EMERSON

GEORGIA • EST. 1889

Annual Financial Report

For the Fiscal Year Ended

June 30, 2019

By Authority of

The Mayor and City Council

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CITY OF EMERSON, GEORGIA
Annual Financial Report
Year Ended June 30, 2019

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Financial Section

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LLOYD WILLIAMSON
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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council
Of the City of Emerson, 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 City of Emerson, Georgia, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Emerson, Georgia's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS AND GEORGIA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Emerson, Georgia as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, the Hotel/Motel Tax Special Revenue Fund, and the Confiscated Asset Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the Schedule of Changes in Net Pension Liability and Related Ratios on page 40 and the Schedule of Contributions – Pension Plan on page 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Emerson's basic financial statements. The capital projects fund budgetary comparison on page 44 and the Schedule of Special Purpose Local Option Sales Tax Expenditures on page 49 as required by the Georgia code section OCGA §48-8-121, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual fund budgetary comparisons 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 limited 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 individual fund budgetary comparisons are fairly stated in all material respects in relation to the basic financial statements as a whole. The Schedules of Special Purpose Local Option Sales Tax Expenditures 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 limited 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 Schedules of Special Purpose Local Option Sales Tax Expenditures are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated November 19, 2019, on our consideration of the City of Emerson, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Emerson, Georgia's internal control over financial reporting and compliance.

DRAFT

Williamson and Company
Certified Public Accountants
Cartersville, Georgia
November 19, 2019

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Basic Financial Statements

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CITY OF EMERSON, GEORGIA
Statement of Net Position
June 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	$ 1,765,948	$ 898,706	$ 2,664,654
Receivables - Net	147,653	108,677	256,330
Inventory	-	6,829	6,829
Internal Balances	111,968	(111,918)	50
Capital Assets			
Other Capital Assets-Net	1,187,593	12,820,771	14,008,364
Land and Construction in Progress	442,132	2,700	444,832
Total Assets	3,655,294	13,725,765	17,381,059
DEFERRED OUTFLOWS OF RESOURCES			
Pension Plan	67,302	18,608	85,910
Total Deferred Outflows of Resources	67,302	18,608	85,910
Total Assets and Deferred Outflows of Resources	3,722,596	13,744,373	17,466,969
LIABILITIES			
Accounts Payable	62,159	26,701	88,860
Accrued Liabilities	13,184	-	13,184
Customer Deposits	-	63,363	63,363
Net Pension Liability	111,893	30,937	142,830
Noncurrent Liabilities:			
Due Within One Year	64,866	40,076	104,942
Due in More Than One Year	42,881	1,614,936	1,657,817
Total Liabilities	294,983	1,776,013	2,070,996
DEFERRED INFLOWS OF RESOURCES			
Pension Plan	34,277	9,478	43,755
Total Deferred Inflows of Resources	34,277	9,478	43,755
Total Liabilities and Deferrerd Inflows of Resources	329,260	1,785,491	2,114,751
NET POSITION			
Net Investment in Capital Assets	1,546,965	11,169,343	12,716,308
Restricted for:			
Capital Projects	476,198	-	476,198
Law Enforcement Activities	26,501	-	26,501
Unrestricted	1,343,622	789,539	2,133,161
Total Net Position	$ 3,393,286	$ 11,958,882	$ 15,352,168

The accompanying notes are an integral part of this financial statement.

CITY OF EMERSON, GEORGIA
Statement of Activities
For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Council, Commissions and Boards	$ 16,673	$ -	$ -	$ -
General Government	804,099	301,785	1,401	349,795
Municipal Court	102,679	288,131	-	-
Contracted Services	36,305	-	-	-
Public Safety	691,615	9,351	-	-
Public Works	289,917	-	5,614	27,808
Culture and Recreation	3,367	1,890	-	-
Interest on Long-term Debt	1,674	-	-	-
Total Governmental Activities	1,946,329	601,157	7,015	377,603
Business-type Activities:				
Water/Sewer	1,406,047	979,178	-	-
Solid Waste	114,493	133,037	-	-
Total Business-type Activities	1,520,540	1,112,215	-	-
Total Primary Government	$ 3,466,869	$ 1,713,372	$ 7,015	$ 377,603

The accompanying notes are an integral part of this financial statement.

