

CITY OF GRAY, GEORGIA



ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2017

CITY OF GRAY, GEORGIA

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

**FOR THE YEAR ENDED
DECEMBER 31, 2017**

CITY OF GRAY, GEORGIA

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2017

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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, 2017, 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, 2017, 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 page 51 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, 2018 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 solely 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 effectiveness of the City's 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, 2018



MANAGEMENT'S DISCUSSION & ANALYSIS

CITY OF GRAY, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2017

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, 2017.

Financial Highlights

- The assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources of the City as of December 31, 2017 by \$13,104,996.
- The government's total net position increased by \$420,866 for the year ended December 31, 2017.
- As of December 31, 2017, total net position consisted of \$8,113,458 invested in capital equipment, net of related debt, \$763,034 restricted and \$4,228,504 unrestricted.
- As of the close of the current year the City's governmental funds reported combined ending fund balances of \$3,767,902 an increase of \$63,464 in comparison with the prior year.
- For the year ended December 31, 2017, fund balance for the general fund increased from \$3,155,004 to \$3,210,304.

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, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference being 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, judicial, public safety, public works, health and welfare, culture and recreation, and housing and development. The business-type activities of the City includes an water and sewer fund and sanitation fund.

CITY OF GRAY, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017
(CONTINUED)

The government-wide financial statements can be found on pages 11 and 12 of this report.

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 eight individual governmental funds: the general fund, a hotel/motel tax 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, hotel/motel tax 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 20 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, only in more detail.

The basic proprietary fund financial statements can be found on pages 21 through 26 of this report.

CITY OF GRAY, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017
(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 and deferred outflow of resources exceeded liabilities and deferred inflows of resources by \$13,104,996 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, 2017 the investment consists of \$17,791,976 in assets, with accumulated depreciation of \$8,233,262 and outstanding debt of \$1,445,256.

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.

As of December 31, 2017 current liabilities decreased by \$476,915 and net position increased by \$420,866 compared to December 31, 2016.

CITY OF GRAY, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017
(CONTINUED)

	Summary of Net Position					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets						
Current and other assets	\$ 3,919,026	\$ 4,027,176	\$ 1,811,688	\$ 1,544,489	\$ 5,730,714	\$ 5,571,665
Capital assets	3,358,824	3,476,422	6,199,890	6,353,731	9,558,714	9,830,153
Total assets	<u>7,277,850</u>	<u>7,503,598</u>	<u>8,011,578</u>	<u>7,898,220</u>	<u>15,289,428</u>	<u>15,401,818</u>
Deferred outflows of resources						
Related to pensions	54,693	61,808	33,522	41,206	88,215	103,014
Total deferred outflows of resources	<u>54,693</u>	<u>61,808</u>	<u>33,522</u>	<u>41,206</u>	<u>88,215</u>	<u>103,014</u>
Liabilities						
Current and other liabilities	136,255	484,799	403,101	531,472	539,356	1,016,271
Long-term liabilities	159,666	217,240	1,473,464	1,567,985	1,633,130	1,785,225
Total liabilities	<u>295,921</u>	<u>702,039</u>	<u>1,876,565</u>	<u>2,099,457</u>	<u>2,172,486</u>	<u>2,801,496</u>
Deferred inflows of resources						
Related to pensions	62,100	11,524	38,061	7,682	100,161	19,206
Total deferred inflows of resources	<u>62,100</u>	<u>11,524</u>	<u>38,061</u>	<u>7,682</u>	<u>100,161</u>	<u>19,206</u>
Net position						
Net investment in capital assets	3,358,824	3,293,526	4,754,634	4,768,983	8,113,458	8,062,509
Restricted	474,961	466,797	288,073	282,388	763,034	749,185
Unrestricted	3,140,737	3,091,520	1,087,767	780,916	4,228,504	3,872,436
Total net position	<u>\$ 6,974,522</u>	<u>\$ 6,851,843</u>	<u>\$ 6,130,474</u>	<u>\$ 5,832,287</u>	<u>\$ 13,104,996</u>	<u>\$ 12,684,130</u>

CITY OF GRAY, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017
(CONTINUED)

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues						
Charges for services	\$ 231,062	\$ 217,031	\$ 2,150,908	\$ 1,857,877	\$ 2,381,970	\$ 2,074,908
Operating grants and contributions	51,713	42,195	-	-	51,713	42,195
Capital grants and contributions	337,353	341,302	169,982	558,288	507,335	899,590
General revenues						
Taxes	1,895,063	1,830,754	-	-	1,895,063	1,830,754
Investment revenues	8,486	7,821	3,386	3,379	11,872	11,200
Miscellaneous	18,428	7,813	-	-	18,428	7,813
Total Revenues	2,542,105	2,446,916	2,324,276	2,419,544	4,866,381	4,866,460
Expenses						
General government	521,233	474,717	-	-	521,233	474,717
Public safety	1,018,426	915,640	-	-	1,018,426	915,640
Public works	623,134	746,095	-	-	623,134	746,095
Other	169,398	432,423	-	-	169,398	432,423
Water and Sewer	-	-	1,962,548	1,946,882	1,962,548	1,946,882
Sanitation	-	-	150,776	148,847	150,776	148,847
Total Expenses	2,332,191	2,568,875	2,113,324	2,095,729	4,445,515	4,664,604
Increase (decrease) in net position before transfers	209,914	(121,959)	210,952	323,815	420,866	201,856
Transfers	(87,235)	(88,734)	87,235	88,734	-	-
Increase (decrease) in net position	122,679	(210,693)	298,187	412,549	420,866	201,856
Net position - beginning of year	6,851,843	7,062,536	5,832,287	5,419,738	12,684,130	12,482,274
Net position - end of year	\$ 6,974,522	\$ 6,851,843	\$ 6,130,474	\$ 5,832,287	\$ 13,104,996	\$ 12,684,130

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, 2017 the City's governmental funds reported combined ending fund balances of \$3,767,902. The unassigned fund balance reflects a balance of \$3,182,907. A total of \$584,995 is restricted or assigned to indicate that it is not available for new spending because it has already been committed for restricted purposes.

The fund balance of the City's governmental funds increased by \$63,464 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.

CITY OF GRAY, GEORGIA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 DECEMBER 31, 2017
 (CONTINUED)

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 \$1,087,767.

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 20 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, 2017 totals \$9,558,714 net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, infrastructure, machinery and equipment, and vehicles. The total decrease in the City's investment in capital assets for the current year was \$271,439. Detailed information regarding the capital asset activity for 2017 can be found in Note 8 of this report.

