# CITY OF BYRON, GEORGIA

## ANNUAL FINANCIAL REPORT
## FOR THE FISCAL YEAR ENDED
## DECEMBER 31, 2018

# CITY OF BYRON, GEORGIA

## ANNUAL FINANCIAL REPORT
## FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

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# CITY OF BYRON, GEORGIA

## ANNUAL FINANCIAL REPORT
## FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

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# FINANCIAL SECTION

MAULDIN & JENKINS

# INDEPENDENT AUDITOR'S REPORT

**Honorable Mayor and Members**
**of City Council**
**City of Byron, Georgia**

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **City of Byron, Georgia ("the City")** as of and for the year ended December 31, 2018, 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 from material misstatement.

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Byron, Georgia as of December 31, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof and the 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 the Schedule of Changes in the City's Net Pension Liability and Related Ratios (on page 46), and the Schedule of City Contributions (on page 47) 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.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statement in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Byron, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements and schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of expenditures of special purpose local option sales tax proceeds are presented for purposes of additional analysis as required by the Official Code of Georgia 48-8-121, and are also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules and the schedules of expenditures of special purpose local option sales tax proceeds (the "supplementary information") are the responsibility of management and were derived from and relate 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Macon, Georgia
June 27, 2019

# BASIC FINANCIAL STATEMENTS

# CITY OF BYRON, GEORGIA

## STATEMENT OF NET POSITION
## DECEMBER 31, 2018

| | Primary Government | | |
|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total |
| **ASSETS** | | | |
| Cash and cash equivalents | $ 4,471,518 | $ 2,125,800 | $ 6,597,318 |
| Investments | 117,594 | 145,517 | 263,111 |
| Taxes receivable | 905,245 | - | 905,245 |
| Accounts receivable, net of allowances | 23,467 | 172,909 | 196,376 |
| Due from other governments | 33,712 | 107,006 | 140,718 |
| Internal balances | (845,942) | 845,942 | - |
| Prepaid expenses | 65,921 | - | 65,921 |
| Investment in joint venture | - | 252,054 | 252,054 |
| Capital assets, nondepreciable | 1,029,434 | 377,528 | 1,406,962 |
| Capital assets, depreciable, net of accumulated depreciation | 8,898,789 | 10,522,776 | 19,421,565 |
| Total assets | 14,699,738 | 14,549,532 | 29,249,270 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | |
| Pension | 908,654 | 169,483 | 1,078,137 |
| Total deferred outflows of resources | 908,654 | 169,483 | 1,078,137 |
| **LIABILITIES** | | | |
| Accounts payable | 147,392 | 264,478 | 411,870 |
| Accrued interest expense | 22,565 | 7,871 | 30,436 |
| Other accrued expenses | 57,256 | 3,478 | 60,734 |
| Customer deposits | - | 219,535 | 219,535 |
| Capital leases due within one year | 99,356 | 39,312 | 138,668 |
| Capital leases due in more than one year | 61,405 | 60,803 | 122,208 |
| Compensated absences due within one year | 75,983 | 6,633 | 82,616 |
| Compensated absences due in more than one year | 18,996 | 1,658 | 20,654 |
| Bonds payable due within one year | 240,000 | - | 240,000 |
| Bonds payable due in more than one year | 3,034,787 | - | 3,034,787 |
| Notes payable due within one year | - | 187,740 | 187,740 |
| Notes payable due in more than one year | - | 3,116,151 | 3,116,151 |
| Net pension liability | 2,566,693 | 478,742 | 3,045,435 |
| Total liabilities | 6,324,433 | 4,386,401 | 10,710,834 |
| **DEFERRED INFLOWS OF RESOURCES** | | | |
| Pension | 358,847 | 66,933 | 425,780 |
| Total deferred inflows of resources | 358,847 | 66,933 | 425,780 |
| **NET POSITION** | | | |
| Net investment in capital assets | 6,492,675 | 7,496,298 | 13,988,973 |
| Restricted for capital projects | 2,950,503 | - | 2,950,503 |
| Restricted for tourism | 12 | - | 12 |
| Restricted for cemetery maintenance | 125,234 | - | 125,234 |
| Unrestricted | (643,312) | 2,769,383 | 2,126,071 |
| Total net position | $ 8,925,112 | $ 10,265,681 | $ 19,190,793 |

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

| Component Units | |
|---|---|
| Byron Development Authority | Convention & Visitors Bureau |
| $ 2,935 | $ 29,247 |
| - | - |
| - | 44,642 |
| - | - |
| - | - |
| - | - |
| - | - |
| - | - |
| 2,366,729 | - |
| - | - |
| 2,369,664 | 73,889 |
| - | - |
| - | - |
| - | 2,600 |
| - | - |
| - | - |
| - | - |
| - | - |
| - | - |
| - | - |
| - | - |
| - | - |
| 172,000 | - |
| - | - |
| - | - |
| 172,000 | 2,600 |
| - | - |
| - | . - |
| 2,194,729 | - |
| - | - |
| - | - |
| - | - |
| 2,935 | 71,289 |
| $ 2,197,664 | $ 71,289 |

# CITY OF BYRON, GEORGIA

## STATEMENT OF ACTIVITIES
## FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions |
|---|---|---|---|---|
| **Primary government:** | | | | |
| Governmental activities: | | | | |
| General government | $ 996,450 | $ 830,058 | $ - | $ - |
| Judicial | 318,629 | - | - | - |
| Public safety | 3,181,913 | 1,193,182 | 19,972 | - |
| Public works | 1,134,826 | - | - | 932,209 |
| Housing and development | 346,722 | - | - | - |
| Interest on long-term debt | 154,863 | - | - | - |
| Total governmental activities | 6,133,403 | 2,023,240 | 19,972 | 932,209 |
| Business-type activities: | | | | |
| Water and sewer | 2,542,788 | 2,278,286 | - | - |
| Solid waste | 326,785 | 331,640 | - | - |
| Natural gas | 639,630 | 687,264 | - | - |
| Total business-type activities | 3,509,203 | 3,297,190 | - | - |
| Total primary government | $ 9,642,606 | $ 5,320,430 | $ 19,972 | $ 932,209 |
| **Component Units:** | | | | |
| Byron Development Authority | $ 9,747 | $ - | $ - | $ - |
| Convention and Visitors Bureau | 144,209 | - | - | - |
| Total Component Units | $ 153,956 | $ - | $ - | $ |
| General revenues: | | | | |
| Property taxes | | | | |
| Sales taxes | | | | |
| Hotel/Motel taxes | | | | |
| Other taxes | | | | |
| Investment earnings | | | | |
| Contributions | | | | |
| Transfers | | | | |
| Total general revenues and 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.**

| Net (Expenses) Revenues and Changes in Net Position | | | | |
|---|---|---|---|---|
| Governmental Activities | Business-type Activities | Total | Byron Development Authority | Convention & Visitors Bureau |
| $ (166,392) | $ - | $ (166,392) | $ - | $ - |
| (318,629) | - | (318,629) | - | - |
| (1,968,759) | - | (1,968,759) | - | - |
| (202,617) | - | (202,617) | - | - |
| (346,722) | - | (346,722) | - | - |
| (154,863) | - | (154,863) | - | - |
| (3,157,982) | - | (3,157,982) | - | - |
| - | (264,502) | (264,502) | - | - |
| - | 4,855 | 4,855 | - | - |
| - | 47,634 | 47,634 | - | - |
| - | (212,013) | (212,013) | - | - |
| $ (3,157,982) | $ (212,013) | $ (3,369,995) | $ - | $ - |
| $ - | $ - | $ - | $ (9,747) | $ - |
| - | - | - | - | (144,209) |
| $ - | $ - | $ - | $ (9,747) | $ (144,209) |
| 1,928,980 | - | 1,928,980 | - | - |
| 356,358 | - | 356,358 | - | - |
| 336,058 | - | 336,058 | - | 168,029 |
| 965,914 | - | 965,914 | - | - |
| 116 | 4,303 | 4,419 | 7 | - |
| - | - | - | 9,497 | - |
| (31,870) | 31,870 | - | - | - |
| 3,555,556 | 36,173 | 3,591,729 | 9,504 | 168,029 |
| 397,574 | (175,840) | 221,734 | (243) | 23,820 |
| 8,527,538 | 10,441,521 | 18,969,059 | 2,197,907 | 47,469 |
| $ 8,925,112 | $ 10,265,681 | $ 19,190,793 | $ 2,197,664 | $ 71,289 |

# CITY OF BYRON, GEORGIA

## BALANCE SHEET
## GOVERNMENTAL FUNDS
## DECEMBER 31, 2018

| | General Fund | SPLOST 2012 Fund | Nonmajor Governmental Funds | Totals Governmental Funds |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and cash equivalents | $ 1,687,561 | $ 2,250,534 | $ 533,423 | $ 4,471,518 |
| Investments | - | - | 117,594 | 117,594 |
| Taxes receivable | 747,313 | 132,036 | 25,896 | 905,245 |
| Accounts receivable | 23,467 | - | - | 23,467 |
| Due from other governments | 33,712 | - | - | 33,712 |
| Due from other funds | 49,890 | - | 762 | 50,652 |
| Prepaid expenditures | 65,921 | - | - | 65,921 |
| Total assets | $ 2,607,864 | $ 2,382,570 | $ 677,675 | $ 5,668,109 |
| **LIABILITIES** | | | | |
| Accounts payable | $ 119,684 | $ 620 | $ 27,088 | $ 147,392 |
| Accrued liabilities | 57,256 | - | - | 57,256 |
| Due to other funds | 200,762 | - | 38,115 | 238,877 |
| Advance from other funds | 657,717 | - | - | 657,717 |
| Total liabilities | 1,035,419 | 620 | 65,203 | 1,101,242 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | |
| Unavailable revenue - property taxes | 238,504 | - | - | 238,504 |
| Total deferred inflows of resources | 238,504 | - | - | 238,504 |
| **FUND BALANCES** | | | | |
| Fund balances: | | | | |
| Nonspendable: | | | | |
| Prepaids | 65,921 | - | - | 65,921 |
| Restricted for: | | | | |
| Capital projects | 81,327 | 2,381,950 | 487,226 | 2,950,503 |
| Debt service | - | - | 12 | 12 |
| Public safety | - | - | 125,234 | 125,234 |
| Assigned for: | | | | |
| Utility payments | 37,593 | - | - | 37,593 |
| Fire department | 3,636 | - | - | 3,636 |
| Municipal court | 150,884 | - | - | 150,884 |
| Law enforcement | 149,227 | - | - | 149,227 |
| Unassigned | 845,353 | - | - | 845,353 |
| Total fund balances | 1,333,941 | 2,381,950 | 612,472 | 4,328,363 |
| Total liabilities, deferred inflows of resources and fund balances | $ 2,607,864 | $ 2,382,570 | $ 677,675 | |

| | |
|---|---|
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 9,928,223 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. | 238,504 |
| The net pension liability and related deferred outflows and inflows of resources are not financial resources and, therefore, are not reported in the governmental funds. | (2,016,886) |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. | (3,553,092) |
| Net position of governmental activities | $ 8,925,112 |

