436</u>	<u>(1,647,911)</u>	<u>-</u>
			<u>368,280</u>
844,222	-	844,222	-
351,754	-	351,754	-
203,657	-	203,657	-
229,813	-	229,813	-
201,308	-	201,308	-
7,821	3,379	11,200	-
7,813	-	7,813	1,680
<u>1,846,388</u>	<u>3,379</u>	<u>1,849,767</u>	<u>1,680</u>
<u>(88,734)</u>	<u>88,734</u>	<u>-</u>	<u>-</u>
<u>(210,693)</u>	<u>412,549</u>	<u>201,856</u>	<u>369,960</u>
<u>7,062,536</u>	<u>5,419,738</u>	<u>12,482,274</u>	<u>9,003</u>
<u>\$ 6,851,843</u>	<u>\$ 5,832,287</u>	<u>\$ 12,684,130</u>	<u>\$ 378,963</u>

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

CITY OF GRAY, GEORGIA

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2016

<u>ASSETS</u>	General	2009 SPLOST	2015 SPLOST	Non-Major Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 2,066,427	\$ 143,472	\$ 402,032	\$ 101,428	\$ 2,713,359
Certificates of deposit	1,030,033	-	-	78,497	1,108,530
Receivables, net of allowance					
Taxes	117,981	-	-	-	117,981
Accounts	13,399	-	-	58	13,457
Due from other governments	39,239	-	-	-	39,239
Due from other funds	34,710	-	-	-	34,710
<b>Total Assets</b>	<b>\$ 3,301,789</b>	<b>\$ 143,472</b>	<b>\$ 402,032</b>	<b>\$ 179,983</b>	<b>\$ 4,027,276</b>
<u>LIABILITIES</u>					
Accounts payable	\$ 65,543	\$ 3,736	\$ 172,217	\$ -	\$ 241,496
Accrued liabilities	34,514	-	-	-	34,514
Due to other funds	-	-	-	100	100
<b>Total Liabilities</b>	<b>100,057</b>	<b>3,736</b>	<b>172,217</b>	<b>100</b>	<b>276,110</b>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Unavailable revenue - property taxes	46,728	-	-	-	46,728
<b>Total Deferred Inflows of Resources</b>	<b>46,728</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>46,728</b>
<u>FUND BALANCES</u>					
Restricted	-	139,736	229,815	97,246	466,797
Assigned	329,035	-	-	82,637	411,672
Unassigned	2,825,969	-	-	-	2,825,969
<b>Total fund balances</b>	<b>3,155,004</b>	<b>139,736</b>	<b>229,815</b>	<b>179,883</b>	<b>3,704,438</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 3,301,789</b>	<b>\$ 143,472</b>	<b>\$ 402,032</b>	<b>\$ 179,983</b>	<b>\$ 4,027,276</b>

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

CITY OF GRAY, GEORGIA

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2016

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

Total fund balances - governmental funds	\$ 3,704,438
<b>Capital Assets</b>	
Capital assets used in governmental activities are not financed resources and, therefore, are not reported in the funds.	
Cost of assets	5,490,121
Accumulated depreciation	(2,013,699)
<b>Deferred outflows of resources</b>	
Related to pensions	61,808
<b>Long-term Liabilities</b>	
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities both current and long-term are reported in the Statement of Net Position. Long-term liabilities at year-end consist of the following:	
Capital leases	(182,896)
Accrued interest	(3,808)
Compensated absences	(22,085)
Net pension liability	(217,240)
<b>Deferred inflows of resources</b>	
Related to pensions	(11,524)
<b>Revenues</b>	
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	
	<u>46,728</u>
Total Net position of Governmental Activities	<u><u>\$ 6,851,843</u></u>

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

CITY OF GRAY, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016

	General	2009 SPLOST	2015 SPLOST	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Taxes:					
Property	\$ 854,018	\$ -	\$ -	\$ -	\$ 854,018
Sales	351,754	-	-	-	351,754
Other taxes	634,778	-	-	-	634,778
Licenses and permits	69,401	-	-	-	69,401
Intergovernmental	42,195	-	340,791	-	382,986
Fines and forfeitures	143,276	-	-	4,354	147,630
Investment earnings	7,666	380	131	155	8,332
Miscellaneous	7,813	-	-	-	7,813
<b>Total revenues</b>	<b>2,110,901</b>	<b>380</b>	<b>340,922</b>	<b>4,509</b>	<b>2,456,712</b>
<b>EXPENDITURES:</b>					
Current:					
General government	470,563	-	-	-	470,563
Public safety	870,248	-	-	5,053	875,301
Public works	241,174	-	-	-	241,174
Culture and recreation	-	-	-	7,200	7,200
Community Development	411,714	-	-	-	411,714
Debt service:					
Principal	182,083	-	-	-	182,083
Interest	16,803	-	-	-	16,803
Capital outlay	-	184,235	254,249	-	438,484
<b>Total Expenditures</b>	<b>2,192,585</b>	<b>184,235</b>	<b>254,249</b>	<b>12,253</b>	<b>2,643,322</b>
Excess (deficiency) of revenues over (under) expenditures	(81,684)	(183,855)	86,673	(7,744)	(186,610)
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers out	(88,734)	-	-	-	(88,734)
<b>Total other financing sources and (uses)</b>	<b>(88,734)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(88,734)</b>
<b>Net change in fund balances</b>	<b>(170,418)</b>	<b>(183,855)</b>	<b>86,673</b>	<b>(7,744)</b>	<b>(275,344)</b>
Fund balance - beginning of year	3,325,422	323,591	143,142	187,627	3,979,782
<b>Fund balance - end of year</b>	<b>\$ 3,155,004</b>	<b>\$ 139,736</b>	<b>\$ 229,815</b>	<b>\$ 179,883</b>	<b>\$ 3,704,438</b>

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

CITY OF GRAY, GEORGIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016

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

Net change in fund balances - total governmental funds	\$ (275,344)
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Capital Assets

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is depreciated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.

Total capital outlays	172,375
Total depreciation	(240,872)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net position	(37,444)
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Deferred outflows of resources related to pensions is not available during the current period and therefore is not reported in the funds.

Change in deferred outflows of resources related to pensions	25,608
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Long-term Debt

Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. The adjustments for these items are as follows:

Capital leases	182,083
Accrued interest	3,294
Compensated absences	(2,916)
Net pension liability	(22,102)

Deferred inflows of resources related to pensions is not available during the current period and therefore is not reported in the funds.

Change in deferred inflows of resources related to pensions	(5,579)
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Revenues

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

<u>(9,796)</u>
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Change in net position of governmental activities

<u><u>\$ (210,693)</u></u>
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The accompanying notes are an integral part of these financial statements.

