TOWN OF DAVISBORO, GEORGIA

FINANCIAL STATEMENTS

For the Year Ended July 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council
Town of Davisboro, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Town of Davisboro, Georgia, as of and for the year ended July 31, 2018, and the related notes to the financial statements, which collectively comprise the Town'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, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Town of Davisboro, Georgia, as of July 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that budgetary comparison information on pages 34 through 37 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.

The Town of Davisboro, Georgia has not presented management's discussion and analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financials statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Davisboro, Georgia's basic financial statements. The schedule of projects constructed with special sales tax proceeds and the other schedules included in other supplementary information as described in the accompanying table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The schedule of projects constructed with special sales tax proceeds and the other schedules included in other supplementary information as described in the accompanying table of contents is the responsibility of management and was derived from and relates 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 or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated November 13, 2018 on our consideration of the Town of Davisboro, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Davisboro, Georgia's internal control over financial reporting and compliance.

Wright & Wright, P.C.

November 13, 2018

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the Governmental Accounting Standards Board ("GASB"). The sets of statements include:

- Government-wide financial statements
- Fund financial statements:
  - Governmental funds
  - Proprietary (enterprise) fund

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

TOWN OF DAVISBORO, GEORGIA
STATEMENT OF NET POSITION
JULY 31, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:			
Current assets:			
Cash and cash equivalents	$ 147,377	$ 462,376	$ 609,753
Accounts receivable, net	4,293	71,827	76,120
Receivable from other governments	15,030	-	15,030
Internal balances	6,766	(6,766)	-
Total current assets	173,466	527,437	700,903
Noncurrent assets:			
Capital assets:			
Nondepreciable	223,128	55,123	278,251
Depreciable, net	650,500	3,531,735	4,182,235
Total noncurrent assets	873,628	3,586,858	4,460,486
Deferred outflows of resources:			
Differences between expected and actual experience	12,965	5,557	18,522
Total assets and deferred outflows of resources	1,060,059	4,119,852	5,179,911
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:			
Current liabilities:			
Accounts payable	8,187	3,494	11,681
Current portion of long-term debt	-	35,002	35,002
Meter deposits held	-	15,985	15,985
Other accrued liabilities	544	642	1,186
Total current liabilities	8,731	55,123	63,854
Noncurrent liabilities:			
Net pension liability	101,782	43,621	145,403
Notes payable, less current portion	-	740,005	740,005
Total noncurrent liabilities	101,782	783,626	885,408
Deferred inflows of resources:			
Deferred charges on pension obligations	16,823	7,210	24,033
Total deferred inflows of resources	16,823	7,210	24,033
Total liabilities and deferred inflows of resources	127,336	845,959	973,295
NET POSITION:			
Net investment in capital assets	873,628	2,811,851	3,685,479
Restricted for:			
Transportation improvements	89,645	-	89,645
Capital projects	23,201	-	23,201
Housing and development	721	-	721
Unrestricted	(54,472)	462,042	407,570
	$ 932,723	$ 3,273,893	$ 4,206,616

See accompanying notes to the basic financial statements

TOWN OF DAVISBORO, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JULY 31, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Primary Government: Business-type Activities	Net (Expense) Revenue and Changes in Net Position: Primary Government: Total
Primary government:							
Governmental activities:							
General government	$ 288,932	$ 8,493	$ 7,459	$ 20,412	$ (252,568)	$ -	$ (252,568)
Public safety	131,175	6,204	-	-	(124,971)	-	(124,971)
Streets and sanitation	169,266	27,855	51,018	-	(90,393)	-	(90,393)
Housing and development	141	-	-	-	(141)	-	(141)
Interest on long-term debt	-	-	-	-	-	-	-
Total governmental activities	589,514	42,552	58,477	20,412	(468,073)	-	(468,073)
Business-type activities:							
Water and sewer fees	598,169	832,439	-	101,656	-	335,926	335,926
Total business-type activities	598,169	832,439	-	101,656	-	335,926	335,926
Total primary government	$ 1,187,683	$ 874,991	$ 58,477	$ 122,068	(468,073)	335,926	(132,147)
General revenues:							
Taxes:							
Property taxes					26,872	-	26,872
General sales and use tax					56,079	-	56,079
Franchise tax					36,053	-	36,053
Insurance company premium tax					133,321	-	133,321
Other taxes					15,513	-	15,513
Interest and dividend earnings					-	844	844
Miscellaneous					20,496	-	20,496
Transfers					146,460	(146,460)	-
Total general revenues and transfers					434,794	(145,616)	289,178
Change in net position					(33,279)	190,310	157,031
Net position, beginning					966,002	3,083,583	4,049,585
Net position, ending					$ 932,723	$ 3,273,893	$ 4,206,616

See accompanying notes to the basic financial statements

TOWN OF DAVISBORO, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JULY 31, 2018

	General Fund	Capital Projects Fund (2009)	Capital Projects Fund (2014)	CDBG Fund (2012)	Trans-portation Special Revenue Fund	Total Govern-mental Funds
ASSETS:						
Cash and cash equivalents	$ 38,761	$ 4,680	$ 16,127	$ 721	$ 87,088	$ 147,377
Accounts receivable, net	4,293	-	-	-	-	4,293
Receivable from other funds	6,766	-	-	-	-	6,766
Receivable from other governments	10,079	-	2,394	-	2,557	15,030
Total assets	$ 59,899	$ 4,680	$ 18,521	$ 721	$ 89,645	$ 173,466
LIABILITIES:						
Accounts payable	$ 8,187	$ -	$ -	$ -	$ -	$ 8,187
Other liabilities	544	-	-	-	-	544
Payable to other funds	-	-	-	-	-	-
Total liabilties	8,731	-	-	-	-	8,731
DEFERRED INFLOWS OF RESOURCES:						
Property taxes	52	-	-	-	-	52
FUND BALANCES:						
Non-spendable fund balance	-	-	-	-	-	-
Restricted fund balance:						
Capital projects	-	4,680	18,521	-	-	23,201
Transportation improvements	-	-	-	-	89,645	89,645
Housing and development	-	-	-	721	-	721
Unrestricted fund balance:						
Committed fund balance	-	-	-	-	-	-
Assigned fund balance	-	-	-	-	-	-
Unassigned fund balance	51,116	-	-	-	-	51,116
Total fund balances	51,116	4,680	18,521	721	89,645	164,683
Total liabilities, deferred inflows of resources, and fund balance	$ 59,899	$ 4,680	$ 18,521	$ 721	$ 89,645	$ 173,466