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

# CITY OF BYRON, GEORGIA
## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
## GOVERNMENTAL FUNDS
## FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

| | General Fund | SPLOST 2012 Fund | Nonmajor Governmental Funds | Totals Governmental Funds |
|---|---|---|---|---|
| **Revenues:** | | | | |
| Taxes | $ 3,287,067 | $ - | $ 336,058 | $ 3,623,125 |
| Licenses and permits | 137,969 | - | - | 137,969 |
| Intergovernmental | 188,551 | 763,600 | - | 952,151 |
| Fines and forfeitures | 1,064,350 | - | 128,832 | 1,193,182 |
| Charges for services | 660,439 | - | - | 660,439 |
| Interest income | 45 | - | 101 | 146 |
| Other revenues | 31,650 | - | - | 31,650 |
| Total revenues | 5,370,071 | 763,600 | 464,991 | 6,598,662 |
| **Expenditures:** | | | | |
| Current: | | | | |
| General government | 795,020 | - | - | 795,020 |
| Judicial | 317,398 | - | - | 317,398 |
| Public safety | 2,968,573 | - | 14,793 | 2,983,366 |
| Public works and parks | 637,795 | - | - | 637,795 |
| Housing and development | 178,693 | - | 168,029 | 346,722 |
| Capital outlay: | | | | |
| Public safety | - | - | 33,818 | 33,818 |
| Public works | - | 31,869 | 241,128 | 272,997 |
| Debt service: | | | | |
| Principal | 132,720 | - | 230,000 | 362,720 |
| Interest | 10,235 | - | 144,194 | 154,429 |
| Total expenditures | 5,040,434 | 31,869 | 831,962 | 5,904,265 |
| Excess (deficiency) of revenues over (under) expenditures | 329,637 | 731,731 | (366,971) | 694,397 |
| **Other financing sources (uses):** | | | | |
| Proceeds from sale of assets | 27,014 | - | - | 27,014 |
| Transfers in | 168,029 | - | 374,194 | 542,223 |
| Transfers out | (374,194) | - | (168,029) | (542,223) |
| Total other financing sources (uses) | (179,151) | - | 206,165 | 27,014 |
| Net change in fund balances | 150,486 | 731,731 | (160,806) | 721,411 |
| **Fund balances, beginning of year** | 1,183,455 | 1,650,219 | 773,278 | 3,606,952 |
| **Fund balances, end of year** | $ 1,333,941 | $ 2,381,950 | $ 612,472 | $ 4,328,363 |

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

# CITY OF BYRON, GEORGIA
## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

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

| | | |
|---|---|---|
| Net change in fund balances - total governmental funds | $ | 721,411 |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period. | | (571,446) |
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position. | | (60,707) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | (35,815) |
| The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. | | 362,720 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | | (18,589) |
| Changes in net position - governmental activities | $ | 397,574 |

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

# CITY OF BYRON, GEORGIA
## GENERAL FUND
## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
## BUDGET AND ACTUAL
## FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

| | Budget | | | Variance With |
|---|---|---|---|---|
| | Original | Final | Actual | Final Budget |
| **Revenues:** | | | | |
| Property taxes | $ 1,884,049 | $ 1,884,049 | $ 1,964,795 | $ 80,746 |
| Sales taxes | 303,237 | 303,237 | 356,358 | 53,121 |
| Other taxes | 892,892 | 892,892 | 965,914 | 73,022 |
| Licenses and permits | 153,714 | 153,714 | 137,969 | (15,745) |
| Intergovernmental | 357,639 | 357,639 | 188,551 | (169,088) |
| Fines and forfeitures | 1,320,560 | 1,320,560 | 1,064,350 | (256,210) |
| Charges for services | 580,729 | 580,729 | 660,439 | 79,710 |
| Interest income | 125 | 125 | 45 | (80) |
| Other revenues | 76,722 | 76,722 | 31,650 | (45,072) |
| Total revenues | 5,569,667 | 5,569,667 | 5,370,071 | (199,596) |
| **Expenditures:** | | | | |
| **Current:** | | | | |
| **General government:** | | | | |
| Mayor and council | 725,176 | 725,176 | 325,123 | 400,053 |
| Clerk of council | 517,417 | 480,676 | 469,800 | 10,876 |
| Elections | - | 97 | 97 | - |
| Total general government | 1,242,593 | 1,205,949 | 795,020 | 410,929 |
| **Judicial:** | | | | |
| Municipal court | 334,433 | 334,433 | 317,398 | 17,035 |
| **Public safety:** | | | | |
| Police | 2,403,666 | 2,311,526 | 2,200,524 | 111,002 |
| Fire | 903,925 | 853,110 | 768,049 | 85,061 |
| Total public safety | 3,307,591 | 3,164,636 | 2,968,573 | 196,063 |
| **Public works:** | | | | |
| Public works administration | 262,902 | 262,902 | 253,020 | 9,882 |
| Streets | 277,495 | 314,139 | 314,139 | - |
| Stormwater | 190,535 | 190,535 | 70,636 | 119,899 |
| Total public works | 730,932 | 767,576 | 637,795 | 129,781 |
| **Housing and development:** | | | | |
| Planning and zoning | 153,124 | 153,124 | 84,880 | 68,244 |
| Economic development | 101,979 | 101,979 | 93,813 | 8,166 |
| Total housing and development | 255,103 | 255,103 | 178,693 | 76,410 |
| **Debt service:** | | | | |
| Principal | - | 132,720 | 132,720 | - |
| Interest | - | 10,235 | 10,235 | - |
| Total debt service | - | 142,955 | 142,955 | - |
| Total expenditures | 5,870,652 | 5,870,652 | 5,040,434 | 830,218 |
| Deficiency of revenues over expenditures | (300,985) | (300,985) | 329,637 | 630,622 |
| **Other financing sources (uses):** | | | | |
| Proceeds from sale of assets | 6,500 | 6,500 | 27,014 | 20,514 |
| Transfers in | 264,485 | 264,485 | 168,029 | (96,456) |
| Transfers out | - | - | (374,194) | (374,194) |
| Total other financing sources (uses) | 270,985 | 270,985 | (179,151) | (450,136) |
| Net change in fund balances | (30,000) | (30,000) | 150,486 | 180,486 |
| **Fund balances, beginning of year** | 1,183,455 | 1,183,455 | 1,183,455 | - |
| **Fund balances, end of year** | $ 1,153,455 | $ 1,153,455 | $ 1,333,941 | $ 180,486 |

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

# CITY OF BYRON, GEORGIA

## STATEMENT OF NET POSITION
## PROPRIETARY FUNDS
## DECEMBER 31, 2018

| | Water and Sewer Fund | Natural Gas Fund | Nonmajor Solid Waste Fund | Totals |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **CURRENT ASSETS** | | | | |
| Cash and cash equivalents | $ 1,421,233 | $ 703,918 | $ 649 | $ 2,125,800 |
| Investments | 145,517 | - | - | 145,517 |
| Accounts receivable, net of allowances | 161,539 | - | 11,370 | 172,909 |
| Due from other governments | - | 107,006 | - | 107,006 |
| Due from other funds | 200,000 | - | 151,023 | 351,023 |
| Total current assets | 1,928,289 | 810,924 | 163,042 | 2,902,255 |
| **NONCURRENT ASSETS** | | | | |
| Investment in joint venture | - | 252,054 | - | 252,054 |
| Advances to other funds | 657,717 | - | - | 657,717 |
| Capital assets, non-depreciable | 377,528 | - | - | 377,528 |
| Capital assets, depreciable, net of accumulated depreciation | 10,522,776 | - | - | 10,522,776 |
| Total noncurrent assets | 11,558,021 | 252,054 | - | 11,810,075 |
| Total assets | 13,486,310 | 1,062,978 | 163,042 | 14,712,330 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | | |
| Pension | 169,483 | - | - | 169,483 |
| Total deferred outflows of resources | 169,483 | - | - | 169,483 |
| **LIABILITIES** | | | | |
| **CURRENT LIABILITIES** | | | | |
| Accounts payable | 149,056 | 90,958 | 24,464 | 264,478 |
| Accrued liabilities | 3,478 | - | - | 3,478 |
| Notes payable, current portion | 187,740 | - | - | 187,740 |
| Capital lease payable, current portion | 39,312 | - | - | 39,312 |
| Due to other funds | 151,023 | - | 11,775 | 162,798 |
| Compensated absences due within one year | 6,633 | - | - | 6,633 |
| Customer deposits | 219,535 | - | - | 219,535 |
| Accrued interest | 7,871 | - | - | 7,871 |
| Total current liabilities | 764,648 | 90,958 | 36,239 | 891,845 |
| **NONCURRENT LIABILITIES** | | | | |
| Compensated absences due in more than one year | 1,658 | - | - | 1,658 |
| Net pension liability | 478,742 | - | - | 478,742 |
| Notes payable, long-term portion | 3,116,151 | - | - | 3,116,151 |
| Capital lease payable, net of current portion | 60,803 | - | - | 60,803 |
| Total noncurrent liabilities | 3,657,354 | - | - | 3,657,354 |
| Total liabilities | 4,422,002 | 90,958 | 36,239 | 4,549,199 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | |
| Pension | 66,933 | - | - | 66,933 |
| Total deferred inflows of resources | 66,933 | - | - | 66,933 |
| **NET POSITION** | | | | |
| Net investment in capital assets | 7,496,298 | - | - | 7,496,298 |
| Unrestricted | 1,670,560 | 972,020 | 126,803 | 2,769,383 |
| Total net position | $ 9,166,858 | $ 972,020 | $ 126,803 | $ 10,265,681 |