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
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	-	-	66,117	841,610	66,117	841,610
Infrastructure	1,251,214	1,359,991	5,442,462	4,751,615	6,693,676	6,111,606
Buildings	592,201	611,826	-	-	592,201	611,826
Storm Drainage Improve.	-	-	95,909	102,800	95,909	102,800
Equipment	157,920	174,493	165,036	192,957	322,956	367,450
Vehicles	314,026	286,649	90,516	124,899	404,542	411,548
Total	<u>\$ 3,358,824</u>	<u>\$ 3,476,422</u>	<u>\$ 6,199,890</u>	<u>\$ 6,353,731</u>	<u>\$ 9,558,714</u>	<u>\$ 9,830,153</u>

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 lease was paid in full in 2017. The water and sewer fund reflects revenue bonds as long-term debt as of December 31, 2017. Bonds payable equal \$375,000 as of December 31, 2017. In 2009, the City borrowed an additional \$1,090,026 from GEFA for a belt press for the wastewater treatment. Notes payable equal \$701,092 as of December 31, 2017, with \$52,630 due within one year. In 2016, the City entered into a contract with GEFA to provide financing for improvements to the water system. The total amount outstanding as of

CITY OF GRAY, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017
(CONTINUED)

December 31, 2017 was \$369,164, with 17,022 due within one year. Detailed information regarding the long-term debt activity for 2017 can be found in Note 9.

Accomplishments/Growth for 2017

In 2017, the City of Gray continued to make great strides in upgrading its water and sewer infrastructure. Three of the existing City wells were rehabbed. City lifts stations' electrical components were upgraded to be compatible with a portable generator. Several manholes throughout the City were rehabbed or replaced. The Police Department building lease was paid in full. The Police Department purchased three new vehicles to replace aging vehicles.

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, 2017

	Primary Government			Component Unit
	Governmental Activities		Business-type Activities	Downtown Development Authority
	\$		\$	\$
ASSETS				
Cash and cash equivalents	\$ 2,580,226		\$ 1,167,804	\$ 3,748,030
Certificates of deposit	1,111,641		224,714	1,336,355
Receivables (net of allowance):				
Accrued interest	-		186	186
Taxes	115,455		-	115,455
Accounts	4,880		150,657	155,537
Due from other governments	74,953		-	74,953
Prepays	-		12,125	12,125
Internal balances	31,871		(31,871)	-
Restricted assets:				
Cash and cash equivalents	-		288,073	288,073
Capital assets:				
Nondepreciable assets	1,043,463		405,967	1,449,430
Depreciable assets, net	2,315,361		5,793,923	8,109,284
Total assets	<u>7,277,850</u>		<u>8,011,578</u>	<u>15,289,428</u>
				<u>447,384</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related				
to pensions	<u>54,693</u>		<u>33,522</u>	<u>88,215</u>
Total deferred outflows of resources	<u>54,693</u>		<u>33,522</u>	<u>88,215</u>
				<u>-</u>

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

CITY OF GRAY, GEORGIA

STATEMENT OF NET POSITION
DECEMBER 31, 2017
(CONTINUED)

<u>LIABILITIES</u>	Primary Government			Component Unit Downtown Development Authority
	Governmental Activities	Business-type Activities	Total	
Accounts payable	79,872	101,865	181,737	-
Accrued liabilities	33,051	16,467	49,518	-
Accrued interest	-	1,168	1,168	-
Customer deposits	-	202,425	202,425	-
Noncurrent liabilities:				
Due within one year				
Loans payable	-	69,652	69,652	-
Compensated absences	23,332	11,524	34,856	-
Due in more than one year				
Loans payable	-	1,000,604	1,000,604	-
Bonds payable	-	375,000	375,000	-
Net pension liability	159,666	97,860	257,526	-
Total liabilities	295,921	1,876,565	2,172,486	-
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred inflows of resources related to pensions	62,100	38,061	100,161	-
Total deferred inflows of resources	62,100	38,061	100,161	-
<u>NET POSITION</u>				
Net investment in capital assets	3,358,824	4,754,634	8,113,458	434,042
Restricted for:				
Debt service	-	288,073	288,073	-
Perpetual care	83,734	-	83,734	-
Capital outlay	384,354	-	384,354	-
Law enforcement	6,873	-	6,873	-
Unrestricted	3,140,737	1,087,767	4,228,504	13,342
Total net position	\$ 6,974,522	\$ 6,130,474	\$ 13,104,996	\$ 447,384

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

CITY OF GRAY, GEORGIA
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2017

Functions/Programs	Program Revenues			
	Expenses	Operating	Capital	
		Charges for Services	Grants and Contributions	Grants and Contributions
Primary Government				
Governmental activities				
General government	\$ 512,014	\$ 66,417	\$ -	\$ -
Judicial	73,527	-	-	-
Public safety	944,899	164,645	51,713	-
Public works	623,135	-	-	337,353
Health and Welfare	9,219	-	-	-
Culture and recreation	7,221	-	-	-
Housing and Development	161,714	-	-	-
Interest on long-term debt	462	-	-	-
Total governmental activities	<u>2,332,191</u>	<u>231,062</u>	<u>51,713</u>	<u>337,353</u>
Business-type activities				
Water & Sewer	1,962,548	1,981,861	-	169,982
Sanitation	150,776	169,047	-	-
Total business-type activities	<u>2,113,324</u>	<u>2,150,908</u>	<u>-</u>	<u>169,982</u>
Total primary government	<u>\$ 4,445,515</u>	<u>\$ 2,381,970</u>	<u>\$ 51,713</u>	<u>\$ 507,335</u>
Component Unit:				
Downtown Development Authority	<u>\$ 53,703</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 120,000</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, 2017
(CONTINUED)

Net (Expense) Revenue and Changes in Net Position			Component Unit	
Primary Government			Downtown	Development
Governmental Activities	Business-type Activities	Total	Development Authority	
\$ (445,597)	\$ -	\$ (445,597)	\$ -	-
(73,527)	-	(73,527)	-	-
(728,541)	-	(728,541)	-	-
(285,782)	-	(285,782)	-	-
(9,219)	-	(9,219)	-	-
(7,221)	-	(7,221)	-	-
(161,714)	-	(161,714)	-	-
(462)	-	(462)	-	-
<u>(1,712,063)</u>	<u>-</u>	<u>(1,712,063)</u>	<u>-</u>	<u>-</u>
-	189,295	189,295	-	-
-	18,271	18,271	-	-
-	207,566	207,566	-	-
<u>(1,712,063)</u>	<u>207,566</u>	<u>(1,504,497)</u>	<u>-</u>	<u>-</u>
		<u>66,297</u>		
878,138	-	878,138	-	-
356,586	-	356,586	-	-
216,729	-	216,729	-	-
225,347	-	225,347	-	-
218,263	-	218,263	-	-
8,486	3,386	11,872	-	-
18,428	-	18,428	2,124	-
<u>1,921,977</u>	<u>3,386</u>	<u>1,925,363</u>	<u>2,124</u>	
<u>(87,235)</u>	<u>87,235</u>	<u>-</u>	<u>-</u>	
122,679	298,187	420,866	68,421	
6,851,843	5,832,287	12,684,130	378,963	
<u>\$ 6,974,522</u>	<u>\$ 6,130,474</u>	<u>\$ 13,104,996</u>	<u>\$ 447,384</u>	