CITY OF EMERSON, GEORGIA
Statement of Activities
For the Year Ended June 30, 2019

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-type Activities	Totals
Primary Government:			
Governmental Activities:			
Council, Commissions and Boards	$ (16,673)		$ (16,673)
General Government	(151,118)		(151,118)
Municipal Court	185,452		185,452
Contracted Services	(36,305)		(36,305)
Public Safety	(682,264)		(682,264)
Public Works	(256,495)		(256,495)
Culture and Recreation	(1,477)		(1,477)
Interest on Long-term Debt	(1,674)		(1,674)
Total Governmental Activities	(960,554)		(943,881)
Business-type Activities:			
Water/Sewer		(426,869)	(426,869)
Solid Waste		18,544	18,544
Total Business-type Activities		(408,325)	(408,325)
Total Primary Government			(1,352,206)
General Revenues:			
Taxes:			
Sales	439,414	-	439,414
Property	183,649	-	183,649
Hotel/Motel	355,605	-	355,605
Vehicle	64,846	-	64,846
Insurance Premium	106,509	-	106,509
Malt & Mixed Beverage	26,770	-	26,770
Franchise	190,041	-	190,041
Excise	31,611	-	31,611
Intangible	1,856	-	1,856
Transfer	2,145	-	2,145
Investment Earnings	1,436	-	1,436
Miscellaneous	38,603	103,687	142,290
Gain on Asset Disposal	300,944	-	300,944
Total General Revenues	1,743,429	103,687	1,847,116
Change in Net Position	782,875	(304,638)	478,237
Beginning Net Position-Restated	2,610,411	12,263,520	14,873,931
Ending Net Position	$ 3,393,286	$ 11,958,882	$15,352,168

The accompanying notes are an integral part of this financial statement.

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CITY OF EMERSON, GEORGIA
Balance Sheet
Governmental Funds
June 30, 2019

	General	Capital Projects 2014 SPLOST Fund	Hotel Motel Tax Special Revenue	Confiscated Assets Special Revenue	Total Governmental Funds
ASSETS					
Cash	$ 1,197,165	$ 469,479	$ 72,803	$ 26,501	$ 1,765,948
Receivables, Net					
Accounts	9,128	-	-	-	9,128
Taxes	39,258	-	36,998	-	76,256
Intergovernmental	-	62,269	-	-	62,269
Due from Other Funds	167,468	-	-	-	167,468
Total Assets	$ 1,413,019	$ 531,748	$ 109,801	$ 26,501	$ 2,081,069
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	$ 45,972	$ -	$ 16,187	$ -	$ 62,159
Accrued Payroll Liabilities	13,184	-	-	-	13,184
Due to Other Funds	-	55,550	-	-	55,550
Total Liabilities	59,156	55,550	16,187	-	130,893
Deferred Inflows of Resources	851	-	-	-	851
Total Liabilities and Deferred Inflows of Resources	60,007	-	16,187	-	131,744
Fund Balance:					
Restricted for:					
Law Enforcement Activities	-	-	-	26,501	26,501
Capital Projects	-	476,198		-	476,198
Committed	-	-	21,311	-	21,311
Unassigned	1,353,012	-	72,303	-	1,425,315
Total Fund Balances	1,353,012	476,198	93,614	26,501	1,949,325
Total Liabilities and Fund Balances	$ 1,413,019	$ 531,748	$ 109,801	$ 26,501	$ 2,081,069

Reconciliation of the Balance Sheet to the Statement of of Net Position

Fund Balances - Total Governmental Funds			$ 1,949,325
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 are therefore not reported in the governmental funds.			
Governmental Capital Assets		2,333,031	
Less Accumulated Depreciation		(703,306)	1,629,725
Unearned revenues are recognized in the governmental funds for property tax collections but are not recognized in the statement of net position			851
A portion of pension plan contributions are for future use and are considered deferred outflows of resources.			67,302
Differences between expected and actual returns on pension plan investments are not recognized at the fund level, yet presented as a deferred inflow of resources on the Statement of Net Position.			(34,277)
Long-term liabilites are not due and payable in the current perod and therefore are not reported in the governmental funds.			
Capital Lease		(82,760)	
Compensated Abscences		(24,987)	
Net Pension Liability		(111,893)	(219,640)
Net Position of Governmental Activities			$ 3,393,286

The accompanying notes are an integral part of this financial statement.