(Continued)

See accompanying notes to the basic financial statements

TOWN OF DAVISBORO, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JULY 31, 2018

Fund balances - total governmental funds	$ 164,683
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, net of accumulated depreciation of $563,297	873,628
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Accounts receivable, net of allowance for doubtful accounts of $0	52
Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore are not reported in the funds:	
Net pension liability	(101,782)
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore are not reported in the funds:	
Deferred outflows of resources related to pensions	12,965
Deferred inflows of resources related to pensions	(16,823)
Long-term notes payable are not due and payable in the current period and therefore are not reported in the funds	-
Net position of governmental activities	$ 932,723

TOWN OF DAVISBORO, GEORGIA
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JULY 31, 2018

	General Fund	Capital Projects Fund (2009)	Capital Projects Fund (2014)	CDBG Fund (2012)	Trans-portation Special Revenue Fund	Total Govern-mental Funds
REVENUES:						
Taxes	$ 267,878	$ -	$ -	$ -	$ 31,362	$ 299,240
Licenses and permits	8,493	-	-	-	-	8,493
Intergovernmental	-	-	20,410	-	19,656	40,066
Charges for services	34,059	-	-	-	-	34,059
Other	27,955	2	-	-	-	27,957
Total revenues	338,385	2	20,410	-	51,018	409,815
EXPENDITURES:						
Current operating:						
General government	261,146	-	-	-	-	261,146
Street department	95,569	-	-	-	62,077	157,646
Public safety	116,561	-	-	-	-	116,561
Housing and development	-	-	-	141	-	141
Debt service:						
Principal	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-
Capital outlays	-	-	10,783	-	-	10,783
Total expenditures	473,276	-	10,783	141	62,077	546,277
Excess (deficiency) of revenues over expenditures	(134,891)	2	9,627	(141)	(11,059)	(136,462)
OTHER FINANCING SOURCES (USES):						
Loan proceeds	-	-	-	-	-	-
Transfers in (out)	146,460	-	-	-	-	146,460
Total other financing sources and uses	146,460	-	-	-	-	146,460
Net change in fund balance	11,569	2	9,627	(141)	(11,059)	9,998
FUND BALANCE, beginning of year	39,547	4,678	8,894	862	100,704	154,685
FUND BALANCE, end of year	$ 51,116	$ 4,680	$ 18,521	$ 721	$ 89,645	$ 164,683

(Continued)

See accompanying notes to the basic financial statements

TOWN OF DAVISBORO, GEORGIA

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JULY 31, 2018

Net change in fund balances - total governmental funds	$ 9,998
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital outlays	14,452
Depreciation	(45,976)
	(31,524)
The effect of various capital asset disposals and sales, net of accumulated depreciation	-
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Receivables, net of deferred revenue	(40)
Governmental funds report pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense:	
Cost of benefits earned net of employee contributions	(11,713)
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:	
Issuance of long-term debt	-
Repayment of long-term debt	-
	-
	$ (33,279)

See accompanying notes to the basic financial statements

TOWN OF DAVISBORO, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUND
JULY 31, 2018

	Water and Sewer Fund
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
CURRENT ASSETS:	
Cash in bank	$ 462,376
Accounts receivable, net of allowance of $382	71,827
Total current assets	534,203
CAPITAL ASSETS:	
Land and improvements	26,978
Furniture and fixtures	30,792
Distribution system	6,572,591
Vehicles	67,936
Construction in progress	28,145
	6,726,442
Less accumulated depreciation	(3,139,584)
Total capital assets	3,586,858
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred charges on pension obligations	5,557
Total assets	4,126,618
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	
CURRENT LIABILITIES:	
Accounts payable	3,494
Current portion of long-term debt	35,002
Due to General Fund	6,766
Payroll taxes payable	642
Meter deposits held	15,985
Total current liabilities	61,889
NONCURRENT LIABILITIES	
Pension liability	43,621
Notes payable, net of current portion	740,005
Total liabilities	783,626
DEFERRED INFLOWS OF RESOURCES:	
Deferred charges on pension obligations	7,210
Total liabilities and deferred inflows of resources	852,725
NET POSITION	
NET INVESTMENT IN CAPITAL ASSETS	2,811,851
UNRESTRICTED	462,042
Total net position	$ 3,273,893

See accompanying notes to the basic financial statements

TOWN OF DAVISBORO, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PRORIETARY FUND
FOR THE YEAR ENDED JULY 31, 2018

	Water and Sewer Fund
OPERATING REVENUES:	
Water and sewer charges	$ 816,663
Other charges	15,776
Total operating revenue	832,439
OPERATING EXPENSES:	
Personal services and employee benefits:	
Salaries	104,930
Payroll taxes	8,629
Health insurance	23,773
Retirement plan	21,373
Purchased/contracted services:	
Repairs and replacement	30,821
Advertising	-
Professional fees	10,983
Testing	15,138
Insurance	25,409
Supplies:	
Chemicals and supplies	18,706
Office supplies	4,866
Utilities and communication	87,736
Depreciation	195,262
Miscellaneous	32,480
Total operating expenses	580,106
OPERATING INCOME	252,333
NON-OPERATING REVENUES (EXPENSES):	
Interest income	844
Interest expense	(18,063)
Grant revenue	101,656
Total non-operating revenues (expenses)	84,437
NET INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	336,770
CAPITAL CONTRIBUTIONS:	
Contribution from Capital Projects Funds	-
NET INCOME BEFORE TRANSFERS	336,770
TRANSFERS IN (OUT):	
General Fund	(146,460)
NET INCOME (LOSS)	190,310
NET POSITION, beginning of year	3,083,583
NET POSITION, end of year	$ 3,273,893