CITY OF GRAY, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Taxes:				
General property taxes	\$ 734,248	\$ 734,248	\$ 854,018	\$ 119,770
Local option sales tax	316,000	316,000	351,754	35,754
Other taxes:				
Insurance premium tax	175,989	175,989	203,657	27,668
Motor vehicle tax	140,565	140,565	100,793	(39,772)
Franchise tax	230,000	230,000	229,813	(187)
Beer and wine tax	80,000	88,734	88,734	-
Real estate transfer tax	2,000	2,000	1,596	(404)
Recording intangible taxes	5,000	5,000	5,173	173
Mobile home tax	629	629	520	(109)
Penalties and interest	5,000	5,000	4,492	(508)
<b>Total Taxes</b>	<b>1,689,431</b>	<b>1,698,165</b>	<b>1,840,550</b>	<b>142,385</b>
Licenses and Permits:				
Business licenses and permits	70,000	70,000	69,401	(599)
Intergovernmental Revenues:				
Department of transportation	-	32,195	32,195	-
Jones County Board of Education Crossing Guards	10,000	10,000	10,000	-
<b>Total Intergovernmental Revenues</b>	<b>10,000</b>	<b>42,195</b>	<b>42,195</b>	<b>-</b>
Fines, Forfeitures and Penalties:				
Fine and forfeitures	129,000	129,000	143,276	14,276
<b>Total Fines, Forfeitures and Penalties</b>	<b>129,000</b>	<b>129,000</b>	<b>143,276</b>	<b>14,276</b>
Miscellaneous:				
Interest earnings	4,500	4,500	7,666	3,166
Miscellaneous	1,346	4,160	7,813	3,653
<b>Total Miscellaneous</b>	<b>5,846</b>	<b>8,660</b>	<b>15,479</b>	<b>6,819</b>
<b>Total Revenues</b>	<b>\$ 1,904,277</b>	<b>\$ 1,948,020</b>	<b>\$ 2,110,901</b>	<b>\$ 162,881</b>

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

CITY OF GRAY, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(CONTINUED)

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>EXPENDITURES:</b>				
<u>General Government:</u>				
Salaries	\$ 114,000	\$ 114,000	\$ 115,872	\$ (1,872)
Payroll taxes	58,000	58,000	55,935	2,065
Pension expenditures	42,000	42,000	46,077	(4,077)
General expenditures	2,800	2,800	2,063	737
Legal fees	40,000	40,000	14,172	25,828
Codification	1,500	1,500	1,635	(135)
Office supplies	3,500	3,500	7,249	(3,749)
Insurance	159,000	159,000	152,336	6,664
Audit and accounting	12,000	12,000	10,601	1,399
Convention and training	15,000	15,000	17,507	(2,507)
Dues	6,000	6,000	4,004	1,996
Repairs and maintenance	4,750	4,750	482	4,268
Telephone and utilities	11,500	11,500	7,314	4,186
Postage	4,040	4,040	2,179	1,861
Computer maintenance	5,000	5,000	3,915	1,085
Miscellaneous	35,096	35,096	29,222	5,874
<b>Total General Government</b>	<b>514,186</b>	<b>514,186</b>	<b>470,563</b>	<b>43,623</b>
<u>Public Safety:</u>				
Police:				
Salaries	488,000	488,000	505,389	(17,389)
Vehicle expenditures	10,800	12,430	10,722	1,708
Gas and oil	70,000	70,000	42,514	27,486
Uniforms	8,000	8,000	6,477	1,523
Repairs and maintenance	5,000	5,000	3,521	1,479
Utilities and telephone	22,000	22,000	23,073	(1,073)
Office supplies	7,000	7,000	5,371	1,629
Supplies and small equipment	30,000	31,017	32,063	(1,046)
Training	5,000	5,000	3,305	1,695
Miscellaneous	13,400	13,400	5,401	7,999
<b>Total Police</b>	<b>\$ 659,200</b>	<b>\$ 661,847</b>	<b>\$ 637,836</b>	<b>\$ 24,011</b>

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

CITY OF GRAY, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(CONTINUED)

	Budget		Actual	Variance with Final Budget
	Original	Final		
Recorder's Court:				
Salaries	\$ 39,295	\$ 39,295	\$ 41,292	\$ (1,997)
Operating	27,600	27,600	21,080	6,520
Miscellaneous	7,200	7,200	2,005	5,195
Court Judge	14,400	14,400	14,400	-
Total Recorders Court	88,495	88,495	78,777	9,718
Fire Department:				
Salaries	6,000	6,000	6,000	-
Operating	72,065	72,232	67,693	4,539
Capital outlay	-	-	1,097	(1,097)
Total Fire Department	78,065	78,232	74,790	3,442
Emergency management	1,000	1,000	1,000	-
Jones County Dispatching	77,845	77,845	77,845	-
Total Public Safety	904,605	907,419	870,248	37,171
Public Works:				
Salaries	95,000	95,000	53,996	41,004
Street lights	75,000	75,000	79,857	(4,857)
Traffic signals - maintenance	5,000	5,000	2,394	2,606
General street	82,000	114,195	88,655	25,540
Vehicle	21,500	21,500	12,470	9,030
Repairs and maintenance	-	-	810	(810)
Uniforms	1,500	1,500	2,091	(591)
Capital outlay	21,000	21,000	901	20,099
Contract labor	5,000	5,000	-	5,000
Total Public Works	\$ 306,000	\$ 338,195	\$ 241,174	\$ 97,021

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

CITY OF GRAY, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(CONTINUED)

	Budget		Actual	Variance with Final Budget
	Original	Final		
<u>Community Development</u>				
Better Hometown	\$ 25,000	\$ 25,000	\$ 25,000	\$ -
Clean Community	7,114	7,114	7,114	-
Downtown Development	20,000	370,000	370,000	-
Jones County Planning & Zoning	9,600	9,600	9,600	-
Total Community Development	61,714	411,714	411,714	-
<u>Debt Service:</u>				
Principal	20,969	182,083	182,083	-
Interest	16,803	16,803	16,803	-
Total Debt Service	37,772	198,886	198,886	-
Total Expenditures	1,824,277	2,370,400	2,192,585	177,815
Excess (Deficiency) of Revenues over Expenditures	80,000	(422,380)	(81,684)	340,696
<u>Other Financing Sources (Uses):</u>				
Transfer to Water and Sewer Fund	(80,000)	(88,734)	(88,734)	-
Total Other Financing Sources (Uses)	(80,000)	(88,734)	(88,734)	-
Net change in fund balance	-	(511,114)	(170,418)	340,696
Fund balance - beginning of year	3,325,422	3,325,422	3,325,422	-
Fund balance - end of year	\$ 3,325,422	\$ 2,814,308	\$ 3,155,004	\$ 340,696

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

CITY OF GRAY, GEORGIA

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 DECEMBER 31, 2016

	Business-type Activities		
	Enterprise Funds		
	Water and Sewer Fund	Nonmajor Sanitation Fund	Total
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 865,605	\$ 16,155	\$ 881,760
Certificates of deposit	224,599	-	224,599
Restricted cash, cash equivalents and investments:			
Revenue bond covenant accounts	282,388	-	282,388
Accrued interest receivable	129	-	129
Accounts receivable (net of allowance for uncollectibles)	143,492	12,185	155,677
Due from other funds	-	1,184	1,184
Due from other governments	19,796	-	19,796
Prepaid items	14,750	-	14,750
Total current assets	1,550,759	29,524	1,580,283
Noncurrent assets:			
Capital assets:			
Nondepreciable assets	1,181,460	-	1,181,460
Depreciable assets, net	5,172,271	-	5,172,271
Total capital assets	6,353,731	-	6,353,731
Total noncurrent assets	6,353,731	-	6,353,731
Total assets	7,904,490	29,524	7,934,014
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred outflows of resources related to pensions	41,206	-	41,206
Total deferred outflows of resources	41,206	-	41,206

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

CITY OF GRAY, GEORGIA

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 DECEMBER 31, 2016  
 (CONTINUED)