CITY OF EMERSON, GEORGIA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

	General	Capital Projects 2014 SPLOST Fund	Hotel Motel Tax Special Revenue	Confiscated Assets Special Revenue	Total Governmental Funds
REVENUES					
Taxes	$ 1,046,473	$ -	$ 355,605	$ -	$ 1,402,078
Licenses and Permits	101,647	-	-	-	101,647
Fines and Forfeitures	288,131	-	-	9,351	297,482
Charges for Services	202,580	-	-	-	202,580
Intergovernmental	33,422	348,418	-	-	381,840
Miscellaneous Income	2,974	-	-	-	2,974
Interest Income	1,377	1,377	-	59	2,813
Total Revenues	1,676,604	349,795	355,605	9,410	2,391,414
EXPENDITURES					
Current Operating:					
Council Commission & Boards	16,748	-	-	-	16,748
General Government	587,487	26,725	173,894	-	788,106
Municipal Court	102,679	-	-	-	102,679
Contracted Services	36,305	-	-	-	36,305
Public Safety	628,482	-	-	13,610	642,092
Public Works	315,927	22,655	-	-	338,582
Capital Outlay:					
General Government	-	-	6,170	-	6,170
Public Works	-	345,254	-	-	345,254
Debt Service					
Principal	22,420	-	-	-	22,420
Interest	2,150	-	-	-	2,150
Total Expenditures	1,712,198	394,634	180,064	13,610	2,300,506
Excess (Deficiency) of Revenues Over (Under) Expenditures	(35,594)	(44,839)	175,541	(4,200)	90,908
OTHER FINANCING SOURCES (USES)					
Transfers In	136,593	-	-	-	136,593
Transfers Out	-	-	(136,593)	-	(136,593)
Proceeds from Asset Sale	306,949	178,300	-	-	485,249
Proceeds from Surplus Sales	19,481	-	-	-	19,481
Proceeds from Capital Leases	49,204	-	-	-	49,204
Proceeds from Insurance Recoveries	16,998	-	-	-	16,998
Total Other Financing Sources (Uses)	529,225	178,300	(136,593)	-	570,932
Net Change in Fund Balances	493,631	133,461	38,948	(4,200)	661,840
Fund Balance - Beginning of Year	859,381	342,737	54,666	30,701	1,287,485
Fund Balance - End of Year	$ 1,353,012	$ 476,198	$ 93,614	$ 26,501	$ 1,949,325

The accompanying notes are an integral part of this financial statement.

CITY OF EMERSON, GEORGIA
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities for the Year Ended June 30, 2019

(Continued)

Net Change in Fund Balances - Total Governmental Funds		$ 717,390
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. This is the amount by which capital outlays exceeded depreciation		
Expenditures for Capital Assets	445,305	
Less Current Year Depreciation	(114,643)	330,662
The net effect of various miscellaneous transactions involving capital assets such as sales, transfers, trade-ins, and donations increased net position.		
Proceeds From Asset Disposal	(485,249)	
Gain From Asset Disposal	280,842	(204,407)
Deferred revenues are recognized in the governmental funds for property tax collections but are not recognized in the statement of net position		
Governmental funds report monthly pension plan premiums as current period expenditures while governmental activities record a portion of those payments as deferred outflow of resources.		401
Changes in the value of the pension plan are not reflected in the governmental funds, however they are accounted for in the governmental activities.		9,747
Governmental funds report proceeds from capital leases as revenue while governmental activites report a liability		(49,204)
Governmental funds report payments on debt principal as expenditures while those expenditures are treated as a reduction of the liability in the statement of net position		
Principal Reduction	22,420	
Change in Interest Payable	476	22,896
Governmental funds do not report changes in long-term liabilities while governmental activities report a liability and the changes to such liability.		
Compensated Absences	(4,241)	
Net Pension Liability	(5,364)	(9,605)
Change in Net Position of Governmental Activities		$ 817,880

The accompanying notes are an integral part of this financial statement.

CITY OF EMERSON, GEORGIA
Statement of Revenues, Expenditures, and Change in Fund Balance
General Fund - Budget and Actual
For the Year Ended June 30, 2019

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
REVENUES				
Taxes	$ 997,893	$ 997,893	$ 1,046,473	$ 48,580
Licenses and Permits	66,522	66,522	101,647	35,125
Fines and Forfeitures	225,501	225,501	288,131	62,630
Charges for Services	196,334	196,334	202,580	6,246
Intergovernmental	35,001	35,001	33,422	(1,579)
Miscellaneous Income	2,005	2,005	2,974	969
Interest Income	1	1	1,377	1,376
Total Revenues	1,523,257	1,523,257	1,676,604	153,347
EXPENDITURES				
Current				
Council Commission & Boards	19,400	19,400	16,748	2,652
General Government	578,818	578,818	583,159	(4,341)
Municipal Court	147,031	147,031	102,679	44,352
Contracted Services	38,500	38,500	36,305	2,195
Public Safety	616,706	616,706	628,482	(11,776)
Public Works	439,896	439,896	315,927	123,969
Culture and Recreation	8,150	8,150	4,328	3,822
Debt Service				
Principal	22,250	22,250	22,420	(170)
Interest	2,410	2,410	2,150	260
Total Expenditures	1,873,161	1,873,161	1,712,198	160,963
Excess (Deficiency) of Revenues Over (Under) Expenditures	(349,904)	(349,904)	(35,594)	314,310
OTHER FINANCING SOURCES (USES)				
Transfers In	288,001	288,001	136,593	(151,408)
Proceeds from Asset Sale	-	-	306,949	306,949
Proceeds from Surplus Sales	12,000	12,000	19,481	7,481
Proceeds from Capital Lease	50,000	50,000	49,204	(796)
Proceeds from Insurance Recoveries	1	1	16,998	16,997
Total Other Financing Sources (Uses)	350,002	350,002	529,225	179,223
Net Change in Fund Balance	98	98	493,631	493,533
Fund Balance - Beginning of Year	859,381	859,381	859,381	-
Fund Balance - End of Year	$ 859,479	$ 859,479	$ 1,353,012	$ 493,533

The accompanying notes are an integral part of this financial statement.