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

CITY OF GRAY, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017

<u>ASSETS</u>	2015		Non-Major Governmental Funds	Total Governmental Funds
	General	SPLOST		
Cash and cash equivalents	\$ 2,123,394	\$ 245,077	\$ 211,755	\$ 2,580,226
Certificates of deposit	1,033,144	-	78,497	1,111,641
Receivables, net of allowance				
Taxes	115,455	-	-	115,455
Accounts	3,049	-	1,831	4,880
Due from other governments	47,000	27,953	-	74,953
Due from other funds	32,071	-	-	32,071
 Total Assets	 \$ 3,354,113	 \$ 273,030	 \$ 292,083	 \$ 3,919,226
 <u>LIABILITIES</u>				
Accounts payable	\$ 72,557	\$ 5,582	\$ 1,733	\$ 79,872
Accrued liabilities	33,051	-	-	33,051
Due to other funds	-	-	200	200
 Total Liabilities	 105,608	 5,582	 1,933	 113,123
 <u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable revenue - property taxes	38,201	-	-	38,201
 Total Deferred Inflows of Resources	 38,201	 -	 -	 38,201
 <u>FUND BALANCES</u>				
Restricted	-	267,448	207,513	474,961
Assigned	27,397	-	82,637	110,034
Unassigned	3,182,907	-	-	3,182,907
 Total fund balances	 3,210,304	 267,448	 290,150	 3,767,902
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	 \$ 3,354,113	 \$ 273,030	 \$ 292,083	 \$ 3,919,226

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, 2017

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

Total fund balances - governmental funds	\$ 3,767,902
--	--------------

Capital Assets

Capital assets used in governmental activities are not financed resources and, therefore, are not reported in the funds.

Cost of assets	5,616,698
Accumulated depreciation	(2,257,874)

Deferred outflows of resources

Related to pensions	54,693
---------------------	--------

Long-term Liabilities

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:

Compensated absences	(23,332)
Net pension liability	(159,666)

Deferred inflows of resources

Related to pensions	(62,100)
---------------------	----------

Revenues

Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.

	38,201
--	--------

Total Net position of Governmental Activities

	\$ 6,974,522
--	--------------

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, 2017

		2015	Non-Major Governmental Funds	Total Governmental Funds
	General	SPLOST		
REVENUES:				
Taxes:				
Property	\$ 886,665	\$ -	\$ -	\$ 886,665
Sales	356,586	-	-	356,586
Other taxes	649,043	-	11,296	660,339
Licenses and permits	66,417	-	-	66,417
Intergovernmental	51,713	337,217	-	388,930
Fines and forfeitures	164,645	-	-	164,645
Investment earnings	8,056	136	430	8,622
Miscellaneous	17,928	-	500	18,428
Total revenues	2,201,053	337,353	12,226	2,550,632
EXPENDITURES:				
Current:				
General government	493,557	-	11,296	504,853
Judicial	73,527	-	-	73,527
Public safety	850,190	-	85	850,275
Public works	283,145	37,969	12,507	333,621
Health and welfare	9,219	-	-	9,219
Culture and recreation	-	-	7,221	7,221
Housing and development	161,714	-	-	161,714
Debt service:				
Principal	182,896	-	-	182,896
Interest	4,270	-	-	4,270
Capital outlay	-	261,751	10,586	272,337
Total Expenditures	2,058,518	299,720	41,695	2,399,933
Excess (deficiency) of revenues over (under) expenditures	142,535	37,633	(29,469)	150,699
OTHER FINANCING SOURCES (USES):				
Transfers out	(87,235)	-	-	(87,235)
Total other financing sources and (uses)	(87,235)	-	-	(87,235)
Net change in fund balances	55,300	37,633	(29,469)	63,464
Fund balance - beginning of year	3,155,004	229,815	319,619	3,704,438
Fund balance - end of year	\$ 3,210,304	\$ 267,448	\$ 290,150	\$ 3,767,902

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, 2017

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

Net change in fund balances - total governmental funds	\$ 63,464
--	-----------

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	126,576
Total depreciation	(244,174)

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	(7,115)
--	---------

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	182,896
Accrued interest	3,808
Compensated absences	(1,247)
Net pension liability	57,574

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	(50,576)
---	----------

Revenues

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

(8,527)

Change in net position of governmental activities

\$ 122,679

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, 2017

	Budget			Variance with Final Budget
	Original	Final	Actual	
REVENUES:				
Taxes:				
General property taxes	\$ 746,050	\$ 752,443	\$ 886,665	\$ 134,222
Local option sales tax	320,000	320,000	356,586	36,586
Other taxes:				
Insurance premium tax	188,000	188,000	216,729	28,729
Motor vehicle tax	133,406	133,406	100,242	(33,164)
Franchise tax	230,000	230,000	225,347	(4,653)
Beer and wine tax	80,000	87,235	87,235	-
Real estate transfer tax	1,700	1,700	2,633	933
Recording intangible taxes	5,000	5,000	13,954	8,954
Mobile home tax	484	484	501	17
Penalties and interest	2,500	2,500	2,402	(98)
Total Taxes	<u>1,707,140</u>	<u>1,720,768</u>	<u>1,892,294</u>	<u>171,526</u>
Licenses and Permits:				
Business licenses and permits	<u>68,000</u>	<u>68,000</u>	<u>66,417</u>	<u>(1,583)</u>
Intergovernmental Revenues:				
Department of transportation	-	41,713	41,713	-
Jones County Board of Education				
Crossing Guards	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Total Intergovernmental Revenues	<u>10,000</u>	<u>51,713</u>	<u>51,713</u>	<u>-</u>
Fines, Forfeitures and Penalties:				
Fine and forfeitures	<u>129,000</u>	<u>129,524</u>	<u>164,645</u>	<u>35,121</u>
Total Fines, Forfeitures and Penalties	<u>129,000</u>	<u>129,524</u>	<u>164,645</u>	<u>35,121</u>
Miscellaneous:				
Interest earnings	4,800	4,800	8,056	3,256
Miscellaneous	<u>2,121</u>	<u>14,399</u>	<u>17,928</u>	<u>3,529</u>
Total Miscellaneous	<u>6,921</u>	<u>19,199</u>	<u>25,984</u>	<u>6,785</u>
Total Revenues	<u>\$ 1,921,061</u>	<u>\$ 1,989,204</u>	<u>\$ 2,201,053</u>	<u>\$ 211,849</u>