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

# CITY OF BYRON, GEORGIA
## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
## PROPRIETARY FUNDS
## FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

| | Water and Sewer Fund | Natural Gas Fund | Nonmajor Solid Waste Fund | Totals |
|---|---|---|---|---|
| **OPERATING REVENUES** | | | | |
| Charges for services: | | | | |
| Water sales | $ 1,431,788 | $ - | $ - | $ 1,431,788 |
| Sewer sales | 794,535 | - | - | 794,535 |
| Natural gas sales | - | 673,973 | - | 673,973 |
| Sanitation charges | - | - | 331,498 | 331,498 |
| Other fees and charges | 51,963 | 13,291 | 142 | 65,396 |
| Total operating revenues | 2,278,286 | 687,264 | 331,640 | 3,297,190 |
| **OPERATING EXPENSES** | | | | |
| Personal services and employee benefits | 728,007 | - | - | 728,007 |
| Contracted services | 376,721 | 639,595 | 326,725 | 1,343,041 |
| Supplies | 835,231 | 35 | 60 | 835,326 |
| Depreciation | 510,058 | - | - | 510,058 |
| Total operating expenses | 2,450,017 | 639,630 | 326,785 | 3,416,432 |
| Operating income (loss) | (171,731) | 47,634 | 4,855 | (119,242) |
| **NON-OPERATING REVENUES (EXPENSE)** | | | | |
| Loss on disposal of assets | (833) | - | - | (833) |
| Net income from joint venture | - | 4,294 | - | 4,294 |
| Interest income | 3 | 6 | - | 9 |
| Interest expense | (91,938) | - | - | (91,938) |
| Total non-operating revenue (expense), net | (92,768) | 4,300 | - | (88,468) |
| Income (loss) before capital contributions | (264,499) | 51,934 | 4,855 | (207,710) |
| **CAPITAL CONTRIBUTIONS** | 31,870 | - | - | 31,870 |
| Change in net position | (232,629) | 51,934 | 4,855 | (175,840) |
| **NET POSITION, beginning of year** | 9,399,487 | 920,086 | 121,948 | 10,441,521 |
| **NET POSITION, end of year** | $ 9,166,858 | $ 972,020 | $ 126,803 | $ 10,265,681 |

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

# CITY OF BYRON, GEORGIA

## STATEMENT OF CASH FLOWS
## PROPRIETARY FUNDS
## FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

| | Water and Sewer Fund | Natural Gas Fund | Nonmajor Solid Waste Fund | Totals |
|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Receipts from customers | $ 2,317,093 | $ 763,183 | $ 339,075 | $ 3,419,351 |
| Payments to suppliers and service providers | (1,964,942) | (716,458) | (358,535) | (3,039,935) |
| Payments to employees | (686,293) | - | - | (686,293) |
| Net cash provided by (used in) operating activities | (334,142) | 46,725 | (19,460) | (306,877) |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | | | | |
| Purchase of property and equipment | (256,191) | - | - | (256,191) |
| Proceeds from sale of property and equipment | 7,000 | - | - | 7,000 |
| Proceeds from capital lease | 119,835 | - | - | 119,835 |
| Principal payments on capital lease | (19,720) | - | - | (19,720) |
| Principal payments on notes payable | (182,026) | - | - | (182,026) |
| Interest paid | (92,543) | - | - | (92,543) |
| Net cash used in capital and related financing activities | (423,645) | - | - | (423,645) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| Interest on investments | 3 | 6 | - | 9 |
| Net cash provided by investing activities | 3 | 6 | - | 9 |
| Increase (decrease) in cash and cash equivalents | (757,784) | 46,731 | (19,460) | (730,513) |
| **Cash and cash equivalents:** | | | | |
| Beginning of year | 2,179,017 | 657,187 | 20,109 | 2,856,313 |
| End of year | $ 1,421,233 | $ 703,918 | $ 649 | $ 2,125,800 |

**(Continued)**

# CITY OF BYRON, GEORGIA

## STATEMENT OF CASH FLOWS
## PROPRIETARY FUNDS
## FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

| | Water and Sewer Fund | Natural Gas Fund | Nonmajor Solid Waste Fund | Totals |
|---|---|---|---|---|
| **RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES** | | | | |
| Operating income (loss) | $ (171,731) | $ 47,634 | $ 4,855 | $ (119,242) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | | |
| Depreciation | 510,058 | - | - | 510,058 |
| Decrease in accounts receivable | 29,217 | - | 7,435 | 36,652 |
| Increase in due from other governments | - | (43,567) | - | (43,567) |
| (Increase) decrease in due from other funds | (200,000) | 75,919 | (32,876) | (156,957) |
| Decrease in prepaid expenses | 3,876 | - | - | 3,876 |
| Increase in advances to other funds | (657,717) | - | - | (657,717) |
| Increase in deferred outflows of resources - pension | (602) | - | - | (602) |
| Increase in customer deposits | 9,590 | - | - | 9,590 |
| Increase in accrued liabilities | 2,981 | - | - | 2,981 |
| Increase in accounts payable | 100,851 | 37,839 | 481 | 139,171 |
| Increase in deferred inflows of resources - pension | 12,278 | - | - | 12,278 |
| Increase in net pension liability | 2 | - | - | 2 |
| Increase (decrease) in due to other funds | 27,055 | (71,100) | 645 | (43,400) |
| Net cash provided by (used in) operating activities | $ (334,142) | $ 46,725 | $ (19,460) | $ (306,877) |
| **NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES** | | | | |
| Net income from joint venture | $ - | $ 4,294 | $ - | $ 4,294 |
| Contributions of capital assets from other funds | 31,870 | - | - | 31,870 |
| Total non-cash capital and related financing activities | $ 31,870 | $ 4,294 | $ - | $ 36,164 |

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

# CITY OF BYRON, GEORGIA

## STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
## AGENCY FUND
## DECEMBER 31, 2018

| | Agency Fund |
|---|---|
| **ASSETS** | |
| Cash | $ 140,076 |
| **LIABILITIES** | |
| Due to others - confiscated assets pending disposition | $ 140,076 |

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

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Byron, Georgia (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

### A. Reporting Entity

The City was incorporated in 1874 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.

In 2013, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment to GASB No.'s 14 and 34*, which defines the reporting entity for determining which potential component units should be included in the primary government's financial statements. Inclusion is based on financial accountability or the fact that exclusion would make the financial statements misleading or incomplete. The criteria for determining financial accountability includes appointing a voting majority of an organization's governing body; and (1) the ability of the City to impose its will on that organization; or (2) the potential for the organization to provide specific financial benefits or to impose specific financial burdens on the City. In addition to the above criteria, GASB 61 added that if the primary government is expected to repay substantially all of the component unit's debt, then the component unit should be blended.

**Blended Component Units** – Blended component units, although legally separate entities, are, in substance, part of the government's operations.

The City of Byron Redevelopment Authority (the "Authority") was formed on April 11, 1979, to promote projects in connection with the redevelopment or revitalization of urban, central city or downtown areas for the public good and welfare of the City of Byron, Georgia. The governing board of the Authority is appointed by City Council for a three-year term. The Authority is presented as a debt service fund. The Redevelopment Authority does not issue separate financial statements.

**Discretely Presented Component Units** – Discretely Presented Component Units are presented separately from normal government operations.

The City of Byron Development Authority (the "Authority") was formed in 1998 to promote and expand industry, welfare and trade for the public good and welfare of the City of Byron, Georgia. The governing board of the Authority is appointed by City Council for a four-year term. The Development Authority is audited along with the primary government financial statements and separate financial statements are not prepared.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### A. Reporting Entity (Continued)

The Byron Convention and Visitors Bureau Authority (the "CVB") was formed on April 4, 1997, to promote tourism, trade, and conventions for the City. The governing board consist of ten members, nine of which are regular board members and one of which is an ex officio member, with the ex officio member being the President of the Byron Historical Society. The current members of the Byron Downtown Development Authority make up seven of the nine regular board members. The terms of office of each member coincides with his or her term of office as a member of the Byron Downtown Development Authority or Byron Historical Society. The CVB is audited along with the primary government financial statements and separate financial statements are not prepared.

### B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. *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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to those 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 Basis of Presentation

The government-wide financial statements are reported using the *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 the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### C. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period. 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 payment is due.

Intergovernmental grants, investment income, property taxes, sales taxes, franchise taxes, and licenses associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The format of the fund financial statements has been modified by GASB Statement No. 34. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 also requires, as required supplementary information, Management's Discussion and Analysis, which includes an analytical overview of the City's financial activity. The City has elected not to present the Management's Discussion and Analysis for the year ended December 31, 2018.

The City reports the following major governmental funds:

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

The ***Special Purpose Local Option Sales (SPLOST) 2012 Fund*** accounts for capital expenditures. Funding is provided by special purpose sales taxes, which are collected by the County and remitted to the City through an intergovernmental agreement.

The City reports the following major proprietary funds:

The ***Water and Sewer Fund*** accounts for the operation of the water and sewerage system including all revenues from sources applicable to these operations and all expenses of the operation.

The ***Natural Gas Fund*** accounts for the activities of the natural gas distribution system.

Additionally, the City reports the following fund type:

The ***Fiduciary Fund*** – accounts for money confiscated and held pending disposition by courts.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### C. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's utility function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functioned concerned.

Amounts reported as program revenues include: 1) charges to customer or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally designed resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges for goods and services provided. Operating expenses of the enterprise funds include the cost of these goods and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

### D. Use of Estimates

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

### E. Cash and Investments

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City. For purposes of the statement of cash flows, the enterprise funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

The City's investments consist of certificates of deposit with a maturity date greater than three months from the date of purchase. For reporting purposes, all investments are recorded at fair value.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### F. Inventories

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

### G. Prepaid Expenditures/Expenses

Prepaid items are accounted for using the consumption method. A prepaid item is recognized when a cash expenditure/expense is made for goods or services that were purchased for consumption, but not consumed as of December 31, 2018.

### H. Restricted Assets

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

### I. Deferred Outflows/Inflows

In addition to assets, the statement of net position will sometimes report a separate section for *deferred outflows of resources*. This separate financial statement element represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has three items that qualify for reporting in this category. These three items relate to the City's defined benefit pension plan. The pension experience differences, investment differences, and the contributions made subsequent to the measurement date are deferred and recognized as pension expense in future years.