CITY OF EMERSON, GEORGIA
Statement of Revenues, Expenditures, and Changes in Fund Balance
Hotel/Motel Tax Special Revenue Fund - Budget and Actual
For the Year Ended June 30, 2019

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
REVENUES				
Taxes	$ 368,000	$ 368,000	$ 355,605	$ (12,395)
Total Revenues	368,000	368,000	355,605	(12,395)
EXPENDITURES				
Current:				
General Government	167,000	167,000	173,894	(6,894)
Capital Outlay:				
General Government	25,000	25,000	6,170	18,830
Culture and Recreation	38,000	38,000	-	38,000
Total Expenditures	230,000	230,000	180,064	11,936
Excess of Revenues Over Expenditures	138,000	138,000	175,541	(459)
OTHER FINANCING SOURCES (USES)				
Transfers Out	(138,000)	(138,000)	(136,593)	1,407
Total Other Financing Sources (Uses)	(138,000)	(138,000)	(136,593)	1,407
Net Change in Fund Balance	-	-	38,948	38,948
Fund Balance - Beginning of Year	54,666	54,666	54,666	-
Fund Balance - End of Year	$ 54,666	$ 54,666	$ 93,614	$ 38,948

The accompanying notes are an integral part of this financial statement.

CITY OF EMERSON, GEORGIA
Statement of Revenues, Expenditures, and Change in Fund Balance
Confiscated Assets Special Revenue Fund - Budget and Actual
For the Year Ended June 30, 2019

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
REVENUES				
Fines and Forfeitures	$ 29,000	$ 29,000	$ 9,351	$ (19,649)
Interest Income	-	-	59	59
Total Revenues	29,000	29,000	9,410	(19,590)
EXPENDITURES				
Current:				
Public Safety	14,000	14,000	13,610	390
Capital Outlay				
Public Safety	15,000	15,000	-	15,000
Total Expenditures	29,000	29,000	13,610	15,390
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(4,200)	(4,200)
Net Change in Fund Balance	-	-	(4,200)	(4,200)
Fund Balance - Beginning of Year	30,701	30,701	30,701	-
Fund Balance - End of Year	$ 30,701	$ 30,701	$ 26,501	$ (4,200)

The accompanying notes are an integral part of this financial statement.

CITY OF EMERSON, GEORGIA
Statement of Net Position
Proprietary Funds
June 30, 2019

	Water & Sewer	Solid Waste	Total
Assets			
Current Assets:			
Cash	$ 823,373	$ 75,333	$ 898,706
Accounts Receivable, Net	94,148	14,529	108,677
Due From Other Funds	1,785	-	1,785
Inventory	4,819	2,010	6,829
Total Current Assets	924,125	91,872	1,015,997
Noncurrent Assets:			
Equipment	411,788	138,555	550,343
Buildings and Structures	35,132	-	35,132
Distribution and Collection Systems	16,032,032	-	16,032,032
Less Accumulated Depreciation	(3,658,181)	(138,555)	(3,796,736)
Land and Easements	2,700	-	2,700
Total Non-Current Assets	12,823,471	-	12,823,471
Total Assets	13,747,596	91,872	13,839,468
Deferred Outflows of Resources			
Pension Plan	14,888	3,720	18,608
Total Deferred Outflows of Resources	14,888	3,720	18,608
Total Assets and Deferred Outflows of Resources	13,762,484	95,592	13,858,076
Liabilities			
Current Liabilities:			
Accounts Payable	24,453	2,248	26,701
Due to Other Funds	-	113,703	113,703
Customer Deposits	63,363	-	63,363
Note Payable	39,192	-	39,192
Total Current Liabilities	127,008	115,951	242,959
Noncurrent Liabilities:			
Compensated Abscences	861	23	884
Note Payable	1,614,936	-	1,614,936
Net Pension Liability	24,752	6,185	30,937
Total Noncurrent Liabilities	1,640,549	6,208	1,646,757
Total Liabilities	1,767,557	122,159	1,889,716
Deferred Inflows of Resources			
Pension Plan	7,583	1,895	9,478
Total Deferred Inflows of Resources	7,583	1,895	9,478
Total Liabilities and Deferred Inflows of Resources	1,775,140	124,054	1,899,194
Net Position			
Net Investment in Capital Assets	11,169,343	-	11,169,343
Unrestricted	818,001	(28,462)	789,539
Total Net Position	$ 11,987,344	$ (28,462)	$ 11,958,882

The accompanying notes are an integral part of this financial statement.