See accompanying notes to the basic financial statements

TOWN OF DAVISBORO, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JULY 31, 2018

	Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	$ 772,842
Cash paid to suppliers for goods and services	(278,873)
Cash paid to employees	(104,902)
Net cash provided by (used for) operating activities	389,067
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Transfer from (to) other funds	(146,460)
Net cash provided by (used for) noncapital financing activities	(146,460)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of capital assets	(121,321)
Grant proceeds	101,656
Proceeds from long-term debt	11,655
Principal paid on capital debt	(34,203)
Interest paid on capital debt	(18,063)
Net cash provided by (used for) capital and related financing activities	(60,276)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received	844
Net cash provided by (used for) investing activities	844
NET INCREASE (DECREASE) IN CASH	183,175
CASH AND CASH EQUIVALENTS, beginning of year	279,201
CASH AND CASH EQUIVALENTS, end of year	$ 462,376
RECONCILIATION OF NET INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:	
Net operating income (loss)	$ 252,333
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities:	
Cash flows reported in other categories:	
Depreciation expense	195,262
Changes in assets and liabilities:	
Accounts receivable	(59,597)
Accounts payable	(6,982)
Payroll taxes payable	28
Due to General Fund	2,629
Pension liability	5,019
Meter deposits held	375
Net cash provided by (used for) operating activities	$ 389,067

See accompanying notes to the basic financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The financial statements of Town of Davisboro (the "Town") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. As required by GAAP, these financial statements present the Town and its component units, entities for which the Town is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the Town's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize they are legally separate from the Town.

Currently, the Town has no blended component units or discretely presented component units.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position report information on all of the nonfiduciary activities of the Town (the primary government) and its component units. 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. The Town has elected not to allocate indirect costs among the programs, functions and segments. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported 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 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, including accrued interest on general long-term debt, is recognized when due, and certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Those revenues susceptible to accrual are property taxes, interest, and charges for services. Other receipts and taxes become measurable and available when cash is received by the Town and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The Town reports the following major governmental funds:

> The General Fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
>
> The Capital Projects Fund (2009) accounts for capital outlay and other transactions related to the additional one-percent local option sales tax in effect for the period October 1, 2009 to September 30, 2014.
>
> The Capital Projects Fund (2014) accounts for capital outlay and other transactions related to the additional one-percent local option sales tax in effect for the period October 1, 2014 to September 30, 2020.

The Transportation Special Revenue Fund accounts for capital outlay and other transportation improvements related to the additional one-percent local option sales tax in effect for the period January 1, 2013 to December 31, 2022.

The 2012 Community Development Block Grant ("CDBG") Fund accounts for a 2012 grant of $421,594 for the rehabilitation and reconstruction of private properties.

The Town reports the following major proprietary fund:

The Water and Sewer Fund is used to account for the provision of water and sewer services to businesses and residents of the Town. All activities necessary to provide such services are accounted for in the fund, including but not limited to, administration, operation, financing and related debt services, and billing and collections.

The Town complies with Governmental Accounting Standards Board ("GASB") Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting. This Statement requires the Town to apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB's). As permitted by GASB No. 20, the Town has elected not to comply with the FASB Statements and Interpretations issued after November 30, 1989.

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated 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 nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's proprietary funds are charges to customers for sales and services; operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. 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 Town.

Investments, if any, are stated at fair market value with unrealized holding gains and losses reported as the "Change in fair market value of investments" in the Statement of Revenues, Expenses and Changes in Net Position.

E. Inventory

Materials purchased in the proprietary fund are expensed as purchased and are not inventoried at year end due to lack of materiality.

F. Prepaid Items

Prepaid balances, if any, are for payments made by the Town in the current year to provide services occurring in the subsequent fiscal year, and a reserve for prepaid items is recognized to signify that a portion of fund balance is not available for other subsequent expenditures.

G. Capital Assets and Depreciation

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., streets, sidewalks, distribution systems and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an estimated useful life in excess of two years and an original cost of $1,500 or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized. Infrastructure assets totaling $0 were completed during the year ended July 31, 2018. At July 31, 2018, $23,191 of construction-in-progress was related to infrastructure assets.

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

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows

Buildings	30-40 years
Machinery and equipment	5-25 years
Infrastructure	40-50 years

H. Compensated Absences

Accumulated leave of governmental funds that is expected to be liquidated with expendable available financial resources is reported as an expenditure in the fund financial statements. All accumulated leave, including that which is not expected to be liquidated with expendable available financial resources, is reported in the government-wide financial statements. Accumulated leave of Enterprise Funds is recorded as an expense and liability of the respective fund as the benefits accrue to employees. Liabilities for compensated absences are recorded as other liabilities and accrued expenses in the Water and Sewer Fund. In accordance with the provisions of Governmental Accounting Standards Board Statement No. 16, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

The Town does not allow accumulated vacation pay beyond one year; therefore there is no significant unrecorded balance at July 31, 2018.

I. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

J. Equity Classifications

The City has implemented GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. This new standard changed the overall definitions and classifications of governmental fund balances.

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 liabilities 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.

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

Committed – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through the adoption of a resolution. Only the City Council may modify or rescind the commitment.

Assigned – Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the City Council has authorized the City's finance committee to assign fund balances.

Unassigned – Fund balances are reported as unassigned when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the General Fund. Negative unassigned balances may be reported in all funds.

The City uses restricted amounts to be spent first when both restricted and unrestricted fund balances are available, unless there are legal documents/contracts that prohibit the use of restricted fund balances, such as grant agreements that require a dollar match. Additionally, the City would then use committed, assigned and lastly unassigned amounts from the unrestricted fund balance when expending funds.

The City does not have a formal minimum fund balance policy; however, the City Council address various target reserve positions which are reviewed periodically.

Net Position

Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position – All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

K. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially

made from it that are properly chargeable to another fund, are recorded as expenditures/ expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Basis

GAAP is the budgetary basis used in the preparation of these statements.