	Business-type Activities		
	Enterprise Funds		
	Water and Sewer Fund	Nonmajor Sanitation Fund	Total
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	\$ 127,186	\$ 12,338	\$ 139,524
Accrued liabilities	19,651	-	19,651
Customer deposits payable	197,810	-	197,810
Accrued interest payable	1,254	-	1,254
Compensated absences	11,644	-	11,644
Due to other funds	35,794	-	35,794
Notes payable - current	51,589	-	51,589
Revenue bonds payable - current	105,000	-	105,000
Total current liabilities	549,928	12,338	562,266
Noncurrent liabilities:			
Revenue bonds payable	380,000	-	380,000
Notes payable	1,048,159	-	1,048,159
Net pension liability	144,826	-	144,826
Total noncurrent liabilities	1,572,985	-	1,572,985
Total liabilities	2,122,913	12,338	2,135,251
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred inflows of resources related to pensions	7,682	-	7,682
Total deferred inflows of resources	7,682	-	7,682
<u>NET POSITION</u>			
Net investment in capital assets	4,768,983	-	4,768,983
Restricted:			
Restricted for debt service	282,388	-	282,388
Unrestricted	763,730	17,186	780,916
Total net position	\$ 5,815,101	\$ 17,186	\$ 5,832,287

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

CITY OF GRAY, GEORGIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016

	Business-type Activities		
	Enterprise Funds		
	Water and Sewer Fund	Nonmajor Sanitation Fund	Total
Operating Revenues:			
Charges for sales and services:			
Water sales	\$ 928,444	\$ -	\$ 928,444
Sewerage fees	697,069	-	697,069
Garbage fees	-	149,929	149,929
Connection fees	39,840	-	39,840
Penalties and other fees	27,317	-	27,317
Miscellaneous	15,278	-	15,278
Total operating revenues	1,707,948	149,929	1,857,877
Operating Expenses:			
Salaries	399,432	-	399,432
Employee benefits	60,572	-	60,572
Depreciation	323,463	-	323,463
Utilities	121,149	-	121,149
Maintenance and supplies	406,554	-	406,554
Insurance	136,086	-	136,086
Gas, oil, tires	13,928	-	13,928
Professional fees	21,357	-	21,357
Contracted services	-	148,792	148,792
Travel	9,460	-	9,460
Engineering fees	35,198	-	35,198
County water expense	331,627	-	331,627
Other operating expenses	39,873	55	39,928
Total Operating Expenses	1,898,699	148,847	2,047,546
Operating Income (Loss)	(190,751)	1,082	(189,669)
Non-Operating Revenues (Expenses):			
Interest revenue	3,379	-	3,379
Intergovernmental revenue	231,378	-	231,378
Interest expense	(48,183)	-	(48,183)
Total Non-Operating Revenues (Expenses)	186,574	-	186,574

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

CITY OF GRAY, GEORGIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016

	Business-type Activities Enterprise Funds		
	Water and Sewer Fund	Nonmajor Sanitation	Total
		Fund	
Net Income (Loss) before Contributions and Transfers	(4,177)	1,082	(3,095)
Capital contributions	326,910	-	326,910
Transfers in	88,734	-	88,734
Change in net position	411,467	1,082	412,549
Net position - beginning of year	5,403,634	16,104	5,419,738
Net position - end of year	\$ 5,815,101	\$ 17,186	\$ 5,832,287

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

CITY OF GRAY, GEORGIA

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2016

	Business-type Activities		
	Enterprise Funds		
	Water and Sewer Fund	Nonmajor Sanitation Fund	Total
<u>Cash Flows from Operating Activities:</u>			
Cash received from customers	\$ 1,678,403	\$ 149,855	\$ 1,828,258
Cash paid to suppliers for good and services	(1,029,832)	(149,349)	(1,179,181)
Cash paid to employees	(453,059)	-	(453,059)
Net Cash Provided by (Used for) Operating Activities	195,512	506	196,018
<u>Cash Flows from Noncapital Financing Activities:</u>			
Transfer from General Fund	88,734	-	88,734
Net Cash Provided by (Used for) Noncapital Financing Activities	88,734	-	88,734
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Acquisition and construction of assets	(780,973)	-	(780,973)
Intergovernmental revenue	211,582	-	211,582
Proceeds from financing	347,067	-	347,067
Principal paid on revenue bonds	(105,000)	-	(105,000)
Principal paid on notes	(50,569)	-	(50,569)
Interest paid on revenue bonds	(48,268)	-	(48,268)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(426,161)	-	(426,161)
<u>Cash Flows from Investing Activities:</u>			
Interest received	3,430	-	3,430
Net Cash Provided by (Used for) Investing Activities	3,430	-	3,430
Net Increase (Decrease) in Cash and Cash Equivalents	(138,485)	506	(137,979)
Cash and Cash Equivalents - Beginning of Year	1,511,077	15,649	1,526,726
Cash and Cash Equivalents - End of Year	\$ 1,372,592	\$ 16,155	\$ 1,388,747
<u>Reconciliation of Cash Equivalents:</u>			
Cash	\$ 1,090,204	\$ 16,155	\$ 1,106,359
Restricted cash	282,388	-	282,388
Total Cash and Cash Equivalents	\$ 1,372,592	\$ 16,155	\$ 1,388,747

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

CITY OF GRAY, GEORGIA

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2016  
 (CONTINUED)

	Business-type Activities		
	Enterprise Funds		
	Water and Sewer Fund	Nonmajor Sanitation Fund	Total
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</u>			
Operating Income (Loss)	\$ (190,751)	\$ 1,082	\$ (189,669)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Depreciation	323,463	-	323,463
Changes in Assets and Liabilities:			
(Increase) decrease in accounts receivables	(25,372)	(74)	(25,446)
(Increase) decrease in due from other funds	-	(429)	(429)
(Increase) decrease in prepaids	2,500	-	2,500
(Increase) decrease in deferred outflows - pensions	(17,072)	-	(17,072)
Increase (decrease) in accounts payable	77,289	(73)	77,216
Increase (decrease) in accrued liabilities	5,300	-	5,300
Increase (decrease) in customer water deposits	(4,173)	-	(4,173)
Increase (decrease) in due to other funds	5,611	-	5,611
Increase (decrease) in compensated absences	264	-	264
Increase (decrease) in net pension liability	14,734	-	14,734
Increase (decrease) in deferred inflows - pensions	3,719	-	3,719
Total adjustments	386,263	(576)	385,687
Net Cash Provided by (Used for) Operating Activities	\$ 195,512	\$ 506	\$ 196,018
NONCASH CAPITAL FINANCING ACTIVITIES			
Contributions of capital assets from government	\$ 326,910	\$ -	\$ 326,910

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

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## **NOTES TO THE FINANCIAL STATEMENTS**

CITY OF GRAY, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Accounting Policies**

The City of Gray was incorporated in 1911 under the provision of an Act of the General Assembly of Georgia. The City operates under a mayor-council form of government and provides the following services as authorized by its charter: public safety, highways and streets, sanitation, health and social services, recreation and general administrative services.

The accounting policies of the City of Gray conform to generally accepted accounting principles as applicable to governments. The following is a summary of the City's more significant policies applied in the preparation of the accompanying financial statements.