In addition to liabilities, the statement of net position and the governmental funds balance sheet will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element represents an acquisition of fund balance/net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has three items that qualify for reporting in this category. The first item, unavailable revenue, arises only under the modified accrual basis of accounting, and is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue for property taxes, and these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available. The other two items relate to the City's defined benefit pension plan and are reported in the government-wide statement of net position. The pension assumption changes and pension investment earnings difference represent future acquisitions of net position and, accordingly, are reported as deferred inflows of resources.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### J. Pensions

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

### K. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in respective funds.

Capital assets purchased or acquired with an original cost of $5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at acquisition value. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of assets constructed. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

| Asset | Years |
|---|---|
| Building and improvements | 5 - 30 |
| Infrastructure | 30 |
| Equipment, vehicles, intangibles | 5 - 10 |
| Distribution system | 10 - 50 |

The City only reports infrastructure assets purchased subsequent to December 31, 2003.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### L. Compensated Absences

The City's vacation hours accrue but are not allowed to be carried over after employee's hire anniversary, vacation hours start over each year, but upon termination the City will pay any unused vacation hours to employees. Therefore, vacation is short-term in nature. The sick pay accrues and is carried over each year up to 920 hours, and will vest after 10 years of employment. The City pays 25% of the total vested sick pay upon retirement or termination if employee is vested. The City only pays the Medicare portion.

### M. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as liabilities in the fund financial statements only to the extent that they are due for payment during the current year. Long-term loans are recognized as a liability on the governmental fund financial statements when due.

### N. Interfund Activity

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

### O. Budgets and Budgetary Accounting

An annual operating budget is prepared for the General Fund, the Special Revenue Funds, and the Debt Service Fund. Budgets are prepared for the Capital Projects Funds on a project-length basis, which usually covers two or more fiscal years. The budget officer formulates and remits the budget to the Mayor and Council. After a review by the Mayor and Council and a public hearing, a final budget is approved when the budget resolution is adopted.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### O. Budgets and Budgetary Accounting (Continued)

The City Clerk is delegated the authority, upon the direction of and approval by the Mayor and Council to transfer sums from one budget line item 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.

Governmental fund type budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) at the legal level of budgetary control which is the department level. Expenditures may not exceed the appropriations within a fund. Budgets, as reported in the financial statements, are as amended in December 2018. All annual appropriations lapse at year-end.

### P. Revenues

Substantially all governmental fund revenues are accrued. In applying GASB No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenues when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and unearned revenue by the recipient.

### Q. Expenditures

Expenditures are recognized when the related fund liability is incurred.

### R. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as “fund balance”. Fund equity for all other reporting is classified as “net position”.

***Fund Balance –*** Generally, fund balance represents the difference between the assets and deferred outflows, and liabilities and deferred inflows under the current financial resources measurement focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

- ***Nonspendable*** – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### R. Fund Equity (Continued)

- ***Restricted*** – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

- ***Committed*** – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. The action to commit funds must occur prior to fiscal year-end, to report such commitments in the balance sheet of the respective period, even though the amount may be determined subsequent to fiscal year-end. Only the City Council may modify or remove the commitment.

- ***Assigned*** – Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the City Council has authorized the City Clerk and her designee to assign fund balances. Assignments may occur subsequent to fiscal year-end.

- ***Unassigned*** – Fund balances are reported as unassigned when the balances do not meet any of the above criterion.

***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: 1) committed; 2) assigned; and 3) unassigned.

***Net Position*** – Net position represents the difference between assets and deferred outflows, and liabilities and deferred inflows in reporting which utilizes the economic resources measurement focus. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has spent) for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

## NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS

### A. Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds." The details of this difference are as follows:

| | |
|---|---|
| Accrued interest payable | $ (22,565) |
| Compensated absences payable | (94,979) |
| Bonds payable | (3,274,787) |
| Leases payable | (160,761) |
| Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net position - governmental activities* | $ (3,553,092) |

### B. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense." The details of this difference are as follows:

| | |
|---|---|
| Capital outlay | $ 83,947 |
| Depreciation expense | (655,393) |
| Net adjustment to decrease *net changes in fund balance - total governmental funds* to arrive at *changes in net position of governmental activities* | $ (571,446) |

## NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS (CONTINUED)

### B. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities (Continued)

Another element of that reconciliation states that "The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position." The details of this difference are as follows:

| | |
|---|---|
| Loss on disposal of capital assets | $ (28,837) |
| Transfer of capital assets to business-type activities | (31,870) |
| Net adjustment to decrease *net changes in fund balance - total governmental funds* to arrive at *changes in net position of governmental activities* | $ (60,707) |

Another element of that reconciliation states that "The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position." The details of this difference are as follows:

| | |
|---|---|
| Principal payments: capital leases | 132,720 |
| Principal payments: bonds payable | 230,000 |
| Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities* | $ 362,720 |

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds." The details of this difference are as follows:

| | |
|---|---|
| Compensated absences | $ (649) |
| Net pension liability | (17,506) |
| Amortization of bond discount | (1,901) |
| Accrued interest | 1,467 |
| Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at changes in net position of governmental activities | $ (18,589) |

## NOTE 3. CASH AND INVESTMENTS

**Credit Risk.** State statutes authorize the City to invest in: obligations of the United States, the State of Georgia, and other political subdivisions of the State of Georgia, and other states; prime bankers' acceptances; repurchase agreements; and the Georgia local government investment pool (Georgia Fund 1).

**Interest Rate Risk.** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Custodial Credit Risk – Deposits.** Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of December 31, 2018, all of the deposits for the City were fully collateralized in accordance with the state statutes.

**Fair Value Measurements.** The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. At December 31, 2018, the City had no investments requiring disclosure within the fair value hierarchy, as the City's certificates of deposit are nonnegotiable and, therefore, are not subject to fair value hierarchy.

**Investments.** The City's financial policies authorize investment in any securities approved by the State of Georgia for local governments. Authorized investments include certificates of deposit, repurchase agreements, direct and agency obligations of the United States, obligations of the State of Georgia, pooled investment programs of the State of Georgia, and no-load mutual funds of direct obligations of the United States.

At December 31, 2018, the City had the following investments:

| Investment | Maturities | Fair Value |
|---|---|---|
| Certificate of Deposit | August 24, 2019 | $ 117,594 |
| Certificate of Deposit | June 5, 2019 | 111,714 |
| Certificate of Deposit | June 5, 2019 | 33,803 |
| | | $ 263,111 |

## NOTE 4. TAX REVENUES

### 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 Peach County.

Upon completion of all assessments and tax returns, the information is turned over to the Peach County Tax Commissioner for compilation of the tax digest. The competed 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 mandated 40% of fair market value. The Commissioner has the option to withhold certain state funding if the mandated 40% level is not reached.

The property tax calendar is as follows:

| | Real/Personal Property (Excluding Vehicles) | Motor Vehicles |
|---|---|---|
| Assessment Date | January 1 | January 1 |
| Levy Date | October 11 | January 1 |
| Due date and collection date | December 20 | December 20 |

### Hotel/Motel Excise Tax

A summary of the Hotel/Motel excise tax expenditures and receipts for the year ended December 31, 2018, are as follows:

| Expenditures by Purpose | Amount | Hotel/Motel Tax Receipts | Percentage |
|---|---|---|---|
| Convention and Visitors Bureau | $ 168,029 | $ 336,058 | 50% |
| General Fund | 168,029 | 336,058 | 50% |

## NOTE 5. OTHER RECEIVABLES

Receivables at December 31, 2018 for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

**Governmental Funds**

| | General | SPLOST 2012 | Nonmajor Governmental Funds | Total |
|---|---|---|---|---|
| Receivables: | | | | |
| Intergovernmental | $ 33,712 | $ - | $ - | $ 33,712 |
| Accounts | 23,467 | - | - | 23,467 |
| Taxes | 900,121 | 132,036 | 25,896 | 1,058,053 |
| Gross receivables | 957,300 | 132,036 | 25,896 | 1,115,232 |
| Less allowance for uncollectibles | (152,808) | - | - | (152,808) |
| Net total receivables | $ 804,492 | $ 132,036 | $ 25,896 | $ 962,424 |

**Proprietary Funds**

| | Water and Sewer | Natural Gas | Nonmajor Enterprise Funds | Total |
|---|---|---|---|---|
| Receivables: | | | | |
| Intergovernmental | $ - | $ 107,006 | $ - | $ 107,006 |
| Accounts | 295,486 | 22,123 | 22,740 | 340,349 |
| Gross receivables | 295,486 | 129,129 | 22,740 | 447,355 |
| Less allowance for uncollectibles | (133,947) | (22,123) | (11,370) | (167,440) |
| Net total receivables | $ 161,539 | $ 107,006 | $ 11,370 | $ 279,915 |

## NOTE 6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2018, is as follows:

| | Payable Fund | | | | |
|---|---|---|---|---|---|
| Receivable Fund | General Fund | Nonmajor Governmental Funds | Water and Sewer Fund | Nonmajor Enterprise Funds | Total |
| General Fund | $ - | $ 38,115 | $ - | $ 11,775 | $ 49,890 |
| Water and Sewer Fund | 200,000 | - | - | - | 200,000 |
| Nonmajor Governmental Funds | 762 | - | - | - | 762 |
| Nonmajor Enterprise Funds | - | - | 151,023 | - | 151,023 |
| Total | $ 200,762 | $ 38,115 | $ 151,023 | $ 11,775 | $ 401,675 |

## NOTE 6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

These amounts represent short-term receivables and payables. The balances resulted 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.

Any amounts payable to a governmental fund that relate to working capital loans that are deemed to be entirely collectible which are not scheduled to be collected in the subsequent year are considered advances. The composition of advances to/from other funds as of December 31, 2018, is as follows:

| | Advance To |
|---|---|
| Advance From | General Fund |
| Water and Sewer Fund | $ 657,717 |

Interfund transfers for the year ended December 31, 2018, is as follows:

| | Transfers Out | | |
|---|---|---|---|
| Transfers In | General Fund | Nonmajor Governmental Funds | Total |
| General Fund | $ - | $ 168,029 | $ 168,029 |
| Nonmajor Governmental Funds | 374,194 | - | 374,194 |
| Total | $ 374,194 | $ 168,029 | $ 542,223 |

Transfers are used to: 1) move revenues from the fund that the statute or budget requires to collect them to the fund that the statute or budget requires to expend them, 2) close out funds no longer used by the City, and 3) use unrestrictive revenues collected in the General Fund and enterprise funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