Budget Requirements, Accounting and Reporting

The Town follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to year end the Town Clerk submits to the Council a proposed operating budget for the fiscal year commencing the following August 1. The operating budget includes proposed expenditures and the means of financing them.
2. The Council holds a public hearing on the budget, giving notice thereof at least ten days in advance by publication in the official organ of Town of Davisboro.
3. The budget is then revised and adopted or amended by the Council at a regular meeting early in the year to which it applies.
4. The budget so adopted may be revised during the year only by formal action of the Council in a regular meeting and no increase shall be made therein without provision also being made for financing same.
5. The legal level of budgetary control is the department level within the General Fund. Increases in the total appropriations of a department, whether accomplished through an increase in estimated revenues or through a transfer of appropriations among departments, require the approval of the Mayor and Council.
6. Formal budgetary integration is employed as a management control device during the year for the General Fund. The budgets for the General Fund and Special Revenue Funds are adopted on a basis consistent with GAAP.
7. Budgeted amounts are as originally adopted, or as amended by the Council. Individual amendments were not material in relation to the original appropriations which were amended.

Excesses of Expenditures over Appropriations in Individual Funds

The following general fund departments had excesses of actual expenditures over appropriations in the amount shown for the year ended July 31, 2018:

General government	$ 44,423
Streets and sanitation	57,479
General government – capital outlays	3,669

These overexpenditures were funded by greater than anticipated revenues and by available fund balance. The Mayor and Council plan in the future to more closely monitor expenditures to determine if budget amendments need to be made or if cost cutting measures need to be formulated.

3. DEPOSITS AND INVESTMENTS

Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of July 31, 2018, none of the Town's $609,753 was exposed to custodial credit risk.

Investments - There were no investments at July 31, 2018.

4. PROPERTY TAXES

The value of all real and business personal property located in the Town is assessed (appraised) as of each January 1. Taxable assessed value represents the appraisal value less applicable exemptions authorized by the Town Council. Appraised values are established by the Washington County Board of Tax Assessors at 40% of estimated fair market value. Taxes are collected by the Washington County Tax Commissioner. Taxes were levied when the milleage rate was set on or about August 31, 2016. Taxes were billed on or about October 1, 2016 and were due December 10, 2016 after which date penalties and interest were assessed. Property on which taxes are not paid within 60 days of mailing may then be levied on by the Town. Current tax collections for the years ended July 31, 2018, were 98.7% of the tax levy.

Property taxes are recorded as receivables and deferred at the time the tax levy is billed. Revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible within sixty days following the close of the fiscal year, and therefore susceptible to accrual in accordance with GAAP have been recognized as revenue.

5. ACCOUNTS RECEIVABLE

At July 31, 2018, accounts receivable consisted of the following:

	Governmental Activities	Business-type Activities	Total
General Fund:			
Property tax	$ 361	$ -	$ 361
Local option sales tax	10,079	-	10,079
Garbage fees receivable	2,174	-	2,174
Miscellaneous receivable	1,758	-	1,758
Capital Projects Fund (2014) SPLOST	2,394	-	2,394
Transportation Special Revenue Fund	2,557	-	2,557
Water and Sewer Fund - water and sewer fees	-	72,209	72,209
	19,323	72,209	91,532
Allowance for doubtful accounts	-	(382)	(382)
	$ 19,323	$ 71,827	$ 91,150

6. CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended July 31, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Not being depreciated:				
Land	$ 199,937	$ -	$ -	$ 199,937
Construction-in-progress	23,191	-	-	23,191
Subtotal	223,128	-	-	223,128
Other capital assets:				
Buildings	816,956	14,452	-	831,408
Equipment	382,389	-	-	382,389
Infrastructure	-	-	-	-
Subtotal	1,422,473	14,452	-	1,436,925
Accumulated depreciation:				
Buildings	249,643	22,885	-	272,528
Equipment	267,678	23,091	-	290,769
Infrastructure	-	-	-	-
Subtotal	517,321	45,976	-	563,297
Net capital assets	$ 905,152	$ (31,524)	$ -	$ 873,628

Business-type activities:				
Not being depreciated:				
Land	$ 26,978	$ -	$ -	$ 26,978
Construction-in-progress	24,783	3,362	-	28,145
Subtotal	51,761	3,362	-	55,123
Other capital assets:				
Furniture and fixtures	30,792	-	-	30,792
Vehicles	67,936	-	-	67,936
Infrastructure	6,454,632	117,959	-	6,572,591
Subtotal	6,605,121	121,321	-	6,726,442
Accumulated depreciation:				
Furniture and fixtures	24,645	1,025	-	25,670
Vehicles	61,632	1,318	-	62,950
Infrastructure	2,858,045	192,919	-	3,050,964
Subtotal	2,944,322	195,262	-	3,139,584
Net capital assets	$ 3,660,799	$ (73,941)	$ -	$ 3,586,858

Depreciation was charged to functions as follows:

Governmental activities:	
General government	$ 27,550
Public safety	10,710
Street department	7,716
	$ 45,976

7. LONG-TERM DEBT

Outstanding Debt:

At July 31, 2018, long-term debt consisted of the following:

	Governmental Activities	Water Enterprise Fund Debt
$859,200 loan for water system improvements from GEFA; interest at 2.31%; due in monthly principal and interest payments of $4,355 for 20 years ending May 2036	$ -	$ 763,352
$4,179,000 loan for water system improvements from GEFA; interest at 3.12%; due in monthly principal and interest payments of $23,427 for 20 years beginning upon completion of construction	-	11,655
Total long-term debt	$ -	$ 775,007

Following is a summary of changes in long-term debt for the year ended July 31, 2018:

	Balance August 1, 2017	Additions	Reductions	Balance July 31, 2018	Amount Due in One Year
Governmental type activities:					
Net pension liability	$ 101,985	$ -	$ (203)	$ 101,782	$ -
Business type activities:					
Net pension liability	$ 43,708	$ -	$ (87)	$ 43,621	$ -
Note payable	797,555	11,655	(34,203)	775,007	35,002
	$ 841,263	$ 11,655	$ (34,290)	$ 818,628	$ 35,002

Annual Requirements to Retire Debt Obligations:

The annual maturities for the years subsequent to July 31, 2018 are as follows:

	Governmental Activities		Water and Sewer Note Payable	
Year Ending July 31	Principal	Interest	Principal	Interest
2019	$ -	$ -	$ 35,002	$ 17,264
2020	-	-	47,473	16,448
2021	-	-	36,655	15,611
2022	-	-	37,510	14,756
2023			38,387	13,879
2024 – 2028	-	-	205,799	55,530
2029 – 2033	-	-	230,971	30,358
2034 - 2036	-	-	143,210	4,876
	$ -	$ -	$ 775,007	$ 168,722

8. FUND DEFICITS

No fund had a deficit balance at July 31, 2018.