**A. Reporting Entity**

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Gray, Georgia (primary government) and its component units. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. In addition, a component unit can be another organization for which the nature and significance of its relationship with a primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The component unit discussed below is included in the City's reporting entity because of the significance of its operational and financial relationships with the City. In conformity with generally accepted accounting principles, as set forth in Statement of Governmental Accounting Standards Board (GASB) No. 61 "The Financial Reporting Entity: Omnibus, an amendment of GASB Statement No. 14 and 34," the City's relationships with other governments and agencies have been examined. The component unit column in the combined financial statements includes the financial data for the Downtown Development Authority, as of December 31, 2016. The financial information for the component unit is reported in columns separate from the City's financial information to emphasize that it is legally separate from the City.

**Downtown Development Authority** – The Downtown Development Authority is a public body, corporate and politic, and was created upon the adoption and approval of the Development Authorities Law of the State of Georgia. The Mayor and City Council appoint all members of the Downtown Development Authority. The Downtown Development Authority is audited along with the primary government financial statements and separate financial statements are not prepared.

A joint venture has the following characteristics:

1. It is a legal entity that results from a contractual arrangement.
2. It is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control.
3. Participants retain an ongoing financial interest or an ongoing financial responsibility.

CITY OF GRAY, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016  
(CONTINUED)

Under Georgia law, the City, in conjunction with other cities and counties in the middle Georgia area, is a member of the Middle Georgia Regional Commission (the "RC") and is required to pay annual dues thereto. Membership in a RC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the RC in Georgia. The RC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of a RC.

Separate financial statements may be obtained from:

Middle Georgia Regional Commission  
175-C Emery Highway  
Macon, GA 31217

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (Statement of Net Position and Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

**Government-Wide Financial Statements**

The government-wide financial statements are reported using the flow of economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF GRAY, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016  
(CONTINUED)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as programs revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than program revenues.

**Fund Financial Statements**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the obligations are expected to be liquidated with expendable available financial resources.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenues are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The fund financial statements provide more detailed information about the government's most significant funds, not the government as a whole. The activities of the government are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

CITY OF GRAY, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016  
(CONTINUED)

The government reports the following major governmental funds:

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

Capital Projects Fund – The 2009 SPLOST Fund is used to account for SPLOST monies received to be used for improvements to the water and sewer system.

Capital Projects Fund – The 2015 SPLOST Fund is used to account for SPLOST monies received to be used for improvements to the water and sewer system.

The government reports the following major proprietary funds:

Water and Sewer Fund – The Water and Sewer Fund is used to account for the providing of water and sewer services to the citizens of the City.

**D. Deposits and Investments**

The City’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value, which is determined using selected bases. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates, and investments that do not have an established market are reported at estimated fair value. Cash deposits are reported at carrying amount, which reasonably estimates fair value.

**E. Receivables**

Receivables and Due from Other Governments represent funds to be received from other local governments, state grant-in-aid, state contracts, or federal funds. No allowance is deemed necessary for these receivables.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” or “advances to/from other funds.” All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables have been reduced to their estimated net realizable value, and are shown net of an allowance for doubtful accounts. Estimated uncollectible amounts are based on historical experience rates.

CITY OF GRAY, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016  
(CONTINUED)

**F. Restricted Assets**

Certain assets of the enterprise funds are classified as restricted assets because their use is restricted by bond covenants.

**G. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods, and are recorded as prepaid items in both the government-wide and fund financial statements.

**H. Inventories**

Inventories of expendable supplies held for consumption are not considered material and are recorded as expenditures, or expenses, as appropriate, when purchased.

**I. Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items acquired subsequent to January 1, 2004) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000, and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred and capitalized as part of the construction of capital assets by the City during the current year was \$0.

Property, plant and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

Building	10 years
Water and Sewer System	10-50 years
Furniture and Equipment	5-10 years
Vehicles	5 years
Infrastructure	20 years

CITY OF GRAY, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016  
(CONTINUED)

**J. Compensated Absences**

Accumulated unpaid sick leave costs are not vested and are not accrued in any fund, but are recognized as expenditures or expenses, when paid. Accumulated unpaid vacation costs and compensatory time are accrued when incurred in the proprietary funds. The City does not budget for compensated absences in the governmental funds. All accumulated unpaid vacation costs and compensatory time (for funds other than proprietary) are reflected in the governmental funds at December 31, 2016 and amount to \$22,085.

**K. Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position.

**L. Management Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**M. Deferred Outflows / Inflows of Resources**

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

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

CITY OF GRAY, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016  
(CONTINUED)

**N. Net Position Flow Assumption**

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

**O. Fund Equity**

In the financial statements, governmental funds report the following classifications of fund balance in accordance with Governmental Accounting Standards Board Statement No. 54:

- Nonspendable – amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- Restricted – amounts are restricted when constraints have been placed on the use of resources by (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed – amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council. The City Council approves committed resources through a motion and vote during the voting session of City Council meetings.
- Assigned – amounts that are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed. The intent is expressed by the City Council.
- Unassigned – amounts that have not been assigned to other funds and that are not restricted, committed, or assigned to specific purposes within the General Fund. The General Fund is the only fund that reports a positive unassigned fund balance.

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City’s policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City’s policy to use fund balance in the following order:

- Committed
- Assigned
- Unassigned

CITY OF GRAY, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016  
(CONTINUED)

The City does not have a formal minimum fund balance policy. The following is a summary of the fund balance classifications as of December 31, 2016:

	General Fund	2009 SPLOST	2015 SPLOST	Nonmajor Governmental	Total
<b>Fund Balances</b>					
Restricted:					
Perpetual care	\$ -	\$ -	\$ -	\$ 90,288	\$ 90,288
Law enforcement	-	-	-	6,958	6,958
Capital outlay	-	139,736	229,815	-	369,551
Assigned for:					
Law enforcement	19,735	-	-	-	19,735
Fire department	4,267	-	-	-	4,267
Capital outlay	-	-	-	82,637	82,637
Fund balance appropriations	190,000	-	-	-	190,000
Debt service	115,033	-	-	-	115,033
Unassigned	2,825,969	-	-	-	2,825,969
Total fund balances	\$ 3,155,004	\$ 139,736	\$ 229,815	\$ 179,883	\$ 3,704,438

**P. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries insurance. The City is a member of the Georgia Interlocal Risk Management Agency (GIRMA). This agency functions as an unincorporated nonprofit instrumentality of its members and is administered by the Georgia Municipal Association. The purpose of GIRMA is to establish and administer one or more group self-insurance funds; to establish and administer a risk management service; and to prevent or lessen the incidence or severity of casualty and property losses.

Each member pays an annual contribution established by the Board of GIRMA. For the year ending December 31, 2016, the City's total contribution was \$65,326. GIRMA may develop and issue such self-insurance coverage descriptions, as it deems necessary. The current coverage provides a \$1,000,000 general liability limit with a \$1,000 per occurrence deductible.

The City is a member of the Georgia Municipal Association Workers' Compensation Self Insurance Fund. The liability of the fund to the employees of any employer is specifically limited to such obligations as are imposed by applicable state laws against the employer. The Fund is to defend, in the name of and on behalf of the members, any suits or other proceedings, which may at any time be instituted against them on account of injuries or death within the preview of the Workers' Compensation Law of Georgia, or on the basis of employer's liability. The Fund is to pay all costs taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense. For the year ending December 31, 2016, the City's total contribution was \$45,760 for the Workers Compensation Fund.