## NOTE 7. CAPITAL ASSETS

Capital asset activity for the fiscal year ended December 31, 2018, is as follows:

| | Beginning Balance | Increases | Decreases | Reclassifications and Transfers | Ending Balance |
|---|---|---|---|---|---|
| **Governmental activities:** | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | $ 1,029,434 | $ - | $ - | $ - | $ 1,029,434 |
| Construction in progress | - | 8,720 | - | (8,720) | - |
| Total | 1,029,434 | 8,720 | - | (8,720) | 1,029,434 |
| Capital assets, being depreciated: | | | | | |
| Buildings and improvements | 6,786,641 | - | - | - | 6,786,641 |
| Infrastructure | 7,075,434 | 23,149 | - | (23,150) | 7,075,433 |
| Machinery and equipment | 1,079,414 | 21,875 | - | - | 1,101,289 |
| Vehicles | 1,019,483 | 30,203 | (39,186) | - | 1,010,500 |
| Intangible | 84,262 | - | - | - | 84,262 |
| Total | 16,045,234 | 75,227 | (39,186) | (23,150) | 16,058,125 |
| Less accumulated depreciation for: | | | | | |
| Buildings and improvements | (2,770,630) | (203,203) | - | - | (2,973,833) |
| Infrastructure | (2,214,176) | (234,126) | - | - | (2,448,302) |
| Machinery and equipment | (767,048) | (105,230) | - | - | (872,278) |
| Vehicles | (678,176) | (112,834) | 10,349 | - | (780,661) |
| Intangible | (84,262) | - | - | - | (84,262) |
| Total | (6,514,292) | (655,393) | 10,349 | - | (7,159,336) |
| Total assets, being depreciated, net | 9,530,942 | (580,166) | (28,837) | (23,150) | 8,898,789 |
| Governmental activities capital assets, net | $ 10,560,376 | $ (571,446) | $ (28,837) | $ (31,870) | $ 9,928,223 |

## NOTE 7. CAPITAL ASSETS (CONTINUED)

| | Beginning Balance | Increases | Decreases | Reclassifications and Transfers | Ending Balance |
|---|---|---|---|---|---|
| **Business-type activities:** | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | $ 156,769 | $ - | $ - | $ - | $ 156,769 |
| Construction in progress | 170,488 | 49,384 | (7,833) | 8,720 | 220,759 |
| Total | 327,257 | 49,384 | (7,833) | 8,720 | 377,528 |
| Capital assets, being depreciated: | | | | | |
| Infrastructure | 15,187,750 | - | - | 23,150 | 15,210,900 |
| Equipment and vehicles | 691,338 | 206,807 | (30,836) | - | 867,309 |
| Total | 15,879,088 | 206,807 | (30,836) | 23,150 | 16,078,209 |
| Less accumulated depreciation for: | | | | | |
| Infrastructure | (4,565,564) | (480,819) | - | - | (5,046,383) |
| Equipment and vehicles | (510,647) | (29,239) | 30,836 | - | (509,050) |
| Total | (5,076,211) | (510,058) | 30,836 | - | (5,555,433) |
| Total assets, being depreciated, net | 10,802,877 | (303,251) | - | 23,150 | 10,522,776 |
| Business-type activities capital assets, net | $ 11,130,134 | $ (253,867) | $ (7,833) | $ 31,870 | $ 10,900,304 |

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

| | |
|---|---|
| **Governmental activities:** | |
| General government | $ 216,630 |
| Public safety | 187,268 |
| Public works | 251,495 |
| Total depreciation expense - governmental activities | $ 655,393 |
| **Business-type activities:** | |
| Water and sewer | $ 510,058 |

## NOTE 7. CAPITAL ASSETS (CONTINUED)

### Discretely Presented Component Unit

Activity for the Development Authority for the year ended December 31, 2018, was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| **Development Authority** | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | $ 886,862 | $ - | $ - | $ 886,862 |
| Construction in Progress | 1,479,867 | - | - | 1,479,867 |
| Total | $ 2,366,729 | $ - | $ - | $ 2,366,729 |

## NOTE 8. LONG-TERM DEBT

### Changes in Long-Term Debt

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended December 31, 2018:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| **Governmental activities:** | | | | | |
| Revenue bond | $ 3,520,000 | $ - | $ (230,000) | $ 3,290,000 | $ 240,000 |
| Less: discount on bonds | (17,114) | - | 1,901 | (15,213) | - |
| Revenue bonds, net | 3,502,886 | - | (228,099) | 3,274,787 | 240,000 |
| Capital lease | 293,481 | - | (132,720) | 160,761 | 99,356 |
| Compensated absences | 94,330 | 68,757 | (68,108) | 94,979 | 75,983 |
| Net pension liability | 2,625,914 | 1,170,158 | (1,229,379) | 2,566,693 | - |
| Total Governmental-Type Activity Long-Term Debt | $ 6,516,611 | $ 1,238,915 | $ (1,658,306) | $ 6,097,220 | $ 415,339 |
| **Business-type activities:** | | | | | |
| Capital lease | - | 119,835 | (19,720) | 100,115 | 39,312 |
| GEFA notes payable | 3,485,917 | - | (182,026) | 3,303,891 | 187,740 |
| Compensated absences | 6,462 | 20,345 | (18,516) | 8,291 | 6,633 |
| Net pension liability | 478,740 | 215,383 | (215,381) | 478,742 | - |
| Total Business-Type Activity Long-Term Debt | $ 3,971,119 | $ 355,563 | $ (435,643) | $ 3,891,039 | $ 233,685 |

## NOTE 8. LONG-TERM DEBT (CONTINUED)

For the governmental activities, compensated absences and net pension liability are generally liquidated by the General Fund.

For business type activities, compensated absences and net pension liability are liquidated by the proprietary funds.

**Revenue Bonds**

The City has one series of Revenue Bonds issued in the amount of $5,070,000 at an interest rate ranging from 3.95% to 4.25%. The bonds were issued to provide funds to pay the costs of acquiring, constructing, and equipping a new city hall for the City of Byron and to pay the necessary costs of issuing the bonds. The bonds are secured by the full faith and credit of the City. The activity is recorded in the Debt Service Fund.

The debt service requirements to maturity are as follows:

| | Interest | Principal | Principal |
|---|---|---|---|
| 2019 | $ 135,339 | $ 240,000 | $ 375,339 |
| 2020 | 125,979 | 250,000 | 375,979 |
| 2021 | 116,104 | 260,000 | 376,104 |
| 2022 | 105,704 | 270,000 | 375,704 |
| 2023 | 94,769 | 280,000 | 374,769 |
| 2024-2028 | 288,296 | 1,620,000 | 1,908,296 |
| 2029 | 15,725 | 370,000 | 385,725 |
| Total | $ 881,916 | $ 3,290,000 | $ 4,171,916 |

**Notes Payable**

On February 27, 2001, the City entered into a contract with the Georgia Environmental Finance Authority to provide financing for the improvement of its sewer treatment facilities. The total proceeds for the loan were $497,333. The loan is to be paid over a 20-year period starting November 1, 2002, on a quarterly basis. Interest is at 5.15%.

## NOTE 8. LONG-TERM DEBT (CONTINUED)

On September 26, 2007, the City entered into a contract with the Georgia Environmental Finance Authority to provide financing to purchase a sewer lift station from Fort Valley. The total proceeds for the loan were $394,646. The loan is to be paid over a 20-year period starting November 1, 2007, on a monthly basis. Interest is at 4.2%.

On October 8, 2009, the City entered into a contract with the Georgia Environmental Finance Authority for a Clean Water State Revolving Loan Fund grant/loan to provide financing for acquiring, constructing, and installing environmental facilities. The total proceeds for the loan were $697,365. The loan is to be paid over a 20-year period starting September 1, 2013, on a monthly basis. Interest is at 3.0%.

On November 17, 2014, the City entered into a contract with the Georgia Environmental Finance Authority for a Clean Water State Revolving Loan Fund grant/loan to provide financing for the decommissioning of the City's wastewater treatment facility, construction of pump stations and force mains to transit sewage flows to Macon Water Authority's system, and all related appurtenances. The total proceeds for the loan were $2,419,020. The loan is to be paid over a 20-year period starting December 1, 2017, on a monthly basis. Interest is at 2.31%.

On October 1, 2015, the City entered into a contract with the Georgia Environmental Finance Authority for a Clean Water State Revolving Loan Fund grant/loan to provide financing for the rehabilitation of the City's sewer collection system. The total proceeds for the loan were $92,963. The loan is to be paid over a 20-year period starting May 1, 2017, on a monthly basis. Interest is at 1.03%.

The annual requirements to amortize the notes at December 31, 2018, are as follows:

| | Loans Payable | | |
|---|---|---|---|
| | Interest | Principal | Total |
| 2019 | $ 84,542 | $ 187,740 | $ 272,282 |
| 2020 | 78,619 | 193,663 | 272,282 |
| 2021 | 72,483 | 199,799 | 272,282 |
| 2022 | 66,126 | 206,155 | 272,281 |
| 2023 | 60,317 | 171,984 | 232,301 |
| 2024-2028 | 229,979 | 884,663 | 1,114,642 |
| 2029-2033 | 120,505 | 877,549 | 998,054 |
| 2034-2037 | 26,809 | 582,338 | 609,147 |
| Total | $ 739,380 | $ 3,303,891 | $ 4,043,271 |

## NOTE 8. LONG-TERM DEBT (CONTINUED)

**Capital Lease - Governmental**

During 2017, the City obtained an $114,110 capital lease to finance the purchase of in-car camera system equipment for the police department. The equipment has a five-year estimated useful life. This year, $24,152 was included in depreciation expense. The lease is to be paid over a three-year period starting July 21, 2017. Interest is at 3.46%.

During 2017, the City obtained an $80,569 capital lease to finance the purchase of two vehicles. The vehicles have a five-year estimated useful life. This year, $12,077 was included in depreciation expense. The lease is to be paid over a three-year period starting May 20, 2017. Interest is at 3.39%.

During 2017, the City obtained a $141,545 capital lease to finance the purchase of three vehicles with equipment. The vehicles have a five-year estimated useful life. This year, $28,309 was included in depreciation expense. The lease is to be paid over a three-year period starting November 26, 2017. Interest is at 4.88%.

The debt service requirements to maturity are as follows:

| | | |
|---|---|---|
| Fiscal year ending: | | |
| 2019 | $ | 104,525 |
| 2020 | | 62,554 |
| Total minimum lease payments | | 167,079 |
| Less amounts representing interest | | (6,318) |
| Present value of minimum lease payments | $ | 160,761 |

**Capital Lease – Business-type**

During 2018, the City obtained a $49,952 capital lease to finance the purchase of a vehicle. The vehicle has a five-year estimated useful life. This year, $6,870 was included in depreciation expense. The lease is to be paid over a three-year period starting April 1, 2018. Interest is at 3.50%.

During 2018, the City obtained a $69,883 capital lease to finance the purchase of equipment. The equipment has a five-year estimated useful life. This year, $38 was included in depreciation expense. The lease is to be paid over a three-year period starting August 1, 2018. Interest is at 3.67%.