9. INTERFUND TRANSACTIONS AND BALANCES

At July 31, 2018, the Water Fund owed the General Fund $6,766 for garbage fees and user fees collected by the Water Fund but not remitted to the General Fund. This balance will be repaid during the year ended July 31, 2018.

Transfers:

	Transfers In	Transfers Out
General Fund:		
Water Fund	$ 146,460	$ -
Water Fund:		
General Fund	-	146,460

Transfers are used to utilize unrestricted revenues collected in the Water Fund to finance various programs accounted for in the General Fund in accordance with budgetary authorizations.

10. COMMITMENTS AND CONTINGENCIES

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

Litigation

According to Town's attorneys, there are no contingent liabilities or other litigation in progress for which the Town may be liable as of July 31, 2018.

11. DEFINED BENEFIT PENSION PLAN

A. Plan Description

The City has established a defined benefit pension plan (the "Plan") and contributes to the Georgia Municipal Employees Benefit System ("GMEBS"), an agent multi-employer public employee retirement system that acts as a common investment and administrative agent for cities in the state of Georgia. The GMEBS issues a publicly available financial report that includes financial statements and required supplementary information of GMEBS. That report may be obtained 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. Benefit terms and contribution requirements are established and may be amended by the City Council.

All full-time employees are eligible for the plan when hired. Benefits vest after completing five years of service. Employees who retire after age 65 with 5 years of service or after 55 with 10 years of credited service are entitled to a retirement benefit. The monthly benefit is determined using a split benefit formula, incorporating the employees' highest average earnings for five consecutive years using a benefit rate of 1.5%.

Elected officials have no waiting period for eligibility and are immediately vested. Elected officials are entitled to a benefit based on a set amount per years of service.

As of January 1, 2018, the date of the latest actuarial valuation study, employee membership data related to the current plan membership was as follows:

Retirees and beneficiaries currently receiving benefits	10
Terminated employees entitled to benefits but not yet receiving them	-
Active employees	6
Elected Officials	6
Total membership in the plan	22

B. Contributions

Contributions are determined under the projected unit credit actuarial cost method. The GMEBS Board of Trustees has adopted an actuarial funding policy for determination of annual contributions. For the year ended July 31, 2018, the actuarially determined rate was 20.17% of annual pay. The City's contributions to the Plan totaled $68,814 for the year ended July 31, 2018.

C. Net Pension Liability

The City's net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

D. Actuarial Assumptions

The total pension liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.25% - 8.25%
Investment rate of return	7.5%
Post retirement benefit increases	Not applicable

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table for Males and Females, as appropriate.

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

There are no investments in, loans to, or leases with parties related to the pension plan.

The Net Investment Return is 7.75% on an on-going basis, based on long-term expected rate of return on pension plan investments.

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 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%
Cash	0%	
	100%	

E. 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 City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

F. Changes in the Net Pension Liability

	Total Pension Liability (TPL) (a)	Fiduciary Net Position (FNP) (b)	Net Pension Liability (a) - (b)
Balances at September 30, 2016	$ 543,151	$ 397,458	$ 145,693
Changes for the year:			
Service cost	20,273	-	20,273
Interest	40,415	-	40,415
Differences between expected and actual experience	9,677	-	9,677
Contributions - employer	-	28,132	(28,132)
Contributions - employee	-	-	-
Net investment income	-	59,354	(59,354)
Benefit payments, including refunds of employee contributions	(43,342)	(43,342)	-
Administrative expense	-	(6,253)	6,253
Other	10,578	-	10,578
Net changes	37,601	37,891	(290)
Balances at September 30, 2017	$ 580,752	$ 435,349	$ 145,403

G. 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% lower (6.50%), or 1% higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net pension liability	$ 197,467	$ 145,403	$ 100,207

H. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued GMEBS Retirement Trust Financial Report. The GMEB's financial statements are prepared using the accrual basis of accounting. Contributions are recognized in the period in which the contributions are received. Investment income is recognized as earned by the GMEBS. The net appreciation (depreciation) in the fair value of investments held by the GMEBS is recorded as an increase (decrease) to investment income based on the valuation of investments as of the date of the Statement of Net Position. Plan refunds, transfers and benefits to participants are recorded as they are received or paid. Other expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made. Investments are reported at fair value as of the Statement of Net Position date.

Investments of the System consist of common and preferred stocks, corporate fixed income securities, equity and fixed income mutual funds, governmental and governmental agency securities, and real estate. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments in real estate funds are valued based on appraisals and valuations prepared by Morgan Stanley Real Estate Advisors. Temporary cash and cash equivalent investments are reported at cost, which approximates fair value. Investments that do not have an established market are reported at estimated fair values.

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

For the year ended July 31, 2018, the City recognized pension expense of $68,814. At June 30, 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	$ 10,587	$ -
Changes of assumptions	7,935	-
Net difference between projected and actual earnings on pension plan investments	-	24,033
Total	$ 18,522	$ 24,033

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended July 31, 2018	
2019	$ (1,378)
2020	(1,378)
2021	(1,378)
2022	(1,377)
	$ (5,511)

12. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors of omissions, job related illnesses or injuries to employees; natural disaster; and unemployment compensation.

There were no significant reductions of insurance coverage in the prior year. Management believes that the coverage is adequate to preclude any significant uninsured risk exposure to the Town. Settled claims have not exceeded the commercial excess coverage in any of the past three fiscal years.