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

PAGE 1 OF 2

CITY OF GRAY, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

	Budget			Variance with Final Budget	
	Original	Final	Actual		
EXPENDITURES:					
Current:					
General Government					
General administration	\$ 537,283	\$ 534,564	\$ 493,557	\$ 41,007	
Judicial					
Municipal court	69,100	71,463	70,077	1,386	
Public defender	3,600	3,600	3,450	150	
Public Safety					
Police	676,200	688,478	670,699	17,779	
Prisoner custody	17,000	15,161	9,720	5,441	
Fire	84,565	85,765	85,733	32	
Dispatching	77,845	83,038	83,038	-	
Emergency management	1,000	1,000	1,000	-	
Public Works					
Highways and streets	306,000	347,713	283,145	64,568	
Health and Welfare					
Community center	6,500	9,219	9,219	-	
Housing and Development					
Better Hometown	25,000	25,000	25,000	-	
Keep Jones Beautiful	7,368	7,368	7,114	254	
Planning and Zoning	9,600	9,600	9,600	-	
Downtown Development	20,000	120,000	120,000	-	
Debt Service					
Principal	185,000	185,000	182,896	2,104	
Interest	5,000	5,000	4,270	730	
Total Expenditures	<u>2,031,061</u>	<u>2,191,969</u>	<u>2,058,518</u>	<u>133,451</u>	
Excess (Deficiency) of Revenues over Expenditures	<u>(110,000)</u>	<u>(202,765)</u>	<u>142,535</u>	<u>345,300</u>	
<u>Other Financing Sources (Uses):</u>					
Transfer to Water and Sewer Fund	<u>(80,000)</u>	<u>(87,235)</u>	<u>(87,235)</u>	<u>-</u>	
Total Other Financing Sources (Uses)	<u>(80,000)</u>	<u>(87,235)</u>	<u>(87,235)</u>	<u>-</u>	
Net change in fund balance	<u>(190,000)</u>	<u>(290,000)</u>	<u>55,300</u>	<u>345,300</u>	
Fund balance - beginning of year	<u>3,155,004</u>	<u>3,155,004</u>	<u>3,155,004</u>	<u>-</u>	
Fund balance - end of year	<u>\$ 2,965,004</u>	<u>\$ 2,865,004</u>	<u>\$ 3,210,304</u>	<u>\$ 345,300</u>	

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

CITY OF GRAY, GEORGIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2017

	Business-type Activities		
	Enterprise Funds		
	Water and Sewer Fund	Nonmajor Sanitation Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,135,776	\$ 32,028	\$ 1,167,804
Certificates of deposit	224,714	-	224,714
Restricted cash, cash equivalents and investments:			
Revenue bond covenant accounts	288,073	-	288,073
Accrued interest receivable	186	-	186
Accounts receivable (net of allowance for uncollectibles)	136,292	14,365	150,657
Due from other funds	-	1,735	1,735
Prepaid items	12,125	-	12,125
Total current assets	1,797,166	48,128	1,845,294
Noncurrent assets:			
Capital assets:			
Nondepreciable assets	405,967	-	405,967
Depreciable assets, net	5,793,923	-	5,793,923
Total capital assets	6,199,890	-	6,199,890
Total noncurrent assets	6,199,890	-	6,199,890
Total assets	7,997,056	48,128	8,045,184
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	33,522	-	33,522
Total deferred outflows of resources	33,522	-	33,522

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

PAGE 1 OF 2

CITY OF GRAY, GEORGIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2017
(CONTINUED)

	Business-type Activities			Total	
	Enterprise Funds		Nonmajor		
	Water and Sewer Fund	Sanitation Fund			
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 89,194	\$ 12,671	\$ 101,865		
Accrued liabilities	16,467	-	16,467		
Customer deposits payable	202,425	-	202,425		
Accrued interest payable	1,168	-	1,168		
Compensated absences	11,524	-	11,524		
Due to other funds	33,606	-	33,606		
Notes payable - current	69,652	-	69,652		
Total current liabilities	424,036	12,671	436,707		
Noncurrent liabilities:					
Revenue bonds payable	375,000	-	375,000		
Notes payable	1,000,604	-	1,000,604		
Net pension liability	97,860	-	97,860		
Total noncurrent liabilities	1,473,464	-	1,473,464		
Total liabilities	1,897,500	12,671	1,910,171		
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows of resources related to pensions	38,061	-	38,061		
Total deferred inflows of resources	38,061	-	38,061		
NET POSITION					
Net investment in capital assets	4,754,634	-	4,754,634		
Restricted:					
Restricted for debt service	288,073	-	288,073		
Unrestricted	1,052,310	35,457	1,087,767		
Total net position	\$ 6,095,017	\$ 35,457	\$ 6,130,474		

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, 2017

	Business-type Activities		
	Enterprise Funds		
	Water and Sewer Fund	Nonmajor Sanitation Fund	Total
Operating Revenues:			
Charges for sales and services:			
Water sales	\$ 1,064,138	-	\$ 1,064,138
Sewerage fees	806,250	-	806,250
Garbage fees	-	169,047	169,047
Connection fees	76,149	-	76,149
Penalties and other fees	30,256	-	30,256
Miscellaneous	5,068	-	5,068
Total operating revenues	<u>1,981,861</u>	<u>169,047</u>	<u>2,150,908</u>
Operating Expenses:			
Salaries	393,020	-	393,020
Employee benefits	47,436	-	47,436
Depreciation	368,029	-	368,029
Utilities	126,964	-	126,964
Maintenance and supplies	371,526	-	371,526
Insurance	141,586	-	141,586
Gas, oil, tires	11,488	-	11,488
Professional fees	20,763	-	20,763
Contracted services	-	150,680	150,680
Travel	10,999	-	10,999
Engineering fees	14,969	-	14,969
County water expense	367,528	-	367,528
Other operating expenses	43,242	96	43,338
Total Operating Expenses	<u>1,917,550</u>	<u>150,776</u>	<u>2,068,326</u>
Operating Income (Loss)	<u>64,311</u>	<u>18,271</u>	<u>82,582</u>
Non-Operating Revenues (Expenses):			
Interest revenue	3,386	-	3,386
Intergovernmental revenue	18,488	-	18,488
Interest expense	(44,998)	-	(44,998)
Total Non-Operating Revenues (Expenses)	<u>(23,124)</u>	<u>-</u>	<u>(23,124)</u>

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, 2017

	Business-type Activities		
	Enterprise Funds		
	Water and Sewer Fund	Nonmajor Sanitation Fund	Total
Net Income (Loss) before Contributions and Transfers	41,187	18,271	59,458
Capital contributions	151,494	-	151,494
Transfers in	87,235	-	87,235
Change in net position	279,916	18,271	298,187
Net position - beginning of year	5,815,101	17,186	5,832,287
Net position - end of year	\$ 6,095,017	\$ 35,457	\$ 6,130,474