## NOTE 8. LONG-TERM DEBT (CONTINUED)

**Capital Lease – Business-type (Continued)**

The debt service requirements to maturity are as follows:

| | |
|---|---|
| Fiscal year ending: | |
| 2019 | $ 42,276 |
| 2020 | 42,276 |
| 2021 | 20,270 |
| Total minimum lease payments | 104,822 |
| Less amounts representing interest | (4,707) |
| Present value of minimum lease payments | $ 100,115 |

**Discretely Presented Component Unit**

In 2013, the Development Authority obtained a $200,000 loan with American Pride Bank to refinance a line of credit obtained to help cover the cost of the development of 40.15 acres in Peach County, known as the Holleman Tract, The Roost. The loan is renewed on an annual basis and accrues interest at 5.0%. The balance of the loan as of December 31, 2018, is as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance |
|---|---|---|---|---|
| Note payable | $ 172,000 | $ - | $ - | $ 172,000 |

The loan was last renewed on January 15, 2019.

## NOTE 9. RELATED ORGANIZATIONS

The Housing Authority of the City of Byron, Georgia, is considered a related organization based upon the criteria in GASB Statement 14. The Housing Authority is a legally separate entity having a board composed of members appointed originally by the City of Byron, Georgia. The City of Byron, Georgia is not able to impose its will upon the Housing Authority and a financial benefit/burden relationship does not exist between them. Therefore, based upon the criteria above, the Housing Authority of the City of Byron, Georgia is a related organization.

The City of Byron, Georgia joined Jointly Owned Natural Gas (JONG) in November 2008. JONG was established to provide maintenance and related services for a natural gas transmission line serving the cities of Perry, Warner Robins, Hawkinsville, Cochran and their customers. A board of directors, composed of one member from each of the cities, manages JONG.

JONG's major source of revenue consists of reimbursements for operating expense and capital outlays from member cities. JONG's financial records are maintained on a fiscal year ending September 30 of each year. A separately issued financial report is available and may be obtained from:

Jointly Owned Natural Gas
P.O. Box 1545
Warner Robins, GA 31099

As of December 31, 2018, the City has an approximate 5% equity interest in JONG. This equity interest is recorded in the proprietary funds statement of net position.

## NOTE 10. DEFINED BENEFIT PENSION PLAN

**Plan Description**

The City's pension plan is administered through the Georgia Municipal Employee Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. The Plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The City Council, in its role as the Plan sponsor, has the governing authority to establish and amend from time to time, the benefits provided and the contribution rates of the City and its employees. The Georgia Municipal Association issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained at www.gmanet.com or by writing to Georgia Municipal Association, Risk Management and Employee Benefit Services, 201 Pryor Street, NW, Atlanta, Georgia 30303 or by calling (404) 688-0472.

## NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

### Plan Membership

As of July 1, 2018, the date of the most recent actuarial valuation, there were 111 participants consisting of the following:

| | |
|---|---|
| Inactive plan members or beneficiaries currently receiving benefits | 31 |
| Inactive plan members entitled to but not receiving benefits | 19 |
| Active plan members | 61 |
| | 111 |

### Contributions

The Plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standards law. The Board of Trustees of GMEBS has adopted a recommended actuarial funding policy for the Plan which meets state minimum requirements and will accumulate sufficient funds to provide the benefits under the Plan. The funding policy for the Plan, as adopted by the City Council, is to contribute an amount equal to or greater than the actuarially recommended contribution rate. This rate is based on the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of plan members, as determined by the City Council. For the year ended December 31, 2018, the City's contribution rate was 22.7% of annual payroll. City contributions to the Plan were $504,558 for the year ended December 31, 2018.

### Net Pension Liability of the City

The City’s net pension liability was measured as of March 31, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 with update procedures performed by the actuary to roll forward to the total pension liability measured as of March 31, 2018.

## NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

*Actuarial Assumptions*. The total pension liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|---|
| Inflation | 2.75% |
| Salary increases | 2.75% plus service based merit increases |
| Cost of living adjustments | 2.75% for all participants |
| Investment rate of return | 7.50% On-going basis, based on long-term expected rate of return of pension plan investments |

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

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010–June 30, 2014.

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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of March 31, 2018, are 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 | 100 % | |

* Rates shown are net of the 2.75% assumed rate of inflation.

## NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

### Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all of the projected benefit payments to determine the total pension liability.

### Changes in the Net Pension Liability of the City

The changes in the components of the net pension liability of the City for the year ended December 31, 2018, were as follows:

| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
|---|---|---|---|
| **Balances at December 31, 2017** | $ 10,323,313 | $ 7,218,659 | $ 3,104,654 |
| **Changes for the year:** | | | |
| Service cost | 205,512 | - | 205,512 |
| Interest | 774,843 | - | 774,843 |
| Differences between expected and actual experience | 379,428 | - | 379,428 |
| Assumption changes | - | - | - |
| Contributions - employer | - | 423,002 | (423,002) |
| Contributions - employee | - | - | - |
| Net investment income | - | 891,341 | (891,341) |
| Benefit payments, including refunds of employee contributions | (650,673) | (650,673) | - |
| Administrative expense | - | (16,874) | 16,874 |
| Other | (121,533) | - | (121,533) |
| **Net changes** | 587,577 | 646,796 | (59,219) |
| **Balances at December 31, 2018** | $ 10,910,890 | $ 7,865,455 | $ 3,045,435 |

The required schedule of changes in the City's net pension liability and related ratios immediately following the notes to the financial statements presents multi-year trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

## NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability of the City, calculated using the discount rate of 7.50%, 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 (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

| | 1% Decrease (6.50%) | Current Discount Rate (7.50%) | 1% Increase (8.50%) |
|---|---|---|---|
| City's net pension liability | $ 4,425,368 | $ 3,045,435 | $ 1,900,791 |

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of March 31, 2018, and the current sharing pattern of costs between employer and employee.

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

For the year ended December 31, 2018, the City recognized pension expense of $533,742. At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 657,672 | $ - |
| Changes in assumptions | - | (137,074) |
| Net difference between projected and actual earnings on pension plan investments | - | (288,706) |
| City contributions subsequent to the measurement date | 420,465 | - |
| Total | $ 1,078,137 | $ (425,780) |

## NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

City contributions subsequent to the measurement date of $420,465 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ending December 31: | | |
|---|---|---|
| 2019 | $ | 86,481 |
| 2020 | | 110,717 |
| 2021 | | (32,991) |
| 2022 | | 24,703 |
| 2023 | | 42,982 |
| Total | $ | 231,892 |

## NOTE 11. JOINT VENTURE

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 (RC) and is required to pay annual dues thereto. Membership in a RC is required by the Official Code of Georgia Annotated (O.C.G.A.) 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. O.C.G.A. Section 50-8-39.1 provides that the member governments are liable for any debts or obligations of a regional commission. For the year ended December 31, 2018, the City paid dues of $6,697. Separate financial statements may be obtained from:

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

## NOTE 12. RISK MANAGEMENT

The City of Byron is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City carries commercial insurance in amounts deemed prudent by City management. Commercial insurance is carried for coverage of property, errors and omissions, professional liability and injuries to employees.

There have been no significant reductions of insurance coverage from coverage in the prior year and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

## NOTE 13. COMMITMENTS AND CONTINGENCIES

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

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.

# REQUIRED SUPPLEMENTARY INFORMATION

# CITY OF BYRON, GEORGIA

## SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS FOR THE FISCAL YEAR ENDED DECEMBER 31

| | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| **Total pension liability** | | | | |
| Service cost | **$ 205,512** | $ 184,872 | $ 186,196 | $ 168,382 |
| Interest on total pension liability | **774,843** | 729,258 | 702,621 | 660,062 |
| Differences between expected and actual experience | **379,428** | 299,967 | 32,255 | 376,122 |
| Changes of assumptions | **-** | - | - | (107,380) |
| Changes in benefit terms | **-** | - | - | - |
| Benefit payments, including refunds of employee contributions | **(650,673)** | (601,139) | (553,600) | (542,470) |
| Other | **(121,533)** | - | - | - |
| **Net change in total pension liability** | **587,577** | 612,958 | 367,472 | 554,716 |
| **Total pension liability - beginning** | **10,323,313** | 9,710,355 | 9,342,883 | 8,788,167 |
| **Total pension liability - ending (a)** | **$ 10,910,890** | $ 10,323,313 | $ 9,710,355 | $ 9,342,883 |
| **Plan fiduciary net position** | | | | |
| Contributions - employer | **$ 423,002** | $ 448,951 | $ 413,318 | $ 363,577 |
| Net investment income | **891,341** | 817,970 | 19,036 | 601,475 |
| Benefit payments, including refunds of employee contributions | **(650,673)** | (601,139) | (553,600) | (542,470) |
| Administrative expenses | **(16,874)** | (17,247) | (12,429) | (11,125) |
| **Net change in plan fiduciary net position** | **646,796** | 648,535 | (133,675) | 411,457 |
| **Plan fiduciary net position - beginning** | **7,218,659** | 6,570,124 | 6,703,799 | 6,292,342 |
| **Plan fiduciary net position - ending (b)** | **$ 7,865,455** | $ 7,218,659 | $ 6,570,124 | $ 6,703,799 |
| **City's net pension liability (a) - (b)** | **$ 3,045,435** | $ 3,104,654 | $ 3,140,231 | $ 2,639,084 |
| **Plan fiduciary net position as a percentage of the total pension liability** | **72.1%** | 69.9% | 67.7% | 71.8% |
| **Covered payroll** | **$ 2,226,407** | $ 2,249,854 | $ 2,150,136 | $ 2,085,487 |
| **City's net pension liability as a percentage of covered payroll** | **136.79%** | 137.99% | 146.05% | 126.55% |

**Notes to the Schedule**

The schedule will present 10 years of information once it is accumulated.

# CITY OF BYRON, GEORGIA

## SCHEDULE OF CITY CONTRIBUTIONS
## FOR THE FISCAL YEAR ENDED DECEMBER 31

| | **2018** | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| Actuarially determined contribution | **$ 504,558** | $ 451,879 | $ 447,975 | $ 401,765 |
| Contributions in relation to the actuarially determined contribution | **504,558** | 451,879 | 447,975 | 401,765 |
| Contribution deficiency (excess) | **$ -** | $ - | $ - | $ - |
| Covered payroll | **$ 2,176,310** | $ 2,226,452 | $ 2,200,590 | $ 2,101,285 |
| Contributions as a percentage of covered payroll | **23.2%** | 20.3% | 20.4% | 19.1% |

**Notes to the Schedule**

| | |
|---|---|
| Valuation date | July 1, 2018 |
| Cost method | Projected unit credit |
| Actuarial 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 amounts that the value exceeds or is less than the market value at the end of the year. The actuarial value is adjusted, if necessary, to be within 20% of market value. |
| Assumed rate of return on investments | 7.50% |
| Projected salary increases | 2.75% plus service based merit increases |
| Cost of living adjustments | 2.75% (Class 1 and 2) |
| Amortization method | Closed level dollar for remaining unfunded liability |
| Remaining amortization period | Remaining amortization period varies for the bases, with a net effective amortization period of 10 years. |

The schedule will present 10 years of information once it is accumulated.