Risk Pool

The Town has elected to be a member of the Georgia Municipal Association Workers' Compensation Self-Insurance Fund (GMAWCSIF) and Georgia Interlocal Risk Management Agency (GIRMA), risk management agencies created under Georgia law. As a participant in the GMAWCSIF and GIRMA, the Town has no legal obligation to pay its own workers' compensation claims or general liability claims. The Town is required to make an annual contribution to the funds in an amount that is determined on the basis of actuarial projections of losses. With payment of the Town's annual contribution, the Town has effectively transferred the risk and responsibility for payment of its workers' compensation claims and general liability claims. However, the enabling statute creating the GMAWCSIF and GIRMA permits the funds to levy an assessment upon its members to make up any deficiency the fund may have in surplus or reserves. Since excess insurance is purchased by the GMASCSIF and GIRMA to protect the funds from catastrophic losses, no amount has been recorded in the financial statements for this contingency as management believes the likelihood for assessment is remote.

Self Insurance

The Town is self-insured with regard to unemployment compensation claims. The Town accounts for claims with expenditures and liabilities being reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. The Town has not experienced any claims related to unemployment compensation in the past three years.

13. JOINT VENTURE

Under Georgia law, the Town in conjunction with other cities and counties in the fourteen Town east central Georgia area, is a member of the Central Savannah River Area Regional Commission and is required to pay annual dues thereto. During its year ended July 31, 2018, the Town paid $1,768 in such dues. Membership in a Regional Commission is required by the OCGA Section 50-8-34 which provides for the organizational structure of the Regional Commission in Georgia. The Regional Commission Board membership includes the chief elected official of each Town and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of a Regional Commission. Separate financial statements may be obtained from:

Central Savannah River Area Regional Commission
2123 Wrightsboro Road
PO Box 2800
Augusta, Georgia 30914-2800

14. SUBSEQUENT EVENTS

Management of the Town has evaluated subsequent events through November 13, 2018, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Schedule of Changes in the City's Net Pension Liability and Related Ratios
- Schedule of Contributions
- Budgetary Comparison Schedules – General Fund, Transportation Special Revenue Fund and Community Development Block Grant Special Revenue Fund (2012)

Schedule of Changes in the City's Net Pension Liability and Related Ratios

	2018	2017	2016
Total Pension Liability:			
Service cost	$ 20,273	$ 20,102	$ 23,230
Interest	40,415	39,175	36,713
Difference between expected and actual experience	9,677	154	13,007
Changes of assumptions	10,578	-	-
Changes of benefit terms	-	-	-
Benefit payments, including refunds of employee contributions	(43,342)	(43,530)	(38,820)
Net change in total pension liability	37,601	15,901	34,130
Total pension liability, beginning	543,151	527,250	493,120
Total pension liability, ending (a)	580,752	543,151	527,250
Plan Fiduciary Net Position:			
Contributions - employer	28,132	18,049	31,494
Contributions - employee	-	-	-
Net investment income	59,354	41,819	4,754
Benefit payments, including refunds of employee contributions	(43,342)	(43,530)	(38,820)
Administrative expense	(6,253)	(3,296)	(3,428)
Other	-	-	-
Net change in fiduciary net position	37,891	13,042	(6,000)
Plan fiduciary net position, beginning	397,458	384,416	390,416
Plan fiduciary net position, ending (b)	435,349	397,458	384,416
Net pension liability, ending (a) - (b)	$ 145,403	$ 145,693	$ 142,834
Plan's fiduciary net position as a % of the total pension liability	74.96%	73.18%	72.91%
Covered-employee payroll**	$ 236,547	$ 237,204	$ 232,717
Net pension liability as a % of covered-employee payroll	61.47%	61.42%	61.38%
Actuarially determined contribution*	-	40,334	$ 36,098
Contributions in relation to the actuarially determined contribution*	-	28,132	18,049
Contribution deficiency (excess)*	-	12,202	18,049
Contributions as a % of covered payroll		11.86%	7.76%

** 2018 information will be determined after fiscal year end and will be included in the 2019 valuation report*

*** 2017 covered payroll is based on data collected as of August 31, 2016 for the 2017 valuation*

Schedule of Contributions

	7/31/2018	7/31/2017	7/31/2016
Actuarially determined contribution	$ 48,483	$ 44,215	$ 40,334
Contributions in relation to the actuarially determined contribution	68,814	38,754	40,097
Contribution deficiency (excess)	$ (20,331)	$ 5,461	$ 237
Covered payroll	$ 236,547	$ 237,204	$ 232,717
Contribution as a % of covered payroll	29.09%	16.34%	17.23%

Notes to Schedule:

Valuation Date	The actuarially determined contribution rate was determined as of January 1, 2018, with an interest adjustment to fiscal year.

Methods and assumptions to determine contribution rates:

Actuarial cost method	Projected unit credit
Amortization method	Closed level dollar for remaining unfunded liability
Remaining amortization period	Varies for the bases, with an net effective amortization period of 10 years
Asset valuation method	Sum of the actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. Then actuarial value is adjusted, if necessary, to be within 20% of market value.
Inflation	2.75%
Salary increases	3.25% - 8.25%
Investment rate of return	7.50%
Retirement age	65
Mortality	RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females. RP-2000 Disabled Mortality Table with sex-distinct rates.