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

PAGE 2 OF 2

CITY OF GRAY, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Business-type Activities		
	Enterprise Funds		
	Nonmajor		Total
	Water and Sewer Fund	Fund	
<u>Cash Flows from Operating Activities:</u>			
Cash received from customers	\$ 1,993,676	\$ 166,867	\$ 2,160,543
Cash paid to suppliers for good and services	(1,146,620)	(150,994)	(1,297,614)
Cash paid to employees	(452,663)	-	(452,663)
Net Cash Provided by (Used for) Operating Activities	394,393	15,873	410,266
<u>Cash Flows from Noncapital Financing Activities:</u>			
Transfer from General Fund	87,235	-	87,235
Net Cash Provided by (Used for) Noncapital Financing Activities	87,235	-	87,235
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Acquisition and construction of assets	(62,695)	-	(62,695)
Intergovernmental revenue	38,284	-	38,284
Proceeds from financing	27,732	-	27,732
Principal paid on revenue bonds	(110,000)	-	(110,000)
Principal paid on notes	(57,224)	-	(57,224)
Interest paid on revenue bonds	(45,083)	-	(45,083)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(208,986)	-	(208,986)
<u>Cash Flows from Investing Activities:</u>			
Interest received	3,329	-	3,329
Net Cash Provided by (Used for) Investing Activities	3,329	-	3,329
Net Increase (Decrease) in Cash and Cash Equivalents	275,971	15,873	291,844
Cash and Cash Equivalents - Beginning of Year	1,372,592	16,155	1,388,747
Cash and Cash Equivalents - End of Year	\$ 1,648,563	\$ 32,028	\$ 1,680,591
<u>Reconciliation of Cash Equivalents:</u>			
Cash	\$ 1,360,490	\$ 32,028	\$ 1,392,518
Restricted cash	288,073	-	288,073
Total Cash and Cash Equivalents	\$ 1,648,563	\$ 32,028	\$ 1,680,591

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, 2017
(CONTINUED)

	Business-type Activities		
	Enterprise Funds		
	Nonmajor	Sanitation	
	Water and Sewer Fund	Fund	Total
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>			
<u>Provided by (Used for) Operating Activities:</u>			
Operating Income (Loss)	\$ 64,311	\$ 18,271	\$ 82,582
<u>Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</u>			
Depreciation	368,029	-	368,029
<u>Changes in Assets and Liabilities:</u>			
(Increase) decrease in accounts receivables	7,200	(2,180)	5,020
(Increase) decrease in due from other funds	-	(551)	(551)
(Increase) decrease in prepaids	2,625	-	2,625
(Increase) decrease in deferred outflows - pensions	7,684	-	7,684
Increase (decrease) in accounts payable	(37,992)	333	(37,659)
Increase (decrease) in accrued liabilities	(3,184)	-	(3,184)
Increase (decrease) in customer water deposits	4,615	-	4,615
Increase (decrease) in due to other funds	(2,188)	-	(2,188)
Increase (decrease) in compensated absences	(120)	-	(120)
Increase (decrease) in net pension liability	(46,966)	-	(46,966)
Increase (decrease) in deferred inflows - pensions	30,379	-	30,379
Total adjustments	<hr/> 330,082	<hr/> (2,398)	<hr/> 327,684
<u>Net Cash Provided by (Used for) Operating Activities</u>	<hr/> <hr/> \$ 394,393	<hr/> <hr/> \$ 15,873	<hr/> <hr/> \$ 410,266
<u>NONCASH CAPITAL FINANCING ACTIVITIES</u>			
Contributions of capital assets from government	<hr/> <hr/> \$ 151,494	<hr/> <hr/> -	<hr/> <hr/> \$ 151,494

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

PAGE 2 OF 2

NOTES TO THE FINANCIAL STATEMENTS

CITY OF GRAY, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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, 2017. 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, 2017
(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, 2017
(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, 2017
(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 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, 2017
(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, 2017
(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, 2017 and amount to \$23,332.

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, 2017
(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, 2017
(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, 2017:

	General Fund	2015 SPLOST	Nonmajor Governmental	Total
Fund Balances				
Restricted:				
Perpetual care	\$ -	\$ -	\$ 83,734	\$ 83,734
Law enforcement	- -	- -	6,873	6,873
Capital outlay	- -	267,448	116,906	384,354
Assigned for:				
Law enforcement	22,617	- -	- -	22,617
Fire department	4,780	- -	- -	4,780
Capital outlay	- -	- -	82,637	82,637
Unassigned	<u>3,182,907</u>	<u>- -</u>	<u>- -</u>	<u>3,182,907</u>
Total fund balances	<u><u>\$ 3,210,304</u></u>	<u><u>\$ 267,448</u></u>	<u><u>\$ 290,150</u></u>	<u><u>\$ 3,767,902</u></u>

P. Risk Management

The City is exposed to various risks of loss related to torts of, damage to, and destruction of assets; errors and omissions; and natural disaster. The City maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage in the current year. Commercial insurance premiums totaled \$64,395 during the current year.

The City has obtained commercial insurance for workers compensation claims. The limits of the coverage are \$1,000,000 for each employee claim. Commercial insurance premiums for workers compensation insurance totaled \$42,516 during the current year. Settled claims in the past three years have not exceeded the coverage.

CITY OF GRAY, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(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, 2017, the City's only investments were in certificates of deposit.

CITY OF GRAY, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(CONTINUED)

At December 31, 2017, the City's certificates of deposit were as follows:

Investment	Maturity	Amount
Certificates of deposit - General Fund	1 - 6 months	\$ 158,862
	7 - 12 months	566,717
	12 - 24 months	307,565
Certificates of deposit - Water and Sewer Fund	1 - 6 months	118,488
	7 - 12 months	75,553
	12 - 24 months	30,673
Certificates of deposit - Nonmajor Governmental Fund	12 - 24 months	78,497
		<u>\$ 1,336,355</u>

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, 2017 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.

CITY OF GRAY, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(CONTINUED)

The property tax calendar is as follows:

	Real/Personal Property	Motor Vehicles
Assessment Date	January 1	January 1
Levy Date	October 3	December 1
Due Date and Collection Date	December 31, 2017	Staggered
Lien Date	May 1, 2018	N/A

NOTE 5 – OTHER RECEIVABLES

Receivables at December 31, 2017 consist of the following:

	General Fund	Water & Sewer Fund	Nonmajor Proprietary Fund	Nonmajor Governmental Funds	Total
Receivables:					
Taxes	\$ 128,279	\$ -	\$ -	\$ -	\$ 128,279
Accounts	922	164,529	21,061	1,733	188,245
Accrued interest	2,127	186	-	98	2,411
Gross Receivables	<u>131,328</u>	<u>164,715</u>	<u>21,061</u>	<u>1,831</u>	<u>318,935</u>
Less: Allowances for Uncollectibles	(12,824)	(28,237)	(6,696)	-	(47,757)
Net Receivables	<u>\$ 118,504</u>	<u>\$ 136,478</u>	<u>\$ 14,365</u>	<u>\$ 1,831</u>	<u>\$ 271,178</u>

NOTE 6 – DUE FROM OTHER GOVERNMENTS

Amounts due from other governments at December 31, 2017, are as follows:

	Federal	State	Other	Total
Fund:				
General	\$ -	\$ 33,517	\$ 13,483	\$ 47,000
2015 SPLOST	-	27,953	-	27,953
Total	<u>\$ -</u>	<u>\$ 61,470</u>	<u>\$ 13,483</u>	<u>\$ 74,953</u>

CITY OF GRAY, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(CONTINUED)

NOTE 7 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2017, was as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Water and Sewer Fund	\$ 31,871
	Nonmajor Governmental Fund	200
Nonmajor Proprietary Fund	Water and Sewer Fund	1,735
Total		<u><u>\$ 33,806</u></u>

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.