# NONMAJOR GOVERNMENTAL FUNDS

## Capital Projects Funds

**SPLOST 2004 Fund –** This fund is used to account for capital expenditures paid with the special purpose local option sales tax.

**SPLOST 2008 Fund –** This fund is used to account for capital expenditures paid with the special purpose local option sales tax.

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

## Special Revenue Funds

**Hotel/Motel Tax Fund –** This fund is used to account for hotel/motel taxes collected.

**Law Enforcement Confiscation Fund –** This fund is used to account for funds confiscated from criminal activity and their expenditures in compliance with State and Federal laws.

## Debt Service Fund

**Debt Service Fund –** This fund is used to account for the accumulation of resources for the principal payment, interest and related costs of long-term debt.

# CITY OF BYRON, GEORGIA

## COMBINING BALANCE SHEET
## NONMAJOR GOVERNMENTAL FUNDS
## DECEMBER 31, 2018

| | Capital Projects Funds | | |
|---|---|---|---|
| | SPLOST 2004 Fund | SPLOST 2008 Fund | Capital Improvements Fund |
| **ASSETS** | | | |
| Cash and cash equivalents | $ - | $ 55,947 | $ 313,685 |
| Investments | - | - | 117,594 |
| Taxes receivable | - | - | - |
| Due from other funds | - | - | - |
| Total assets | $ - | $ 55,947 | $ 431,279 |
| **LIABILITIES AND FUND BALANCES** | | | |
| **Liabilities:** | | | |
| Accounts payable | $ - | $ - | $ - |
| Due to other funds | - | - | - |
| Total liabilities | - | - | - |
| **Fund Balances:** | | | |
| Restricted: | | | |
| Public safety | - | - | - |
| Capital projects | - | 55,947 | 431,279 |
| Debt service | - | - | - |
| Total fund balances | - | 55,947 | 431,279 |
| Total liabilities and fund balances | $ - | $ 55,947 | $ 431,279 |

| Special Revenue Funds | | | Total Nonmajor Governmental Funds |
|---|---|---|---|
| Hotel/Motel Tax Fund | Law Enforcement Confiscation Fund | Debt Service Fund | |
| $ - | $ 163,779 | $ 12 | $ 533,423 |
| - | - | - | 117,594 |
| 25,896 | - | - | 25,896 |
| 762 | - | - | 762 |
| $ 26,658 | $ 163,779 | $ 12 | $ 677,675 |
| | | | |
| $ 26,658 | $ 430 | $ - | $ 27,088 |
| - | 38,115 | - | 38,115 |
| 26,658 | 38,545 | - | 65,203 |
| | | | |
| - | 125,234 | - | 125,234 |
| - | - | - | 487,226 |
| - | - | 12 | 12 |
| - | 125,234 | 12 | 612,472 |
| | | | |
| $ 26,658 | $ 163,779 | $ 12 | $ 677,675 |

# CITY OF BYRON, GEORGIA
## COMBINING STATEMENT OF REVENUES, EXPENDITURES
## AND CHANGES IN FUND BALANCES
## NONMAJOR GOVERNMENTAL FUNDS
## FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

| | Capital Projects Funds | | |
|---|---|---|---|
| | SPLOST 2004 Fund | SPLOST 2008 Fund | Capital Improvements Fund |
| **Revenues:** | | | |
| Other taxes | $ - | $ - | $ - |
| Fines and forfeitures | - | - | - |
| Interest income | 3 | 27 | 63 |
| Total revenues | 3 | 27 | 63 |
| **Expenditures:** | | | |
| Current: | | | |
| Public safety | - | - | - |
| Housing and development | - | - | - |
| Capital outlay: | | | |
| Public safety | - | - | - |
| Public works | 24,119 | 217,009 | - |
| Debt service: | | | |
| Principal | - | - | - |
| Interest | - | - | - |
| Total expenditures | 24,119 | 217,009 | - |
| Excess (deficiency) of revenues over expenditures | (24,116) | (216,982) | 63 |
| **Other financing source (uses):** | | | |
| Transfers in | - | - | - |
| Transfers out | - | - | - |
| Total other financing sources (uses) | - | - | - |
| Net change in fund balances | (24,116) | (216,982) | 63 |
| **Fund balances, beginning of year** | 24,116 | 272,929 | 431,216 |
| **Fund balances, end of year** | $ - | $ 55,947 | $ 431,279 |

| Special Revenue Funds | | | | |
|---|---|---|---|---|
| Hotel/Motel Tax Fund | Law Enforcement Confiscation Fund | Debt Service Fund | Total Nonmajor Governmental Funds |
| $ 336,058 | $ - | $ - | $ 336,058 |
| - | 128,832 | - | 128,832 |
| - | 8 | - | 101 |
| 336,058 | 128,840 | - | 464,991 |
| | | | |
| - | 14,793 | - | 14,793 |
| 168,029 | - | - | 168,029 |
| | | - | |
| - | 33,818 | - | 33,818 |
| - | - | - | 241,128 |
| - | - | 230,000 | 230,000 |
| - | - | 144,194 | 144,194 |
| 168,029 | 48,611 | 374,194 | 831,962 |
| 168,029 | 80,229 | (374,194) | (366,971) |
| - | - | 374,194 | 374,194 |
| (168,029) | - | - | (168,029) |
| (168,029) | - | 374,194 | 206,165 |
| - | 80,229 | - | (160,806) |
| - | 45,005 | 12 | 773,278 |
| $ - | $ 125,234 | $ 12 | $ 612,472 |

# CITY OF BYRON, GEORGIA

## SCHEDULE OF EXPENDITURES OF
## SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS - SPLOST 2004
## FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

| Project | Original Estimated Cost | Current Estimated Cost | Expenditures | | | Estimated Percent Complete |
|---|---|---|---|---|---|---|
| | | | Beginning of Year | Current Year | To Date | |
| Recreational facility/ complex building | $ 500,000 | $ 523,990 | $ 523,990 | $ - | $ 523,990 | 100.00% |
| Water and sewer improvements | 750,000 | 836,490 | 812,371 | 24,119 | 836,490 | 100.00% |
| Totals | $ 1,250,000 | $ 1,360,480 | $ 1,336,361 | $ 24,119 | $ 1,360,480 | 100.00% |

# CITY OF BYRON, GEORGIA

## SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS - SPLOST 2008 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

| Project | Original Estimated Cost | Current Estimated Cost | Expenditures | | | Estimated Percent Complete |
|---|---|---|---|---|---|---|
| | | | Beginning of Year | Current Year | To Date | |
| Roads, streets, and bridges | $ 1,566,000 | $ 1,636,370 | $ 1,363,412 | $ 217,009 | $ 1,580,421 | 96.58% |
| Cultural, historical, and recreational facilities | 75,000 | 21,205 | 21,205 | - | 21,205 | 100.00% |
| Water and sewer improvements | 1,044,000 | 970,399 | 970,399 | - | 970,399 | 100.00% |
| Bond interest and costs of issuance | 390,000 | - | - | - | - | 0.00% |
| Totals | $ 3,075,000 | $ 2,627,974 | $ 2,355,016 | $ 217,009 | $ 2,572,025 | 97.87% |

# CITY OF BYRON, GEORGIA

## SCHEDULE OF EXPENDITURES OF
## SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS - SPLOST 2012
## FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

| Project | Original Estimated Cost | Current Estimated Cost | Expenditures | | | Estimated Percent Complete |
|---|---|---|---|---|---|---|
| | | | Beginning of Year | Current Year | To Date | |
| Roads, streets, bridges, and drainage | $ 2,815,575 | $ 2,815,575 | $ - | $ - | $ - | 0.00% |
| Government buildings and solid waste facilities and equipment | 32,550 | 32,550 | - | - | - | 0.00% |
| Water and sewer improvements | 651,000 | 651,000 | - | 31,869 | 31,869 | 4.90% |
| Cultural, historical, and recreation | 32,550 | 32,550 | - | - | - | 0.00% |
| Public safety facilities and equipment | 374,325 | 374,325 | - | - | - | 0.00% |
| Totals | $ 3,906,000 | $ 3,906,000 | $ - | $ 31,869 | $ 31,869 | 0.82% |

# COMPLIANCE SECTION

MAULDIN & JENKINS

# 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*

**To the Honorable Mayor and Members**
**of the City Council**
**Byron, Georgia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Byron, Georgia (the "City") as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City of Byron, Georgia's basic financial statements and have issued our report thereon dated June 27, 2019.

**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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies 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 as items 2018-001 through 2018-006 that we consider to be material weaknesses.

**Compliance and Other Matters**

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

**The City of Byron, Georgia's Responses to Findings**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City'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.

Mauldin & Jenkins, LLC

Macon, Georgia
June 27, 2019

# CITY OF BYRON, GEORGIA

## SCHEDULE OF FINDINGS AND RESPONSES

## FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

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## SECTION I
## SUMMARY OF AUDITOR'S RESULTS

***Financial Statements***

| | |
|---|---|
| Type of auditor's report issued | Unmodified |
| Internal control over financial reporting: | |
| Material weaknesses identified? | _X_ Yes ____ No |
| Significant deficiencies identified not considered to be material weaknesses? | ___ Yes _X_ None Reported |
| Noncompliance material to financial statements noted? | ___ Yes _X_ None Reported |

***Federal Awards***

There was not an audit of major federal award programs as of December 31, 2018 due to the total amount expended being less than $750,000.

# CITY OF BYRON, GEORGIA
# SCHEDULE OF FINDINGS AND RESPONSES
# FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

## SECTION II
## FINANCIAL STATEMENT FINDINGS AND RESPONSES

**2018 - 001. Management of Receivable Accounts (Repeat Finding)**

Criteria: Generally accepted accounting principles require revenues to be recognized in the accounting period in which they are earned. As a part of these processes, the City should review all revenue transactions to determine reporting in the proper period.

Condition: The City did not properly adjust receivables in the General Fund, SPLOST 2012 Fund, Water and Sewer Fund, Hotel/Motel Fund, and Solid Waste Fund as of December 31, 2018.

Context: See above condition.