2015 is the first fiscal year that data has been measured in accordance with GASB Statement 68

TOWN OF DAVISBORO, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (GAAP) BASIS AND ACTUAL
FOR THE YEAR ENDED JULY 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes:				
Ad valorem	$ 26,900	$ 26,900	$ 26,912	$ 12
Vehicle	9,400	9,400	9,485	85
Franchise tax	35,500	35,500	36,053	553
Alcoholic beverage excise	3,000	3,000	3,452	452
Local option sales tax	47,500	47,500	56,079	8,579
Insurance company premium	133,000	133,000	133,321	321
Intangible	100	100	96	(4)
Other	-	-	2,480	2,480
	255,400	255,400	267,878	12,478
Licenses and Permits:				
Business and beer licenses	3,200	3,200	8,493	5,293
	3,200	3,200	8,493	5,293
Intergovernmental:				
FEMA grant	-	-	-	-
Charges for services:				
Garbage fees	26,350	26,350	27,855	1,505
Court fines	3,500	3,500	6,204	2,704
	29,850	29,850	34,059	4,209
Miscellaneous:				
Private donations	-	-	7,459	7,459
Rent	-	-	3,296	3,296
Sale of equipment and supplies	-	-	-	-
Other	-	-	17,200	17,200
	-	-	27,955	27,955
Total revenues	288,450	288,450	338,385	49,935

TOWN OF DAVISBORO, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (GAAP) BASIS AND ACTUAL
FOR THE YEAR ENDED JULY 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
EXPENDITURES:				
Current Operating:				
General government	$ 213,054	$ 213,054	$ 257,477	$ (44,423)
Public safety	136,720	136,720	116,561	20,159
Streets and sanitation	38,090	38,090	95,569	(57,479)
Total operating expenditures	387,864	387,864	469,607	(81,743)
Capital Outlays:				
General government	-	-	3,669	(3,669)
Public safety	-	-	-	-
Streets and sanitation	-	-	-	-
Total capital expenditures	-	-	3,669	(3,669)
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total debt service	-	-	-	-
Total expenditures	387,864	387,864	473,276	(85,412)
Excess (deficiency) of revenues over expenditures	(99,414)	(99,414)	(134,891)	(35,477)
OTHER FINANCING SOURCES (USES):				
Loan proceeds	-	-	-	-
Transfers in (out)	112,460	112,460	146,460	34,000
	112,460	112,460	146,460	34,000
Excess (deficiency) of revenues over expenditures and other financing sources	13,046	13,046	11,569	(1,477)
FUND BALANCE, beginning of year	39,547	39,547	39,547	-
FUND BALANCE, end of year	$ 52,593	$ 52,593	$ 51,116	$ (1,477)

TOWN OF DAVISBORO, GEORGIA
TRANSPORTATION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (GAAP) BASIS AND ACTUAL
FOR THE YEAR ENDED JULY 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes				
Special local option sales tax	$ 35,000	$ 35,000	$ 31,362	$ (3,638)
Intergovernmental revenue	28,000	28,000	19,656	(8,344)
	63,000	63,000	51,018	(11,982)
EXPENDITURES:				
Current operating:				
Transportation improvements	63,000	63,000	62,077	923
Miscellaneous expense	-	-	-	-
Capital outlays:				
Streets and sanitation	-	-	-	-
Total expenditures	63,000	63,000	62,077	923
Excess revenues over (under) expenditures	-	-	(11,059)	(11,059)
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	-	-	-	-
Excess revenues and other financing sources (uses) over (under) expenditures	-	-	(11,059)	(11,059)
FUND BALANCE, beginning of year	100,704	100,704	100,704	-
FUND BALANCE, end of year	$ 100,704	$ 100,704	$ 89,645	$ (11,059)

TOWN OF DAVISBORO, GEORGIA
COMMUNITY DEVELOPMENT BLOCK GRANT SPECIAL REVENUE FUND (2012)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (GAAP) BASIS AND ACTUAL
FOR THE YEAR ENDED JULY 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Intergovernmental revenue	$ -	$ -	$ -	$ -
Other	-	-	-	-
	-	-	-	-
EXPENDITURES:				
Housing and development	141	141	141	-
Other expenditures	-	-	-	-
Total expenditures	141	141	141	-
Excess revenues over (under) expenditures	(141)	(141)	(141)	-
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Excess revenues and other financing sources (uses) over (under) expenditures	(141)	(141)	(141)	-
FUND BALANCE, beginning of year	862	862	862	-
FUND BALANCE, end of year	$ 721	$ 721	$ 721	$ -

OTHER SUPPLEMENTARY INFORMATION

Other supplementary information includes financial statements and schedules not required by the GASB, nor are a part of the basic financial statements, but are presented for purposes of additional analysis. Such information includes:

- General Fund Statement of Expenditures (Final Budget to Actual) Detailed by Department
- Schedule of Projects Constructed with Special Sales Tax Proceeds
- Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

TOWN OF DAVISBORO, GEORGIA

GENERAL FUND

SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (GAAP BASIS)

FOR THE YEAR ENDED JULY 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
OPERATING EXPENDITURES:				
General Government:				
Personal services and employee benefits				
Salaries	$ 102,304	$ 102,304	$ 103,022	$ (718)
Payroll taxes	6,500	6,500	8,472	(1,972)
Health insurance	14,000	14,000	23,341	(9,341)
Retirement plan	21,000	21,000	23,132	(2,132)
Purchased/contracted services:				
Accounting and legal	6,100	6,100	6,596	(496)
Insurance	19,000	19,000	26,612	(7,612)
Utilities and communication	7,200	7,200	10,753	(3,553)
Repairs and maintenance	-	-	663	(663)
Dues	1,500	1,500	5,444	(3,944)
Advertising	800	800	1,577	(777)
Supplies:				
Office supplies	6,500	6,500	5,270	1,230
Other costs:				
Fourth of July celebration	5,000	5,000	14,969	(9,969)
Travel and training	19,000	19,000	20,174	(1,174)
County recreation program	3,500	3,500	1,080	2,420
Election	-	-	-	-
Miscellaneous	650	650	6,372	(5,722)
Total General Government	$ 213,054	$ 213,054	$ 257,477	$ (44,423)
Public safety:				
Police:				
Personal services and employee benefits:				
Salaries	$ 74,860	$ 74,860	$ 48,630	$ 26,230
Payroll taxes	5,000	5,000	3,999	1,001
Health insurance	15,000	15,000	11,017	3,983
Retirement plan	7,000	7,000	15,149	(8,149)
Purchased/contracted services:				
Uniforms	-	-	196	(196)
Utilities and communication	3,100	3,100	3,507	(407)
Vehicle costs	9,000	9,000	7,645	1,355
Training	4,000	4,000	935	3,065
Supplies	750	750	196	554
Other costs:				
Peace officers' retirement	500	500	333	167
Miscellaneous	3,050	3,050	865	2,185
Total Police	122,260	122,260	92,472	29,788