Interfund transfers:

Transfer out:	Transfers In:	
	Water and Sewer Fund	Total
General Fund	\$ 87,235	\$ 87,235
Total	\$ 87,235	\$ 87,235

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.

CITY OF GRAY, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(CONTINUED)

NOTE 8 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017, was as follows:

Primary Government

	Beginning Balance	Additions	Deductions	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,043,463	\$ -	\$ -	\$ 1,043,463
Total capital assets, not being depreciated	<u>1,043,463</u>	<u>-</u>	<u>-</u>	<u>1,043,463</u>
Capital assets, being depreciated:				
Infrastructure	2,175,540	-	-	2,175,540
Buildings	842,008	-	-	842,008
Equipment	454,827	8,762	-	463,589
Vehicles	974,283	117,814	-	1,092,097
Total capital assets, being depreciated	<u>4,446,658</u>	<u>126,576</u>	<u>-</u>	<u>4,573,234</u>
Less accumulated depreciation for:				
Infrastructure	(815,549)	(108,777)	-	(924,326)
Buildings	(230,182)	(19,625)	-	(249,807)
Equipment	(280,334)	(25,335)	-	(305,669)
Vehicles	(687,634)	(90,437)	-	(778,071)
Total accumulated depreciation	<u>(2,013,699)</u>	<u>(244,174)</u>	<u>-</u>	<u>(2,257,873)</u>
Total capital assets being depreciated, net	<u>2,432,959</u>	<u>(117,598)</u>	<u>-</u>	<u>2,315,361</u>
Governmental capital assets, net	<u>\$ 3,476,422</u>	<u>\$ (117,598)</u>	<u>\$ -</u>	<u>\$ 3,358,824</u>

CITY OF GRAY, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(CONTINUED)

	Beginning Balance	Additions	Deductions	Transfers	Ending Balance
Business-type activities:					
Capital assets, not being depreciated					
Land	\$ 26,167	\$ -	\$ -	\$ -	\$ 26,167
Water rights	313,683	-	-	-	313,683
Construction in progress	841,610	198,860	-	(974,353)	66,117
Total capital assets, not being depreciated	<u>1,181,460</u>	<u>198,860</u>	<u>-</u>	<u>(974,353)</u>	<u>405,967</u>
Capital assets, being depreciated					
Sewer system	2,278,219	12,909	-	304,758	2,595,886
Water system	5,091,792	2,419	-	669,595	5,763,806
Wastewater treatment plant	2,617,320	-	-	-	2,617,320
Building	41,526	-	-	-	41,526
Equipment	379,647	-	-	-	379,647
Storm drainage improvements	137,829	-	-	-	137,829
Vehicles	233,298	-	-	-	233,298
Total capital assets, being depreciated	<u>10,779,631</u>	<u>15,328</u>	<u>-</u>	<u>974,353</u>	<u>11,769,312</u>
Less accumulated depreciation for:					
Sewer system	(1,329,178)	(54,254)	-	-	(1,383,432)
Water system	(2,603,050)	(169,541)	-	-	(2,772,591)
Wastewater treatment plant	(1,303,488)	(75,039)	-	-	(1,378,527)
Building	(41,526)	-	-	-	(41,526)
Equipment	(186,690)	(27,921)	-	-	(214,611)
Storm drainage improvements	(35,029)	(6,891)	-	-	(41,920)
Vehicles	(108,399)	(34,383)	-	-	(142,782)
Total accumulated depreciation	<u>(5,607,360)</u>	<u>(368,029)</u>	<u>-</u>	<u>-</u>	<u>(5,975,389)</u>
Total capital assets, being depreciated, net	<u>5,172,271</u>	<u>(352,701)</u>	<u>-</u>	<u>974,353</u>	<u>5,793,923</u>
Business-type activities capital assets, net	<u>\$ 6,353,731</u>	<u>\$ (153,841)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>6,199,890</u>
Less related long-term debt outstanding					<u>(1,445,256)</u>
Net investment in capital assets					<u>\$ 4,754,634</u>

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

Governmental activities	
General government	\$ 5,797
Public safety	94,624
Public works	<u>143,753</u>
Total	<u>\$ 244,174</u>
Business-type activities	
Water & Sewer	\$ 368,029
Total	<u>\$ 368,029</u>

CITY OF GRAY, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(CONTINUED)

Activity for the Downtown Development Authority for the year ended December 31, 2017, was as follows:

	Reclassified			
	Beginning Balance	Additions	Deductions	Ending Balance
Discretely presented component unit:				
Capital assets, not being depreciated:				
Land	\$ 245,681	\$ 45,522	\$ -	\$ 291,203
Total capital assets, not being depreciated	245,681	45,522	-	291,203
Capital assets, being depreciated:				
Buildings	124,325	21,428	-	145,753
Total capital assets, being depreciated	124,325	21,428	-	145,753
Less accumulated depreciation for:				
Buildings	-	(2,914)	-	(2,914)
Total accumulated depreciation	-	(2,914)	-	(2,914)
Total capital assets being depreciated, net	124,325	18,514	-	142,839
Governmental capital assets, net	\$ 370,006	\$ 64,036	\$ -	\$ 434,042

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 2017 was \$4,271. This year, \$9,260 was included in depreciation expense with a total accumulated depreciation of \$84,883. This lease was paid in full during 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 2017 was \$26,875. Principal amount outstanding at December 31, 2017 is \$375,000.

CITY OF GRAY, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS
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(CONTINUED)

Cash requirements to maturity for this issue are as follows:

	Principal	Interest	Total
2019	\$ 120,000	\$ 15,750	\$ 135,750
2020	125,000	9,625	134,625
2021	<u>130,000</u>	3,250	<u>133,250</u>
Total	<u>\$ 375,000</u>	<u>\$ 28,625</u>	<u>\$ 403,625</u>

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 2017 was \$14,496.

Cash requirements to maturity for this loan are as follows:

	Principal	Interest	Total
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	57,010	9,162	66,172
2023-2027	302,780	28,075	330,855
2028-2029	<u>124,322</u>	2,501	<u>126,823</u>
	<u><u>\$ 701,092</u></u>	<u><u>\$ 87,443</u></u>	<u><u>\$ 788,535</u></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. The total amount the City drew down on this loan was \$374,798. Monthly payments of \$1,729, including interest at 1.03% began in September 2017 and will end in August 2037. Total interest paid for 2017 was \$3,627.

CITY OF GRAY, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(CONTINUED)

Cash requirements to maturity for this loan are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 17,022	\$ 3,722	\$ 20,744
2019	17,198	3,546	20,744
2020	17,376	3,368	20,744
2021	17,556	3,188	20,744
2022	17,738	3,007	20,745
2023-2027	91,481	12,241	103,722
2028-2032	96,314	7,417	103,731
2033-2037	<u>94,479</u>	<u>2,329</u>	<u>96,808</u>
	<u><u>\$ 369,164</u></u>	<u><u>\$ 38,818</u></u>	<u><u>\$ 407,982</u></u>

Restricted Assets

The balance of the restricted asset accounts in the Water & Sewer enterprise fund as of December 31, 2017 is \$288,073.

C. Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Capital lease-building	\$ 182,896	\$ -	\$ (182,896)	\$ -	\$ -
Net pension liability	217,240	-	(57,574)	159,666	-
Compensated absences	22,085	31,509	(30,262)	23,332	23,332
Governmental activities					
Long-term liabilities	<u>\$ 422,221</u>	<u>\$ 31,509</u>	<u>\$ (270,732)</u>	<u>\$ 182,998</u>	<u>\$ 23,332</u>
Business-type activities:					
2005 Revenue bonds	\$ 485,000	\$ -	\$ (110,000)	\$ 375,000	\$ -
2008 GEFA loan	752,681	-	(51,589)	701,092	52,630
2016 GEFA loan	347,067	27,732	(5,635)	369,164	17,022
Net pension liability	144,826	-	(46,966)	97,860	-
Compensated absences	11,644	16,395	(16,515)	11,524	11,524
Business-type activities					
Long-term liabilities	<u>\$ 1,741,218</u>	<u>\$ 44,127</u>	<u>\$ (230,705)</u>	<u>\$ 1,554,640</u>	<u>\$ 81,176</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.

CITY OF GRAY, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(CONTINUED)

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, 2016, 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.

Plan Membership

As of July 1, 2017, 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	15
Current active employees	17
Nonvested benefits	<u>17</u>
Total membership in the plan	<u><u>58</u></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, 2017, the City reported a net pension liability. The net pension liability was measured as of March 31, 2017. The total pension liability used to calculate the net pension liability

CITY OF GRAY, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(CONTINUED)

was based on an actuarial valuation as of July 1, 2017. An expected total pension liability as of December 31, 2016 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 \$62,202. At December 31, 2017, 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	\$ 1,590	\$ 64,935
Changes of assumptions	708	-
Net difference between projected and actual earnings on pension plan investments	32,676	35,226
Employer contributions subsequent to the measurement date	53,241	-
	<u>\$ 88,215</u>	<u>\$ 100,161</u>

City contributions subsequent to the measurement date of March 31, 2017 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, 2017. 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:

<u>Year ended December 31:</u>	\$	
2018	\$ (11,845)	
2019	(11,845)	
2020	(9,368)	
2021	(21,026)	
2022	(11,103)	

Actuarial Assumptions: The total pension liability as of December 31, 2017 was determined by an actuarial valuation as of July 1, 2017 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.

CITY OF GRAY, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(CONTINUED)

The mortality and economic actuarial assumptions used in the July 1, 2017 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>	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2016	\$ 1,120,296	\$ 758,230	\$ 362,066
Changes for the year:			
Service cost	37,831	-	37,831
Interest	85,512	-	85,512
Difference between expected and actual experience	(66,619)	-	(66,619)
Contributions - employer	-	74,129	(74,129)
Net investment income	-	97,753	(97,753)
Benefit payments	(33,821)	(33,821)	-
Administrative expense	-	(10,618)	10,618
Net changes	22,903	127,443	(104,540)
Balance at December 31, 2017	<u>\$ 1,143,199</u>	<u>\$ 885,673</u>	<u>\$ 257,526</u>

The City's net pension liability is recorded in the Government-Wide Statement of Net Position in the amounts of \$159,666 for governmental-activities and \$97,860 for business-type activities.

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, 2017 is summarized in the following table:

Asset class	Target allocation	Long-term Expected real rate of return
Domestic Equity	45%	6.71%
International Equity	20%	7.71%
Real estate	10%	5.21%
Global fixed income	5%	3.36%
Domestic fixed income	20%	2.11%
Total	<u>100%</u>	

CITY OF GRAY, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(CONTINUED)

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	\$ 441,204	\$ 257,526	\$ 107,495

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.

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.

CITY OF GRAY, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(CONTINUED)

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, 2018, the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GRAY, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2017

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

	2017	2016	2015
Total pension liability			
Service cost	\$ 37,831	\$ 41,553	\$ 43,993
Interest on total pension liability	85,512	79,822	73,019
Difference between expected and actual experience	(66,619)	(14,131)	3,180
Benefit payments, including refunds of employee contributions	(33,821)	(33,821)	(33,821)
Other	-	-	1,415
Net change in total pension liability	22,903	73,423	87,786
Total pension liability - beginning of year	1,120,296	1,046,873	959,087
Total pension liability - end of year	\$ 1,143,199	\$ 1,120,296	\$ 1,046,873
 Plan fiduciary net position			
Contributions - employer	\$ 74,129	\$ 75,298	\$ 61,770
Net investment income	97,753	2,776	62,637
Benefit payments, including refunds of member contributions	(33,821)	(33,821)	(33,821)
Administrative expenses	(10,618)	(7,666)	(6,813)
Net change in plan fiduciary net position	127,443	36,587	83,773
 Plan fiduciary net position - beginning of year	758,230	721,643	637,870
Plan fiduciary net position - end of year	\$ 885,673	\$ 758,230	\$ 721,643
 City's net pension liability (asset) - ending	\$ 257,526	\$ 362,066	\$ 325,230
 Plan fiduciary net position as a percentage of the total pension liability	77.47%	67.68%	68.93%
 Covered-employee payroll	1,049,773	1,000,466	973,479
 Net pension liability as a percentage of covered-employee payroll	24.53%	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, 2017

SCHEDULE OF CITY CONTRIBUTIONS

	2017	2016	2015
Actuarially determined contributions	\$ 70,988	\$ 75,176	\$ 75,338
Contributions in relation to the actuarially determined contribution	<u>70,988</u>	<u>75,176</u>	<u>75,338</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,017,020	\$ 1,000,466	\$ 973,479
Contributions as a percentage of covered-employee payroll	6.98%	7.51%	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, 2017**

Changes of assumptions:

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.

Benefit Changes:

There were no changes in benefit provisions in the last two fiscal years.

Valuation date	The actuarially determined contribution rate was determined as of July 1, 2017, 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, 2018.
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.
Net Investment Rate of Return	The actuarial value is adjusted, if necessary, to be within 20% of market value.
Projected Salary Increases	7.75%
Cost of Living Adjustments	3.25% plus service based merit increases
Retirement Age	0.00%
Mortality	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%
	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.

SUPPLEMENTARY INFORMATION

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.

Hotel / Motel Fund - This fund accounts for the hotel/motel taxes collected and expenditures relative to tourism.

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.

2009 SPLOST Fund - This fund was established to account for SPLOST monies received to be used for improvements to the water and sewer system.