CITY OF GRAY, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016  
(CONTINUED)

**NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING**

**A. Budget Process**

An annual operating budget is prepared for the General Fund and Special Revenue Fund. Budgets are prepared for Capital Projects Funds on a project-length basis, which usually covers two or more fiscal years. Prior to November, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.

After a review by the Mayor and Council, public hearings are conducted. Prior to December 31, the budget is legally enacted through passage of an ordinance.

The City Clerk is delegated the authority, upon the direction of and approval by the Mayor and Council to transfer sums from one department to another. No increase in the overall budget for the City may be made without the approval of the Mayor and Council and amendment to the budget.

The legal level of budgetary control is the department level. All annual appropriations lapse at year end.

All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – have been prepared on the basis described above.

**NOTE 3 – DEPOSITS AND INVESTMENTS**

**Credit risk**

State statutes authorize the City to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime bankers' acceptances; the local government investment pool established by state law (Georgia Fund 1); repurchase agreements; and obligations of other political subdivisions of the State of Georgia. At December 31, 2016, the City's only investments were in certificates of deposit.

At December 31, 2016, the City's certificates of deposit were as follows:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Certificates of deposit - General Fund	1 - 6 months	\$ 867,672
	7 - 12 months	162,362
Certificates of deposit - Water and Sewer Fund	1 - 6 months	134,119
	7 - 12 months	75,480
	12 - 24 months	15,000
Certificates of deposit - Nonmajor Governmental Fund	6 - 12 months	78,496
		<u>\$ 1,333,129</u>

CITY OF GRAY, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016  
(CONTINUED)

**Interest rate risk**

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Custodial Credit Risk - Deposits**

The custodial credit risk of deposits is the risk that in the event of the failure of a bank, the government will not be able to recover deposits. The City's bank balances of deposits as of December 31, 2016 are entirely insured or collateralized with securities held by the City's agent in the City's name. State statutes require banks holding public funds to secure these funds by FDIC insurance, securities pledged at par value, and surety bonds at face value in combined aggregate totaling not less than 110 percent of the public funds held.

**NOTE 4 – PROPERTY TAXES**

State law requires that property taxes be based on assessed value, which is 40% of market value. All real and personal property (including motor vehicles) are valued as of January 1 of each year and must be returned for tax purposes by March 1. With the exception of motor vehicles and the property of public utilities, which are valued by the State Revenue Department, all assessments are made by a Joint Board of Tax Assessors of Jones County.

Upon completion of all assessments and tax returns, the information is turned over to the Jones County Tax Commissioner for compilation of the tax digest. The completed tax digest must be submitted to the State Revenue Commissioner for approval. The State Revenue Commissioner must ascertain that real property on the tax digest has been assessed at the state mandated forty percent (40%) of fair market value. The Commissioner has the option to withhold certain state funding if the mandated 40% level is not reached.

The property tax calendar is as follows:

	<u>Real/Personal Property</u>	<u>Motor Vehicles</u>
Assessment Date	January 1	January 1
Levy Date	October 3	December 1
Due Date and Collection Date	December 31, 2016	Staggered
Lien Date	May 1, 2017	N/A

CITY OF GRAY, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016  
(CONTINUED)

**NOTE 5 – OTHER RECEIVABLES**

Receivables at December 31, 2016 consist of the following:

	General Fund	Water & Sewer Fund	Nonmajor Proprietary Fund	Nonmajor Governmental Funds	Total
Receivables:					
Taxes	\$ 132,303	\$ -	\$ -	\$ -	\$ 132,303
Accounts	10,752	221,015	20,486	-	252,253
Accrued interest	2,647	129	-	58	2,834
Gross Receivables	145,702	221,144	20,486	58	387,390
Less: Allowances for Uncollectibles	(14,322)	(77,523)	(8,301)	-	(100,146)
Net Receivables	\$ 131,380	\$ 143,621	\$ 12,185	\$ 58	\$ 287,244

**NOTE 6 – DUE FROM OTHER GOVERNMENTS**

Amounts due from other governments at December 31, 2016, are as follows:

Fund:	Federal	State	Other	Total
General	\$ -	\$ 32,618	\$ 6,621	\$ 39,239
Water and Sewer	19,796	-	-	19,796
Total	\$ 19,796	\$ 32,618	\$ 6,621	\$ 59,035

**NOTE 7 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of interfund balances as of December 31, 2016, was as follows:

Due to/from other funds:	Receivable Fund	Payable Fund	Amount
General Fund		Water and Sewer Fund	\$ 34,610
		Nonmajor Governmental Fund	100
Nonmajor Proprietary Fund		Water and Sewer Fund	1,184
Total			\$ 35,894

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.

CITY OF GRAY, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016  
(CONTINUED)

Interfund transfers:

	Transfers In:	
	Water and Sewer Fund	Total
Transfer out:		
General Fund	\$ 88,734	\$ 88,734
Total	\$ 88,734	\$ 88,734

Transfers are used to move unrestricted revenue to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching fund for various grant programs.

**NOTE 8 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2016, was as follows:

**Primary Government**

	Beginning Balance	Additions	Deductions	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,043,463	\$ -	\$ -	\$ 1,043,463
Total capital assets, not being depreciated	1,043,463	-	-	1,043,463
Capital assets, being depreciated:				
Infrastructure	2,175,540	-	-	2,175,540
Buildings	835,128	6,880	-	842,008
Equipment	443,838	10,989	-	454,827
Vehicles	951,427	154,506	(131,650)	974,283
Total capital assets, being depreciated	4,405,933	172,375	(131,650)	4,446,658
Less accumulated depreciation for:				
Infrastructure	(706,772)	(108,777)	-	(815,549)
Buildings	(210,768)	(19,414)	-	(230,182)
Equipment	(252,300)	(28,034)	-	(280,334)
Vehicles	(697,193)	(84,647)	94,206	(687,634)
Total accumulated depreciation	(1,867,033)	(240,872)	94,206	(2,013,699)
Total capital assets being depreciated, net	2,538,900	(68,497)	(37,444)	2,432,959
Governmental capital assets, net	\$ 3,582,363	\$ (68,497)	\$ (37,444)	3,476,422
Less related long-term debt outstanding				(182,896)
Net investment in capital assets				\$ 3,293,526

CITY OF GRAY, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016  
(CONTINUED)

	Beginning Balance	Additions	Deductions	Ending Balance
<b>Business-type activities:</b>				
Capital assets, not being depreciated				
Land	\$ 26,167	\$ -	\$ -	\$ 26,167
Water rights	313,683	-	-	313,683
Construction in progress	4,150	837,460	-	841,610
Total capital assets, not being depreciated	344,000	837,460	-	1,181,460
Capital assets, being depreciated				
Sewer system	2,244,893	33,326	-	2,278,219
Water system	5,086,797	4,995	-	5,091,792
Wastewater treatment plant	2,617,320	-	-	2,617,320
Building	41,526	-	-	41,526
Equipment	276,352	103,295	-	379,647
Storm drainage improvements	137,829	-	-	137,829
Vehicles	186,670	128,807	(82,179)	233,298
Total capital assets, being depreciated	10,591,387	270,423	(82,179)	10,779,631
Less accumulated depreciation for:				
Sewer system	(1,284,893)	(44,285)	-	(1,329,178)
Water system	(2,452,307)	(150,743)	-	(2,603,050)
Wastewater treatment plant	(1,228,449)	(75,039)	-	(1,303,488)
Building	(41,526)	-	-	(41,526)
Equipment	(167,640)	(19,050)	-	(186,690)
Storm drainage improvements	(28,138)	(6,891)	-	(35,029)
Vehicles	(163,123)	(27,455)	82,179	(108,399)
Total accumulated depreciation	(5,366,076)	(323,463)	82,179	(5,607,360)
Total capital assets, being depreciated, net	5,225,311	(53,040)	-	5,172,271
Business-type activities capital assets, net	\$ 5,569,311	\$ 784,420	\$ -	6,353,731
Less related long-term debt outstanding				(1,584,748)
Net investment in capital assets				\$ 4,768,983