TOWN OF DAVISBORO, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (GAAP BASIS)
FOR THE YEAR ENDED JULY 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
EMA/Dispatch	$ 1,500	$ 1,500	$ 1,340	$ 160
Fire:				
Donation	12,960	12,960	22,749	(9,789)
Total Fire	12,960	12,960	22,749	(9,789)
Total Public Safety	$ 136,720	$ 136,720	$ 116,561	$ 20,159
Streets and Sanitation:				
Personal services and employee benefits				
Salaries	$ -	$ -	$ 34,977	$ (34,977)
Payroll taxes	-	-	2,876	(2,876)
Health insurance		-	7,924	(7,924)
Retirement plan		-	9,160	(9,160)
Purchased/contracted services:				
Utilities and communication	20,000	20,000	21,822	(1,822)
Repairs and maintenance	-	-	-	-
Garbage contract	18,090	18,090	18,810	(720)
Materials and supplies	-	-	-	-
Other costs	-	-	-	-
Total Street Department	$ 38,090	$ 38,090	$ 95,569	$ (57,479)

TOWN OF DAVISBORO, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH
SPECIAL SALES TAX PROCEEDS
For the Year Ended July 31, 2018

Project	Original Estimated Cost	Revised Estimated Cost	Expenditures			Estimated Percentage of Completion
			Prior Years	Current Year	Total	
2009 Tax:						
Capital outlays:						
Water and sewer system upgrades	$ 75,000	$ 75,000	$ 48,071	$ -	$ 48,071	64.09%
Public safety equipment	40,000	40,000	4,277	-	4,277	10.69%
General government equipment	40,000	130,000	124,313	-	124,313	95.63%
Street equipment	25,000	25,000	4,621	-	4,621	18.48%
2014 Tax:						
Capital outlays:						
Water and sewer system upgrades	100,000	100,000	18,895	-	18,895	18.90%
Public safety equipment	60,000	80,000	60,146	-	60,146	75.18%
General government equipment	50,000	50,000	-	10,783	10,783	21.57%
Street equipment	50,000	50,000	-	-	-	0.00%

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

To the Mayor and Council
Town of Davisboro, Georgia

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities and each major fund of the Town of Davisboro, Georgia as of and for the year ended July 31, 2018, and the related notes to the financial statements, which collectively comprise the Town of Davisboro's basic financial statements and have issued our report thereon dated November 13, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Davisboro, Georgia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Davisboro, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Davisboro'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that were considered to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

We did identify certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs, that we consider to be significant deficiencies in internal control over financial reporting noted as items 18-1 through 18-2.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Davisboro 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 18-3.

Town of Davisboro, Georgia's Response to Findings

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

Purpose of this Report

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

Wright & Wright, P.C.

November 13, 2018

TOWN OF DAVISBORO, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended July 31, 2018

SIGNIFICANT DEFICIENCIES

18-1 Segregation of Duties

Condition

Due to the small size of the Town's staff, controls are not practical to provide adequate segregation of duties in the cash receipts and disbursements functions.

Effect

Because of the failure to separate control over cash, errors or fraud that might avoid detection are possible.

Recommendation

The Town Council should implement other internal controls in areas where segregation of duties is not practical.

Views of Responsible Officials

We concur and will continue to require dual signatures on checks and council approval for non-recurring expenditures.

18-2 Controls Over Financial Statement Presentation

Condition

Town personnel do not currently possess the professional skills necessary to prepare the year end financial statements in sufficient detail to detect material misstatements in the financial statements and related footnotes.

Effect

The deficiency identified above could result in a material misstatement to the Town's financial statements that would not be prevented or detected on a timely basis.

Recommendation

The Town should consider additional training that would provide accounting personnel with the skills to detect and correct misstatements in the financial statements.

Views of Responsible Officials

We concur. We will evaluate the cost effectiveness of implementing the control and act accordingly.

COMPLIANCE AND OTHER MATTERS

18-3 Budgetary

Condition

In the Town's General Fund, actual expenditures exceeded budget appropriations in three departments. This is a violation of state law.

Effect

Fiscal control and accountability over departmental expenditures may be jeopardized.

Recommendation

The Town should monitor the budget and amend it when appropriate.

Views of Responsible Officials

Our Town Council will analyze budgetary financial data periodically and amend the budget when appropriate.

TOWN OF DAVISBORO

P.O. Box 189
Davisboro, GA 31018

Georgia Department of Audits & Accounts
270 Washington Street, S.W.
Suite 1-156
Atlanta, Georgia 30334-8400

Gentlemen:

The following constitutes our corrective action plan regarding the findings and recommendations in our audit report for the year ended July 31, 2018.

With respect to the findings in the "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," we submit the following comments:

We annually review our system of internal control after our audited financial statements are received, along with any suggestions from the accounting firm as to improvements that can be made to strengthen controls.

1. We are a small municipal government with two full-time office employee. We have separated accounting duties as much as possible, but because of two sets of books, one for general fund and one for water fund, this is difficult to do. The mayor and a council member co-sign checks after council approves the bills for payment. We do not feel that it would be cost effective to hire additional personnel only for the purpose of internal control duty separations.

2. Town personnel do not currently possess the professional skills necessary to prepare the year end financial statements and related footnotes. The Town will consider additional training that would provide accounting personnel with the skills to detect and correct misstatements in the financial statements.

3. The following general fund departments had excesses of actual expenditures over appropriations in the amount shown for the year ended July 31, 2018:

General government	$44,423
Streets and sanitation	57,479
General government - capital outlays	3,669

In the future, the Mayor and Council intend to more closely monitor each departments expenses to determine if budget amendments should be made or if cost cutting measures should be formulated.

We feel that our internal control system is as strong as possible in the above described situation with the limited number of personnel involved. As indicated in the auditor's report, no significant errors or irregularities were found because of our lack of segregation of duties.

Should you need any further explanation of this matter please contact us.

Sincerely,

Walter Thomas
Mayor, Town of Davisboro