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, 2017

	Special Revenue Funds		Capital Projects			Permanent		Total
	Law Enforcement Confiscation	Hotel / Motel Fund	Capital Improvements	2016 CDBG Fund	2009 SPLOST Fund	Perpetual Care	Nonmajor Governmental Funds	
ASSETS								
Cash and cash equivalents	\$ 6,873	\$ 100	\$ 82,637	\$ 100	\$ 116,906	\$ 5,139	\$ 211,755	
Certificates of deposit	-	-	-	-	-	78,497	78,497	
Accounts receivable	-	1,733	-	-	-	-	1,733	
Interest receivable	-	-	-	-	-	98	98	
Total Assets	\$ 6,873	\$ 1,833	\$ 82,637	\$ 100	\$ 116,906	\$ 83,734	\$ 292,083	
LIABILITIES								
Accounts payable	\$ -	\$ 1,733	\$ -	\$ -	\$ -	\$ -	\$ 1,733	
Due to other funds	-	100	-	100	-	-	200	
Total Liabilities	-	1,833	-	100	-	-	1,933	
FUND BALANCES								
Restricted	6,873	-	-	-	116,906	83,734	207,513	
Assigned	-	-	82,637	-	-	-	82,637	
Total Fund Balances	6,873	-	82,637	-	116,906	83,734	290,150	
Total Liabilities and Fund Balances	\$ 6,873	\$ 1,833	\$ 82,637	\$ 100	\$ 116,906	\$ 83,734	\$ 292,083	

CITY OF GRAY, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Special Revenue Funds		Capital Projects			Permanent	Total	Nonmajor
	Law Enforcement Confiscation	Hotel / Motel Fund	Capital Improvements	2016 CDBG Fund	2009 SPLOST Fund	Perpetual Care	Governmental Funds	Governmental Funds
REVENUES								
Taxes	\$ -	\$ 11,296	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,296
Miscellaneous earnings	-	-	-	-	-	-	500	500
Investment earnings	-	-	-	-	263	167	167	430
Total Revenues	-	11,296	-	-	263	667	667	12,226
EXPENDITURES								
Current								
General government	-	11,296	-	-	-	-	-	11,296
Public works	-	-	-	-	12,507	-	-	12,507
Public safety	85	-	-	-	-	-	-	85
Culture and recreation	-	-	-	-	-	7,221	7,221	7,221
Capital outlay	-	-	-	-	10,586	-	-	10,586
Total Expenditures	85	11,296	-	-	23,093	7,221	7,221	41,695
Net change in fund balance	(85)	-	-	-	(22,830)	(6,554)	(6,554)	(29,469)
Fund balances - beginning of year	6,958	-	82,637	-	139,736	90,288	90,288	319,619
Fund balances - end of year	\$ 6,873	\$ -	\$ 82,637	\$ -	\$ 116,906	\$ 83,734	\$ 83,734	\$ 290,150

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, 2017

	Final Budget	Actual	Variance with Final Budget
<u>REVENUES</u>			
Fines and forfeitures	\$ 10,000	\$ -	\$ (10,000)
Total Revenues	<u>10,000</u>	<u>-</u>	<u>(10,000)</u>
<u>EXPENDITURES</u>			
Current			
Public safety	10,000	85	9,915
Total Expenditures	<u>10,000</u>	<u>85</u>	<u>9,915</u>
Net change in fund balance	-	(85)	(85)
Fund balance - beginning of year	<u>6,958</u>	<u>6,958</u>	<u>-</u>
Fund balance - end of year	<u>\$ 6,958</u>	<u>\$ 6,873</u>	<u>\$ (85)</u>

CITY OF GRAY, GEORGIA

HOTEL / MOTEL FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2017

	Final Budget	Actual	Variance with Final Budget
<u>REVENUES</u>			
Taxes	\$ 11,296	\$ 11,296	\$ -
Total Revenues	<u>11,296</u>	<u>11,296</u>	-
<u>EXPENDITURES</u>			
Current			
General government	<u>11,296</u>	<u>11,296</u>	-
Total Expenditures	<u>11,296</u>	<u>11,296</u>	-
Net change in fund balance	-	-	-
Fund balance - beginning of year	<u>-</u>	<u>-</u>	-
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	-

CITY OF GRAY, GEORGIA

**SCHEDULE OF PROJECTS CONSTRUCTED
WITH SPECIAL SALES TAX PROCEEDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

2009 SPLOST	Original Estimated Cost	Expenditures		
		Prior Years	Current Year	Total
Water & sewer system Improvements	\$ 1,688,000	\$ 1,517,714	\$ -	\$ 1,517,714
Police Vehicles	400,000	380,863	-	380,863
Street Improvements	250,000	225,976	12,507	238,483
Fire Equipment	200,000	74,170	-	74,170
Public Works Vehicles and Equipment	150,000	225,016	10,586	235,602
Total 2009 SPLOST	\$ 2,688,000	\$ 2,423,739	\$ 23,093	\$ 2,446,832

2015 SPLOST	Original Estimated Cost	Expenditures		
		Prior Years	Current Year	Total
Water & sewer system Improvements	\$ 1,318,800	\$ 172,371	\$ 156,149	\$ 328,520
Police Vehicles	362,250	82,032	82,650	164,682
Street Improvements	199,500	-	36,342	36,342
Fire Equipment, Vehicles, and Facilities	119,280	-	-	-
Public Works Vehicles and Equipment	100,170	-	24,579	24,579
Total 2015 SPLOST	\$ 2,100,000	\$ 254,403	\$ 299,720	\$ 554,123

CITY OF GRAY, GEORGIA

BALANCE SHEET
COMPONENT UNIT-DOWNTOWN DEVELOPMENT AUTHORITY
DECEMBER 31, 2017ASSETS

Cash and cash equivalent	\$ 13,342
Total Assets	<u>\$ 13,342</u>

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts payable	\$ -
Total Liabilities	<u>-</u>

Fund Balances:

Unassigned	<u>13,342</u>
Total Fund Balance	<u>13,342</u>
Total Liabilities and Fund Balance	<u>\$ 13,342</u>

CITY OF GRAY, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 COMPONENT UNIT-DOWNTOWN DEVELOPMENT AUTHORITY
 FOR THE YEAR ENDED DECEMBER 31, 2017

Revenues:

Intergovernmental	\$ 120,000
Miscellaneous	2,124
Total Revenues	<u>122,124</u>

Expenditures:

Current:	
Housing and development	50,789
Capital outlay	66,950
Total Expenditures	<u>117,739</u>
Net change in fund balances	4,385
Fund Balance, beginning of year	<u>8,957</u>
Fund Balance, end of year	<u>\$ 13,342</u>

GOVERNMENTAL REPORT

**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, 2017, 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, 2018.

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. 2017-001

Compliance and Other Matters

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

City of Gray, Georgia's Response to Findings

The City of Gray, Georgia's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The City's response was 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, 2018

Chell L. H. Price

CITY OF GRAY, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2017

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified that are not considered to be material weakness(es)	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

There was not an audit of major federal award programs for the year ended December 31, 2017 due to the total amount expended being less than \$750,000.

CITY OF GRAY, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

Section II – 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*:

COMPONENT UNIT – DOWNTOWN DEVELOPMENT AUTHORITY

2017-001 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 2017, the Authority did not record their accounting transactions into an accounting system.

CONTEXT

An adjusting entry was required to record the 2017 accounting activity which included recording \$120,000 of additional appropriations from the City of Gray for the purpose of purchasing a property in the down town area.

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.