Effect: Adjustments to the various funds of the City were required to properly state receivables and related revenues. These adjustments were as follows:

- General Fund: Adjustments to decrease accounts receivable by $60,193, increase the allowance for doubtful accounts by $8,337, increase revenues by $65,369, decrease unavailable revenue by $128,756, decrease expenditures by $3,054, and increase due from other funds by $8,197;
- SPLOST 2012 Fund: Adjustments to decrease due from other governments and related revenues by $49,449;
- Water and Sewer Fund: Adjustments to increase accounts receivable by $71,436, decrease the allowance for doubtful accounts by $5,671, increase revenues by $12,500, decrease expenses by $23,533, and increase due to other funds by $41,074;
- Hotel/Motel Fund: Adjustments to increase accounts receivable and revenues by $25,896;
- Solid Waste Fund: Adjustments to decrease accounts receivable by $40,311, decrease the allowance for doubtful accounts by $7,435, and increase due from other funds by $32,876.

Cause: The City did not review all revenue transactions after year-end to determine reporting in the proper period.

Recommendation: We recommend that the City establish procedures to review all revenue transactions after year-end to determine reporting in the proper period.

Views of Responsible Official and Planned Corrective Action: We concur. We will establish procedures to review all revenue transactions after year-end to determine reporting in the proper period.

**2018 - 002. Management of Capital Asset Accounts (Repeat Finding)**

Criteria: Generally accepted accounting principles require the reporting of all capital assets at their historical cost, which is written off periodically, or depreciated, in a systematic and rational manner. Assets donated by outside parties should also be reported, but at the acquisition value on the date of the donation.

Condition: The City did not properly record capital assets in the Water and Sewer Fund during the year ended December 31, 2018.

Context: See above condition.

## SECTION II
## FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

**2018 - 002. Management of Capital Asset Accounts (Repeat Finding) (Continued)**

Cause: See above condition.

Effect: Adjustments to the Water and Sewer Fund were required to properly record capital assets. These adjustments included an increase to capital assets of $274,605, an increase to revenues of $31,036, a decrease to expenses of $198,753, and an increase to accumulated depreciation of $44,816.

Recommendation: We recommend the City review all capital asset activity and verify that all assets are being properly recorded.

Views of Responsible Officials and Planned Corrective Action: We concur with the finding. We will review all capital asset activity, including depreciation and capital contributions, to determine proper accounting treatment.

**2018 - 003. Management of Due To/From and Transfer (Internal) Accounts (Repeat Finding)**

Criteria: Generally accepted accounting principles require consideration of the collectability of receivables of all kinds, whether external or internal to the City.

Condition: During fiscal year 2018, the City did not properly account for and use due to/from accounts and transfers in the General Fund, Water and Sewer Fund, Hotel/Motel Fund, and Confiscation Fund in conjunction with the operations of the City as appropriate.

Context: We addressed the matter with the City and management was able to determine the appropriate adjustments so as to properly state the balance of due to/from accounts at December 31, 2018.

Effect: Adjustments to the various funds of the City were required to properly record internal accounts. These adjustments were as follows:

- General Fund: An adjustment to decrease cash by $24,309, increase due from other funds by $23,548, and decrease transfers in by $761;
- Water and Sewer Fund: An adjustment to decrease due to other funds and expenses by $5,530;
- Hotel/Motel Fund: An adjustment to decrease transfers out and increase due from other funds by $761;
- Confiscation Fund: An adjustment to increase due to other funds and expenditures by $30,203.

Cause: Due to/from and transfer (internal) accounts are not being properly utilized and recorded.

## SECTION II
## FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

**2018 - 003. Management of Due To/From and Transfer (Internal) Accounts (Repeat Finding) (Continued)**

Recommendation: We recommend that all interfund activity be properly recorded through the due to/from and transfer accounts as appropriate.

Views of Responsible Officials and Planned Corrective Action: We concur. We will strengthen procedures to ensure internal accounts are properly recorded and reconciled.

**2018 - 004. Accounting and Reporting of Expenditures, Expenses, Accounts Payable, and Accrued Expenses (Repeat Finding)**

Criteria: Generally accepted accounting principles require timely reporting of all current liabilities when goods have been received or services have been performed, regardless of the timing of related cash flows.

Condition: See above condition.

Context: We addressed this matter with City officials, who were able to ultimately determine the propriety of all respective details and reconciliations as of and for the year ended December 31, 2018.

Effect: Adjustments to the various funds of the City were required to properly record liabilities and related expenditures/expenses. These adjustments were as follows:

- General Fund: An adjustment to increase liabilities by $9,425, decrease due from other funds by $5,530, increase revenue by $946, and increase expenditures by $15,901;
- Water and Sewer Fund: An adjustment to increase liabilities and expenses in the amount of $5,307;
- Hotel/Motel Fund: An adjustment to decrease liabilities and expenditures in the amount of $12,843.

Cause: Internal controls over cut-off of accounts payable and accrued liabilities were not in place to ensure all expenses/expenditures were reported in the proper period.

Recommendation: We recommend that the City reconcile all accounts payable and accrued expenses/expenditures in a timely manner to ensure all transactions are being properly recognized during the correct period.

Views of Responsible Officials and Planned Corrective Action: We concur. We will strengthen procedures to ensure liabilities are properly recorded.

## SECTION II
## FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

**2018 - 005. Long-Term Debt (Repeat Finding)**

Criteria: Generally accepted accounting principles requires reporting of all long-term liabilities in a timely manner.

Condition: The City failed to properly record activity on three capital leases in the General Fund and Water and Sewer Fund as required.

Context: We addressed the matter with the City and management was able to determine the appropriate adjustments so as to properly state the balance of long-term debt accounts at December 31, 2018.

Effect: Adjustments to the General Fund and the Water and Sewer Fund of the City were required to properly record liabilities and related expenses.

- General Fund: An adjustment to increase due to other funds by $49,952, decrease revenues by $26,556, and increase expenditures by $23,396;
- Water and Sewer Fund: An adjustment to increase due from other funds by $49,952, decrease accrued liabilities by $72,547, increase long-term debt by $100,116, and decrease expenses by $22,383.

Cause: The City had all necessary information to record the activity, but did not do so timely.

Recommendation: We recommend that the City make appropriate adjustments as part of its year-end closeout procedures to ensure long-term debt activity is properly posted.

Views of Responsible Officials and Planned Corrective Action: We concur. We will strengthen internal controls to ensure liabilities are properly recorded.

**2018 - 006. Investment in Joint Venture (Repeat Finding)**

Criteria: Investments in joint venture should be reported at the participant's share in the equity of the joint venture.

Condition: The City did not adjust the value of its investment in the Jointly Owned Natural Gas Transmission Line as of year-end.

Context: See above condition.

Effect: The City's investment in its joint venture was understated, requiring an adjustment in the amount of $4,294 to record an increase in the investment in joint venture and offsetting investment income.

## SECTION II
## FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

**2018 - 006. Investment in Joint Venture (Repeat Finding) (Continued)**

Cause: The City did not have adequate internal controls in place to ensure the investment in joint venture was adjusted to include the current year's results of operations.

Recommendation: The City should adjust the investment in joint venture account to properly reflect its equity in the joint venture on an annual basis upon receipt of the audit of the joint venture.

Views of Responsible Officials and Planned Corrective Actions: The City agrees with the finding. The City will implement a process to adjust the value of its investment in its joint venture in future periods.

# CITY OF BYRON, GEORGIA

## SCHEDULE OF FINDINGS AND RESPONSES

## FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

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### SECTION III
### FEDERAL AWARDS FINDINGS AND RESPONSES

Not applicable.

# CITY OF BYRON, GEORGIA

## SCHEDULE OF PRIOR YEAR FINDINGS

## FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

**2017 - 001. Management of Receivable Accounts**

Criteria: Accounting procedures should be designed to ensure that revenues are accrued and recognized when they become both measurable and available to finance expenditures of the fiscal period.

Condition: Various revenue items were not recorded in the proper fiscal period

Auditee Response/Status: Unresolved – See current year financial audit finding 2018 – 001.

**2017 - 002. Management of Capital Asset Accounts**

Criteria: Accounting and control procedures should be designed to ensure that capital asset activity is recorded and reported in the proper period. Capital asset records must be supported by detailed records that include location, department, cost, estimated useful life, depreciation and other detailing supporting documentation.

Condition: The Water and Sewer Fund general ledger did not agree to the capital asset subsidiary records.

Auditee Response/Status: Unresolved – See current year financial audit finding 2018 – 002.

**2017 - 003. Management of Due To/From and Transfer (Internal) Accounts**

Criteria: Generally accepted accounting principles require consideration of the collectability of receivables of all kinds, whether external or internal to the City.

Condition: Internal accounts did not balance.

Auditee Response/Status: Unresolved – See current year financial audit finding 2018 – 003.

**2017 - 004. Accounting and Reporting of Expenditures, Expenses, Accounts Payable, and Accrued Expenses**

Criteria: In accordance with generally accepted accounting principles, expenses are recognized as soon as a liability is incurred. Year-end procedures are necessary to ensure that expenses or expenditures and accounts payable are recorded in the appropriate period.

Condition: The City does not have adequate accounting procedures to ensure that expenses are recorded and properly classified when a liability is incurred.

Auditee Response/Status: Unresolved – See current year financial audit finding 2018 – 004.

# CITY OF BYRON, GEORGIA
# SCHEDULE OF PRIOR YEAR FINDINGS
# FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

**2017 - 005. Long-Term Debt**

Criteria: Generally accepted accounting principles requires timely reporting of all long-term liabilities in a timely manner.

Condition: The City failed to record any activity on two of the GEFA loans in the Water and Sewer Fund as required.

Auditee Response/Status: Unresolved – See current year financial audit finding 2018 – 005.

**2017 - 006. Investment in Joint Venture**

Criteria: Investments in joint venture should be reported at the participant's share in the equity of the joint venture.

Condition: The City did not adjust the value of its investment in the Jointly Owned Natural Gas Transmission Line as of year-end.

Auditee Response/Status: Unresolved – See current year financial audit finding 2018 – 006.

**2017 - 007. Violation of Georgia Law – SPLOST Funds**

Criteria: The official Code of Georgia (O.C.G.A.) Section 48-8-121(a)(1) requires that SPLOST proceeds cannot in any manner be commingled with other City funds prior to their expenditure. State law also prohibits the expenditure of SPLOST monies for any purpose that were not approved in the SPLOST referendum.

Condition: SPLOST monies are commingled with the Natural Gas Fund due to an administrative error.

Auditee Response/Status: Resolved.