CITY OF EMERSON, GEORGIA
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2019

	Water & Sewer	Solid Waste	Total
Operating Revenues			
Charges for Services	$ 973,639	$ 133,037	$ 1,106,676
Fees	5,539	-	5,539
Other Revenues	103,687	-	103,687
Total Operating Revenues	1,082,865	133,037	1,215,902
Operating Expenses			
Salaries, Wages, and Employee Benefits	181,260	45,990	227,250
Landfill Fees	5,515	25,125	30,640
Purchased Water	156,701	-	156,701
Materials and Supplies	130,031	1,099	131,130
System Maintenance	104,209	-	104,209
Insurance Expense	21,626	3,441	25,067
Administrative Charge	105,075	30,150	135,225
General and Administrative	117,653	4,303	121,956
Other Repairs and Maintenance	29,349	4,204	33,553
Utilities	158,864	181	159,045
Depreciation Expense	350,375	-	350,375
Total Operating Expenses	1,360,658	114,493	1,475,151
Operating Income (Loss)	(277,793)	18,544	(259,249)
Nonoperating Revenues (Expenses)			
Interest Expense	(45,389)	-	(45,389)
Total Nonoperating Revenues (Expenses)	(45,389)	-	(45,389)
Change in Net Position	(323,182)	18,544	(304,638)
Net Position - Beginning	12,310,526	(47,006)	12,263,520
Net Position - Ending	$ 11,987,344	$ (28,462)	$ 11,958,882

The accompanying notes are an integral part of this financial statement.

CITY OF EMERSON, GEORGIA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2019

	Water & Sewer	Solid Waste	Total
Cash Flows From Operations			
Receipts from Customers and Users	$ 1,075,642	$ 132,750	$ 1,208,392
Payments to Suppliers	(825,875)	(67,979)	(893,854)
Payments to/for Employees	(177,969)	(45,679)	(223,648)
Net Cash Provided by (Used in) Operating Activities	71,798	19,092	90,890
Cash Flows From Noncapital Financing Activities			
No Noncapital Financing Activities	-	-	-
Cash Flows from Capital and Related Financing Activities			
Principal Paid	(38,147)	-	(38,147)
Interest Paid	(45,389)	-	(45,389)
Acquisition of Capital Assets	(6,032)	-	(6,032)
Net Cash from Capital and Related Financing Activities	(89,568)	-	(89,568)
Cash Flows from Investing Activities			
Interest Received	-	-	-
Net Increase in Cash	(17,770)	19,092	1,322
Cash - July 1 , 2018	841,143	56,241	897,384
Cash - June 30, 2019	$ 823,373	$ 75,333	$ 898,706
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Operating Income (Loss)	$ (277,793)	$ 18,544	$ (259,249)
Adjustments to Reconcile to Net Cash Provided by Operating Activities			
Depreciation	350,375	-	350,375
(Increase) Decrease in Accounts Receivable	(6,144)	(287)	(6,431)
(Increase) Decrease in Inventory	7,089	670	7,759
(Increase) Decrease in Deferred Outflows of Resources	(5,331)	(534)	(5,865)
Increase (Decrease) in Accounts Payable & Accrued Payables	(3,941)	(146)	(4,087)
Increase (Decrease) in Customer Deposits	(1,079)	-	(1,079)
Increase (Decrease) in Compensated Abscences	(2,206)	(66)	(2,272)
Increase (Decrease) in Deferred Inflows of Resources	1,294	(201)	1,093
Increase (Decrease) in Net Pension Liability	9,534	1,112	10,646
Net Cash Provided by (Used in) Operating Activities	$ 71,798	$ 19,092	$ 90,890

The accompanying notes are an integral part of this financial statement.

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Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The City of Emerson, Georgia was incorporated in 1889. The City operates under a Strong Mayor – City Council form of Government. The City provides the following services: Public Works (Streets), Public Utilities (Water and Solid Waste), Public Safety (Police), and Administrative Services. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the primary government and its component units. The City has no component units.

B. Government-wide and Fund Financial Statements

The basic financial statements include both government-wide and fund financial statements, each of which present different views of the City. The government-wide and fund financial statements categorize primary activities as either governmental or business type. Fiduciary funds (if any) are not included in the government-wide 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 primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, permits and fines, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

In the government-wide statement of net position, governmental and business-type activities are presented on a consolidated basis and reflect full accrual, economic resources basis, which includes long-term assets and receivables as well as long-term debt and obligations.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues.*

Fund financial statements emphasize major funds in either the governmental or business-type category. Non-major governmental funds (if any) are reported as a separate column in the fund financial statements.