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

Governmental activities	
General government	\$ 6,045
Public safety	94,261
Public workks	140,566
Total	\$ 240,872
Business-type activities	
Water & Sewer	\$ 323,463
Total	\$ 323,463

CITY OF GRAY, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2016  
 (CONTINUED)

**NOTE 9 – LONG-TERM DEBT**

**A. Governmental Funds**

*Capital Leases*

In November 2008, the City entered into a capital lease with the Georgia Municipal Association in the amount of \$495,000 for the purchase of a building for the police department. Semiannual payments of \$18,886 including interest at a rate of 4.67% are to be made beginning in January 2009 and ending in July 2028. Total interest paid for 2016 was \$16,803. This year, \$9,260 was included in depreciation expense with a total accumulated depreciation of \$75,623.

During 2016, the City elected to accelerate the payoff of the capital lease with a principle payment of \$182,083. The remaining outstanding balance on the capital lease at December 31, 2016 was \$182,896. The City has elected to treat this outstanding lease balance as a current liability, since the capital lease was paid in full during January 2017.

**B. Proprietary Funds**

*Revenue Bonds*

In 2009, the City issued \$1,060,000 Water and Sewerage Revenue Bonds, Series 2005, due in various semi-annual installments, including interest at 5 percent through January 1, 2021, to finance the construction of a new water tank. Total interest paid for 2016 was \$29,500. Principal amount outstanding at December 31, 2016 is \$485,000.

Cash requirements to maturity for this issue are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 110,000	\$ 21,500	\$ 131,500
2019	120,000	15,750	135,750
2020	125,000	9,625	134,625
2021	130,000	3,250	133,250
Total	<u>\$ 485,000</u>	<u>\$ 50,125</u>	<u>\$ 535,125</u>

CITY OF GRAY, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016  
(CONTINUED)

*Loans Payable*

2008 GEFA Loan Payable

During 2008, the City was approved for a loan from Georgia Environmental Facilities Authority (GEFA) to finance the costs of acquiring, constructing and installing a new belt press for the water and sewer treatment plant. The amount of the loan as originally approved in June of 2008 was not to exceed \$833,400. During 2009, it was determined that the original costs estimates were not sufficient so an additional \$67,000 was approved in 2009. The construction of the belt press was completed during 2009. The total amount the City drew down on this loan was \$1,090,026, including capitalized interest. Monthly payments of \$5,514, including interest at 2%, began in December 2009 and end in November 2029. Total interest paid for 2016 was \$16,183.

Cash requirements to maturity for this loan are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 51,589	\$ 14,582	\$ 66,171
2018	52,630	13,541	66,171
2019	53,692	12,479	66,171
2020	54,776	11,395	66,171
2021	55,882	10,290	66,172
2022-2026	296,789	34,066	330,855
2027-2029	187,323	5,673	192,996
	<u>\$ 752,681</u>	<u>\$ 102,026</u>	<u>\$ 854,707</u>

2016 GEFA Loan Payable

In 2016, the City entered into a contract with the Georgia Environmental Facilities Authority for a Drinking Water State Revolving Loan Fund grant / loan to provide financing for improvements to the water system. The City may draw down funds up to \$810,135, of which 40% or \$324,054 is forgivable. As of December 31, 2016, \$578,444 has been drawn down. Interest is accrued monthly at 1.03%. Principal payments will begin after the final draw has been made.

***Restricted Assets***

The balance of the restricted asset accounts in the Water & Sewer enterprise fund as of December 31, 2016 is \$282,388.

CITY OF GRAY, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016  
(CONTINUED)

**C. Changes in long-term liabilities**

Long-term liability activity for the year ended December 31, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Capital lease-building	\$ 364,979	\$ -	\$ (182,083)	\$ 182,896	\$ 182,896
Net pension liability	195,138	22,102	-	217,240	-
Compensated absences	19,169	26,496	(23,580)	22,085	22,085
Governmental activities Long-term liabilities	<u>\$ 579,286</u>	<u>\$ 48,598</u>	<u>\$ (205,663)</u>	<u>\$ 422,221</u>	<u>\$ 204,981</u>
Business-type activities:					
2005 Revenue bonds	\$ 590,000	\$ -	\$ (105,000)	\$ 485,000	\$ 110,000
2008 GEFA loan	803,250	-	(50,569)	752,681	51,589
2016 GEFA loan	-	347,067	-	347,067	-
Net pension liability	130,092	14,734	-	144,826	-
Compensated absences	11,380	14,563	(14,299)	11,644	11,644
Business-type activities Long-term liabilities	<u>\$ 1,534,722</u>	<u>\$ 376,364</u>	<u>\$ (169,868)</u>	<u>\$ 1,741,218</u>	<u>\$ 173,233</u>

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

**NOTE 10 – EMPLOYEE RETIREMENT PLANS**

**Georgia Municipal Employees Benefit System**

**Plan Description**

The City contributes to the Georgia Municipal Employees Benefit System (the system), an agent multiple-employer public employee retirement system administered by the Georgia Municipal Association. The City of Gray Retirement Plan is a defined benefit plan that provides retirement and disability benefits and death benefits to plan members and beneficiaries. The Public Retirement Systems Standard Law (Georgia Code Section 47-20-10) assigned the authority to establish and amend the plan to the City of Gray. The Georgia Municipal Employees Benefit System issues a publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to the Georgia Municipal Employees Benefit System, 201 Pryor Street S.W., Atlanta, Georgia 30303.

**Benefits Provided**

The GMEBS Plan provides retirement, disability and death benefits to plan members and beneficiaries. Effective January 1, 2015, the Plan was amended to provide for immediate participation for employees. This change has no impact on service credited under the Plan and has no impact on benefits.

CITY OF GRAY, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016  
(CONTINUED)

**Plan Membership**

As of July 1, 2016, the date of the most recent actuarial valuation report, pension plan membership consisted of the following:

Retires and beneficiaries currently receiving benefits	9
Terminated employees entitled to benefits but not yet receiving them	12
Current active employees	20
Nonvested benefits	13
Total membership in the plan	<u>54</u>

**Contributions**

The plan members are not required to contribute to the plan. The City is required to contribute at an actuarially determined rate; the current rate is 6.98% of annual covered payroll. The contribution requirements of the City are established and may be amended by the GMEBS Board of Trustees.

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

At December 31, 2016, the City reported a net pension liability. The net pension liability was measured as of March 31, 2016. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of July 1, 2016. An expected total pension liability as of December 31, 2015 was determined using standard roll-forward techniques.