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

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to the governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City applies all relevant FASB pronouncements and APB opinions issued on or prior to December 1, 1989 to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The City does not apply FASB pronouncement and APB opinions issued after November 30, 1989.

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. 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, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

Taxes, licenses, and interest 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the government receives the cash. In applying the susceptible to accrual concept, nonexchange transactions are recognized in accordance with GASB Statement 33.

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

D. Fund Types

Governmental Funds

The General Fund, and the 2014 SPLOST Capital Projects Fund, the Confiscated Asset Special Revenue Fund, and the Hotel/Motel Tax Fund are the major governmental funds that the City reports. The General Fund is the primary fund of the City and accounts for all financial resources of the general government except those required to be reported in the other funds. The 2014 SPLOST Capital Projects Fund accounts for capital projects that are approved through a voter resolution. The Confiscated Assets Special Revenue Fund accounts for cash received from confiscation or sale of assets acquired through confiscation. The Hotel/Motel Tax Special Revenue Fund accounts for hotel/motel tax receipts and tourism/economic development expenditures as required by statute.

Proprietary Funds

Proprietary funds are used to account for operations for which a fee is charged to external users for goods or services and the activity is intended to be self-supporting. The City operates a water/sewer fund and a solid waste fund, both of which are presented as major proprietary funds. 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 these funds are charges to customers for sales and services. The Water/Sewer Fund recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for proprietary funds 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. As a general rule, interfund activity has been eliminated from the government-wide financial statements. Exceptions to this are charges between the City's

proprietary funds and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions.

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.

E. Assets, Liabilities, Net Position or Equity

1. **Cash and Investments.** Cash includes amounts in demand and time deposits that must be by law insured or collateralized, and investments, if any, are limited by law and bond ordinances, to federal and state securities.

2. **Receivables.** All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Estimated unbilled revenues from the enterprise funds are recognized at the end of the year on a pro rata basis. The estimated amount is based on billings during the month following the close of the fiscal year.

3. **Due to and Due from Other Funds/Internal Balances.** During the course of operations, numerous transactions occur between individual funds for goods provided, services rendered or interfund loans. Interfund transactions are recorded in all funds affected in the period in which transactions are executed. The balances which represent receivables and payables between governmental and business-type activities in the government-wide statements are reported as internal balances.

4. **Capital Assets.** Capital assets that cost more than $5,000 with an estimated useful life of more than one year are capitalized and depreciated. Capital assets, including property, plant, vehicles, equipment and infrastructure (streets, bridges, curbs, sidewalks, drainage and lighting systems) are reported in the applicable governmental or business-type activities columns in the government-wide statements. All capital assets are carried at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair value on the date of acquisition. Depreciation is computed on the straight-line basis over the estimated useful life of the asset.

   The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

   Interest is capitalized on proprietary fund assets acquired with debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

   General infrastructure assets acquired prior to June 15, 2003 are not reported in the basic financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to June 15, 2003.

5. **Deferred Outflows/Inflows Of Resources.** In addition to assets, the Statement of Net Position and/or the Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position or fund balance that applies to a future

period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies as a deferred outflow of resources for fiscal 2019 and arises under the full accrual basis of accounting in the Statement of Net Position for the governmental activities and the business-type activities. The sources of the deferred outflows are related to the City's contributions to the defined benefit pension plan and the changes in value of that plan.

In addition to liabilities, the statement of Net Position and/or the Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has one item under the modified accrual basis of accounting that qualifies as a deferred inflow of resources for fiscal 2019. It is property tax revenue that is considered unavailable at year end. There are three components of the deferred inflows of resources in the Statement of Net Position at the entity wide level and the Statement of Net Position at the proprietary fund level. Those components are all pension plan related and are as follows: differences between expected and actual experience of the plan, changes in plan assumptions, and the net differences between projected and actual earnings on pension plan investments.

6. **Compensated Absences.** Full-time, permanent employees are granted vacation benefits. Vested or accumulated vacation leave is recorded as an expense and a liability when incurred in the proprietary fund financial statements and as a liability in the governmental funds only in the government-wide financial statements. Governmental funds only report the portion expected to be liquidated in the current year. The accrued liability is reported in the respective fund that will pay. For the governmental activities, compensated absences are generally liquidated by the General Fund.