For the year ended December 31, 2016, the City recognized pension expense relative to GMEBS in the amount of \$85,280. At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to the Pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,120	\$ 11,775
Changes of assumptions	944	-
Net difference between projected and actual earnings on pension plan investments	43,568	7,431
Employer contributions subsequent to the measurement date	56,382	-
	<u>\$ 103,014</u>	<u>\$ 19,206</u>

City contributions subsequent to the measurement date of March 31, 2016 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

CITY OF GRAY, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016  
(CONTINUED)

<u>Year ended December 31:</u>	
2017	\$ 6,826
2018	6,826
2019	6,826
2020	9,303
2021	(2,355)

**Actuarial Assumptions:** The total pension liability as of December 31, 2016 was determined by an actuarial valuation as of July 1, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The mortality and economic actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 to June 30, 2014.

**Net Pension Liability:**

<u>Changes in the Net Pension Liability:</u>	<u>Total Pension Liability</u>	<u>Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balances at December 31, 2015	\$ 1,046,873	\$ 721,643	\$ 325,230
Changes for the year:			
Service cost	41,553	-	41,553
Interest	79,822	-	79,822
Difference between expected and actual experience	(14,131)	-	(14,131)
Contributions - employer	-	75,298	(75,298)
Net investment income	-	2,776	(2,776)
Benefit payments	(33,821)	(33,821)	-
Administrative expense	-	(7,666)	7,666
Net changes	73,423	36,587	36,836
Balance at December 31, 2016	\$ 1,120,296	\$ 758,230	\$ 362,066

The City's net pension liability is recorded in the Government-Wide Statement of Net Position in the amounts of \$217,240 for governmental-activities and \$144,826 for business-type activities.

CITY OF GRAY, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016  
(CONTINUED)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of March 31, 2016 is summarized in the following table:

Asset class	Target allocation	Long-term Expected real rate of return
Domestic Equity	45%	6.75%
International Equity	20%	7.45%
Real estate	10%	4.55%
Global fixed income	5%	3.30%
Domestic fixed income	20%	1.75%
Total	100%	

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

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

	1% Decrease (6.75%)	Current discount rate (7.75%)	1% Increase (8.75%)
Sensitivity of the Net Pension Liability to Changes in the Discount Rate	\$ 548,009	\$ 362,066	\$ 210,282

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

CITY OF GRAY, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016  
(CONTINUED)

**NOTE 11 – SPECIAL FUNDING DEFINED BENEFIT PENSION PLAN**

**A. Peace Officers' Annuity and Benefit Fund of Georgia**

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

**B. Georgia Firefighters' Pension Fund**

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

**NOTE 12 – CONTINGENT LIABILITIES**

**Litigation**

During the course of normal operations of the City, various claims and lawsuits arise. The City attorney has advised that there are no potential liabilities that will impair the City's financial position as of the date of this audit report.

**NOTE 13 – EVALUATION OF SUBSEQUENT EVENTS**

The City has evaluated subsequent events through June 5, 2017, the date which the financial statements were available to be issued.

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**REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF GRAY, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2016

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

<b>Total pension liability</b>	2016	2015
Service cost	\$ 41,553	\$ 43,993
Interest on total pension liability	79,822	73,019
Difference between expected and actual experience	(14,131)	3,180
Benefit payments, including refunds of employee contributions	(33,821)	(33,821)
Other	-	1,415
<b>Net change in total pension liability</b>	<u>73,423</u>	<u>87,786</u>
<b>Total pension liability - beginning of year</b>	1,046,873	959,087
<b>Total pension liability - end of year</b>	<u>\$ 1,120,296</u>	<u>\$ 1,046,873</u>
<b>Plan fiduciary net position</b>		
Contributions - employer	\$ 75,298	\$ 61,770
Net investment income	2,776	62,637
Benefit payments, including refunds of member contributions	(33,821)	(33,821)
Administrative expenses	(7,666)	(6,813)
<b>Net change in plan fiduciary net position</b>	<u>36,587</u>	<u>83,773</u>
<b>Plan fiduciary net position - beginning of year</b>	721,643	637,870
<b>Plan fiduciary net position - end of year</b>	<u>\$ 758,230</u>	<u>\$ 721,643</u>
<b>City's net pension liability (asset) - ending</b>	<u>\$ 362,066</u>	<u>\$ 325,230</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	67.68%	68.93%
<b>Covered-employee payroll</b>	1,000,466	973,479
<b>Net pension liability as a percentage of covered-employee payroll</b>	36.19%	33.41%

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

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

CITY OF GRAY, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2016

SCHEDULE OF CITY CONTRIBUTIONS

	<u>2016</u>	<u>2015</u>
Actuarially determined contributions	\$ 70,988	\$ 75,338
Contributions in relation to the actuarially determined contribution	<u>85,280</u>	<u>75,338</u>
Contribution deficiency (excess)	<u>\$ (14,292)</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,000,466	\$ 973,479
Contributions as a percentage of covered-employee payroll	8.52%	7.74%

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

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

CITY OF GRAY, GEORGIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2016

**Changes of assumptions:**

As a result of the plan change to provide immediate participation for employees, for the fiscal year ending 2015, the eligibility assumption has been changed from one year to immediate. The increase in the Plan's NPL is minimal and has been included in the differences between expected and actuarial experience.

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

Amounts reported for the fiscal year ending in 2015, and later reflect the following assumption changes approved by the Board in December, 2014 based on the results of an actuarial experience study covering the period January 1, 2010 to June 30, 2014:

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

*Benefit Changes*

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

Valuation date

The actuarially determined contribution rate was determined as of July 1, 2016, with an interest adjustment to the fiscal year. Contributions in relation to this actuarially determined contribution rate will be reported for the year ending December 31, 2017.

CITY OF GRAY, GEORGIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(CONTINUED)

**Methods and assumptions used to determine contribution rates:**

Actuarial cost method	Entry age normal
Amortization method	Closed level dollar for the remaining unfunded liability
Remaining amortization period	Remaining amortization period varies for the bases, with a net effective amortization period of 10 years.
Asset valuation method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at the end of the year. The actuarial value is adjusted, if necessary, to be within 20% of market value.
Net Investment Rate of Return	7.75%
Projected Salary Increases	3.25% plus service based merit increases
Cost of Living Adjustments	0.00%
Retirement Age	Ages 55-59 rate of 10%, age 60 rate of 20%, age 61 rate of 25%, age 62 rate of 35%, age 63 rate of 40%, age 64 rate of 45%, ages 65-69 rate of 50% and age 70 and over rate of 100%
Mortality	RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females RP-2000 Disabled Retiree Mortality Table with sex-distinct rates.

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## **SUPPLEMENTARY INFORMATION**

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## NONMAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

**Law Enforcement Confiscation Fund** - This fund accounts for condemned funds restricted for Law enforcement expenditures.

### CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

**Capital Improvements Fund** - This fund is used to account for the purchase or construction of major capital facilities or equipment for the City.

**2016 CDBG Fund** - This fund was established to account for the grant funds from the Community Development Block Grant and the related expenditures.

### PERMANENT FUND

Permanent funds are used to account for and report financial resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs.

**Perpetual Care Permanent Fund** - This fund is used to account for principal trust amounts received and related interest income. The interest portion of the trust can be used to maintain the community cemetery.