7. **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 Georgia Municipal Employees Benefit System (GMEBS) and additions to/deductions from the GMEBS fiduciary net position have been determined on the same basis as they are reported to GMEBS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

8. **Long-term Debt, Bond Discounts, and Issuance Costs.** Outstanding debt and other obligations are reported as a liability in the government-wide and proprietary financial statements. Bond discounts/premiums for proprietary funds and governmental and business-type activities are capitalized and amortized over the term of the respective bonds using the straight-line method. Bond discounts are presented as a reduction in the face amount of bonds payable. In the fund financial statements, governmental funds recognize bond premiums, discounts, and bond issuance costs during the current period. The face amount of the debt issued is reported as an other financing source.

9. **Net Position and Fund Balances.**

The City's net position on the government-wide statement of net position is classified as follows:

Net Investment in Capital Assets – This represents the City's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

Restricted Net Position – This represents resources for which the City is legally or contractually obligated to spend resources for capital projects and law enforcement activities in accordance with restrictions imposed by external third parties.

Unrestricted Net Position – These resources are used for transactions relating to general operations of the City, and may be used at the discretion of the City Council to meet current expenses for those purposes.

It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund equity at the governmental fund financial reporting level is classified as 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. The City's fund balances are classified as follows:

1) *Nonspendable Fund Balance* – Noncash assets such as inventories and prepaid items.

2) *Restricted Fund Balance* – Funds with limitations imposed on their use by external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Restricted fund balance for governmental funds totaled $502,699 at June 30, 2019.

3) *Committed Fund Balance* – Amounts that can only be used for specific purposes pursuant to a majority vote of the City Council, the City's highest level of decision making authority by resolution. Commitments may only be modified or rescinded by a majority vote of the Council. Commitments must be adopted prior to the end of the year; however, the amount to be committed may be determined up to 120 days after year end. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. Equity amounts in the City's Hotel/Motel Tax Fund are committed for the purpose of the fund.

4) *Assigned Fund Balance* – Amounts intended by the City Council for specific purposes. Under the City's adopted policy, amounts may be assigned by the finance committee, under the authorization of the City Council. Amounts appropriated to eliminate a projected deficit in the subsequent year's budget shall constitute assignments and are documented by adoption of the City's annual operating budget. Equity amounts reported in special revenue funds, capital project funds and debt service funds not otherwise classified as non-spendable, restricted, or committed shall constitute assignments of fund balance. No amounts were reported as assigned for governmental funds at June 30, 2019.

5) *Unassigned Fund Balance* – Residual spendable fund balance for the General Fund after subtracting all above amounts.

When expenditures are incurred by the City that would qualify for payment with either restricted or unrestricted funds, it will be paid from restricted funds. When expenditures are incurred that qualify for payment from one of the three unrestricted fund balances categories, it will be applied in the following order: committed, assigned, then unassigned.

Note 2. Stewardship, Compliance and Accountability

Budgets are adopted on a basis consistent with generally accepted accounting principles. Georgia Law requires an annual balanced budget for general and special revenue funds and a project length budget for each capital project fund. All departments of the City submit requests for appropriation to the City Council so that a budget may be prepared. The budget is prepared by fund, function (department), and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year.

No later than 45 days prior to the beginning of the fiscal year, the proposed budget is presented to the Mayor and Council for review. The City Council holds public hearings and may add to, subtract from or change appropriations, but may not change the form of the budget. The legal level of budgetary control is at the department level. Any changes in the budget must be within the revenues and reserves estimated as available by the manager or the revenues estimates must be changed by an affirmative vote of a majority of the Council, except for emergencies as defined by the charter and unanimously voted by Council. Last year's budget subject to amendment becomes the current year's budget if Council fails to act.

The 2019 General Fund and special revenue funds budgets were voted upon and adopted by the City Council. Expenditures exceeded appropriated amounts in the following General Fund departments:

General Government	$	4,341
Public Works	$	11,776

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrances at the end of the year were for immaterial amounts and therefore are not reported as reservations of fund balances.

The 2014 SPLOST Capital Projects Fund has a project length budget that was adopted when voters approved the Special Purpose Local Option Sales Tax referendum. The budget of this fund is prepared for the projected total Special Purpose Local Option Sales Tax tax revenues and capital outlays.

Note 3. Deposits and Investments

Cash as of June 30, 2019 is as follows:

Statement of Net Position:		
Unrestricted Cash	$	2,403,901
Restricted Cash		260,753
Total	$	2,664,654

Restricted cash is reported in the 2014 SPLOST Capital Projects Fund and the Confiscated Asset Special Revenue Fund.

The City has no investments other than cash. The City does not have a formal policy that addresses custodial credit risk.