CITY OF GRAY, GEORGIA

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2016

	Special Revenue	Capital Projects		Permanent Fund	Total Nonmajor Governmental Funds
	Law Enforcement Confiscation	Capital Improvements	2016 CDBG Fund	Perpetual Care	
<u>ASSETS</u>					
Cash and cash equivalents	\$ 6,958	\$ 82,637	\$ 100	\$ 11,733	\$ 101,428
Certificates of deposit	-	-	-	78,497	78,497
Interest receivable	-	-	-	58	58
Total Assets	\$ 6,958	\$ 82,637	\$ 100	\$ 90,288	\$ 179,983
<u>LIABILITIES</u>					
Due to other funds	\$ -	\$ -	\$ 100	\$ -	\$ 100
Total Liabilities	-	-	100	-	100
<u>FUND BALANCES</u>					
Restricted	6,958	-	-	90,288	97,246
Assigned	-	82,637	-	-	82,637
Total Fund Balances	6,958	82,637	-	90,288	179,883
Total Liabilities and Fund Balances	\$ 6,958	\$ 82,637	\$ 100	\$ 90,288	\$ 179,983

CITY OF GRAY, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2016

	Special Revenue	Capital Projects		Permanent Fund	Total Nonmajor Governmental Funds
	Law Enforcement Confiscation	Capital Improvements	2016 CDBG Fund	Perpetual Care	
<u>REVENUES</u>					
Fines and forfeitures	\$ 4,354	\$ -	\$ -	\$ -	\$ 4,354
Investment earnings	-	-	-	155	155
Total Revenues	4,354	-	-	155	4,509
<u>EXPENDITURES</u>					
Current					
Public safety	5,053	-	-	-	5,053
Culture and recreation	-	-	-	7,200	7,200
Total Expenditures	5,053	-	-	7,200	12,253
Net change in fund balance	(699)	-	-	(7,045)	(7,744)
Fund balances - beginning of year	7,657	82,637	-	97,333	187,627
Fund balances - end of year	\$ 6,958	\$ 82,637	\$ -	\$ 90,288	\$ 179,883

CITY OF GRAY, GEORGIA

LAW ENFORCEMENT CONFISCATION FUND  
 SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED DECEMBER 31, 2016

	Final Budget	Actual	Variance with Final Budget
<u>REVENUES</u>			
Fines and forfeitures	\$ 10,000	\$ 4,354	\$ (5,646)
Total Revenues	10,000	4,354	(5,646)
<u>EXPENDITURES</u>			
Current			
Public safety	10,000	5,053	4,947
Total Expenditures	10,000	5,053	4,947
Net change in fund balance	-	(699)	(699)
Fund balance - beginning of year	7,657	7,657	-
Fund balance - end of year	\$ 7,657	\$ 6,958	\$ (699)

CITY OF GRAY, GEORGIA

SCHEDULE OF PROJECTS CONSTRUCTED  
WITH SPECIAL SALES TAX PROCEEDS  
FOR THE YEAR ENDED DECEMBER 31, 2016

	Original Estimated Cost	Expenditures		Total
		Prior Years	Current Year	
<b>2009 SPLOST</b>				
Water & sewer system Improvements	\$ 1,688,000	\$ 1,363,020	\$ 154,694	\$ 1,517,714
Police Vehicles	400,000	362,311	18,552	380,863
Street Improvements	250,000	225,976	-	225,976
Fire Equipment	200,000	74,170	-	74,170
Public Works Vehicles and Equipment	150,000	214,027	10,989	225,016
<b>Total 2009 SPLOST</b>	<b>\$ 2,688,000</b>	<b>\$ 2,239,504</b>	<b>\$ 184,235</b>	<b>\$ 2,423,739</b>

	Original Estimated Cost	Expenditures		Total
		Prior Years	Current Year	
<b>2015 SPLOST</b>				
Water & sewer system Improvements	\$ 1,318,800	\$ 154	\$ 172,217	\$ 172,371
Police Vehicles	362,250	-	82,032	82,032
Street Improvements	199,500	-	-	-
Fire Equipment, Vehicles, and Facilities	119,280	-	-	-
Public Works Vehicles and Equipment	100,170	-	-	-
<b>Total 2015 SPLOST</b>	<b>\$ 2,100,000</b>	<b>\$ 154</b>	<b>\$ 254,249</b>	<b>\$ 254,403</b>

CITY OF GRAY, GEORGIA

BALANCE SHEET  
COMPONENT UNIT-DOWNTOWN DEVELOPMENT AUTHORITY  
DECEMBER 31, 2016

ASSETS

Cash and cash equivalent	\$	8,957
Total Assets	\$	8,957

LIABILITIES AND FUND BALANCES

Liabilities:		
Accounts payable	\$	-
Total Liabilities		-
Fund Balances:		
Unassigned		8,957
Total Fund Balance		8,957
Total Liabilities and Fund Balance	\$	8,957

CITY OF GRAY, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 COMPONENT UNIT-DOWNTOWN DEVELOPMENT AUTHORITY  
 FOR THE YEAR ENDED DECEMBER 31, 2016

<u>Revenues:</u>	
Intergovernmental	\$ 370,000
Miscellaneous	1,680
	<hr/>
Total Revenues	371,680
	<hr/>
<u>Expenditures:</u>	
Current:	
Housing and development	1,720
Capital outlay	370,006
	<hr/>
Total Expenditures	371,726
	<hr/>
Net change in fund balances	(46)
Fund Balance, beginning of year	9,003
	<hr/>
Fund Balance, end of year	\$ 8,957
	<hr/> <hr/>

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## **GOVERNMENTAL REPORTS**

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

Mayor and City Council  
 City of Gray  
 Gray, Georgia

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Gray, Georgia (the “City”) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated June 5, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses. 2016-001 and 2016-002

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**City of Gray, Georgia's Response to Findings**

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

**Purpose of this Report**

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

Macon, Georgia  
June 5, 2017



CITY OF GRAY, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2016

**FINANCIAL STATEMENT FINDINGS**

Findings noted on the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*:

**2016-001 GEFA Loan Program**

*CRITERIA*

Accounting procedures should be designed to insure that revenue is accrued and recognized when they become both measurable and available to finance expenses of the fiscal period.

*CONDITION*

The forgivable portion of the GEFA loan program was not recorded as revenue.

*CONTEXT*

A material audit adjustment of \$231,378 was needed to remove the forgivable portion of the GEFA loan program that should have been reported as revenue.

*EFFECT*

A material audit adjustment was needed to fairly report liabilities and revenue for the year ended December 31, 2016.

*CAUSE*

The City was unaware of the terms of the loan and the associated accounting requirements.

*RECOMMENDATION*

We recommend that the City develop procedures to insure the recording of the GEFA loan program.

*VIEW OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS*

We agree that the forgivable portion of the GEFA loan was not recorded as revenue for the year ending December 31, 2016. We will work to develop and implement procedures concerning the proper reconciling of the GEFA loan during the year and at year-end.

CITY OF GRAY, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(CONTINUED)

**COMPONENT UNIT – DOWNTOWN DEVELOPMENT AUTHORITY**

**2016-002 General Ledger Maintenance**

*CRITERIA*

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

*CONDITION*

During 2016, the Authority did not record their accounting transactions into an accounting system.

*CONTEXT*

Adjusting entries were required to record the 2016 accounting activity which included recording \$350,000 for the purchase of land funded by the City of Gray.

*EFFECT*

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

*CAUSE*

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

*RECOMMENDATION*

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

*VIEW OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS*

We agree that the Downtown Development Authority did not record their transactions into an accounting system. The City will work with the Authority to establish procedures to record all transactions into a general ledger accounting system.