Note 4. Receivables

Receivables as of June 30, 2019 consist of the following:

	General	Hotel/ Motel Tax	2014 SPLOST Capital Projects	Water and Sewer	Solid Waste	Total
Accounts	$ 9,128	$ -	$ -	$101,507	$ 15,616	$126,251
Taxes	39,258	36,998	-	-	-	76,256
Intergovernmental	-	-	62,269	-	-	62,269
Allowances for Uncollectibles	-	-	-	(7,359)	(1,087)	(8,446)
Net	$ 48,386	$ 36,998	$ 62,269	$ 94,148	$ 14,529	$256,330

Taxes receivable include $38,267 of Local Option Sales Tax and $991 of property taxes. The intergovernmental receivable of $62,269 consists of accrued SPLOST collections for the 2014 SPLOST.

Note 5. Property Tax

Bartow County bills and collects the City's real and personal property taxes. The Bartow County Tax Assessors Office assesses property values as of January 1 each year. The City's millage rate of 1.872 mils was approved by the City Council on August 20, 2018. The levy date was September 15, 2018 and taxes were due by November 15, 2018. After November 15, interest and penalties begin to accrue on unpaid balances and property is subject to lien.

All property tax revenue is recorded when it becomes measurable and available. Available means due, or past due, and receivable within the current period, and collected no later than 60 days after the close of the fiscal year end.

Note 6. Interfund Receivables, Payables and Transfers

Due to/from Other Funds:

City-wide internal balances between governmental activities and business-type activities at June 30, 2019 were $111,918.

At the fund level, due to and due from balances were as follows:

Due To	Due From	Amount
General Fund	Solid Waste Fund	$ 111,918
General Fund	2014 SPLOST Fund	55,550
		$ 167,468
Water Fund	Solid Waste Fund	$ 1,785

Interfund balances consist of routine transfers for payroll and related benefits and to subsidize operations.

Transfers and payments:

Routine transfers and payments between funds are to subsidize operations and capital asset acquisition. Fund level transfers for the fiscal year ended June 30, 2019 were as follows:

Source Fund	Transfer to Fund	Amount
Hotel/Motel Tax Fund	General Fund	$ 136,593

Note 7. Capital Assets

The following is a summary of the primary government capital asset activity during the fiscal year:

Governmental Activities	Beginning Balance	Additions	Deletions	Transfers In/(Out)	Ending Balance
Nondepreciable Capital Assets					
Land	$ 220,462	$ 215,500	$ -	$ -	$ 435,962
Construction In Progress	-	6,170	-	-	6,170
Total Nondepreciable Capital Assets	220,462	221,670	-	-	442,132
Depreciable Capital Assets					
Equipment	760,846	181,443	(92,035)	-	850,254
Buildings and Improvements	643,543	42,192	(178,300)	-	507,435
Infrastructure	533,210	-	-	-	533,210
Total Depreciable Capital Assets	1,937,599	223,635	(270,335)	-	1,890,899
Less Accumulated Depreciation For:					
Equipment	(351,476)	(86,785)	68,219	-	(370,042)
Buildings and Improvements	(215,656)	(17,557)	18,287	-	(214,926)
Infrastructure	(108,037)	(10,301)	-	-	(118,338)
Total Accumulated Depreciation	(675,169)	(114,643)	86,506	-	(703,306)
Total Depreciable Capital Assets, Net	1,262,430	108,992	(183,829)	-	1,187,593
Total Capital Assets, Net	$ 1,482,892	$ 330,662	$ (183,829)	$ -	$ 1,629,725

Total governmental activities depreciation expense charged to functions/programs of the government are as follows:

Administration	$ 16,536
Public Safety	49,523
Public Works	45,217
Culture and Recreation	3,367
	$ 114,643

Business-type Activities	Beginning Balance	Additions	Deletions	Transfers In/(Out)	Ending Balance
Nondepreciable Capital Assets					
Land	$ 2,700	$ -	$ -	$ -	$ 2,700
Total Nondepreciable Capital Assets	2,700	-	-	-	2,700
Depreciable Capital Assets					
Equipment	544,311	6,032	-	-	550,343
Buildings	35,132	-	-	-	35,132
Utility System	16,032,032	-	-	-	16,032,032
Total Depreciable Capital Assets	16,611,475	6,032	-	-	16,617,507
Less Accumulated Depreciation For:					
Equipment	(425,466)	(24,731)	-	-	(450,197)
Buildings	(14,595)	(1,049)	-	-	(15,644)
Utility System	(3,006,300)	(324,595)	-	-	(3,330,895)
Total Accumulated Depreciation	(3,446,361)	(350,375)	-	-	(3,796,736)
Total Depreciable Capital Assets, Net	13,165,114	(344,343)	-	-	12,820,771
Total Capital Assets, Net	$13,167,814	$ (344,343)	$ -	$ -	$ 12,823,471

The primary government uses the following estimated useful lives to compute depreciation (straight-line method):

Equipment	3-10 years
Buildings	20-50 years
Utility System	20-75 years
Infrastructure	50 years

Note 8. Deferred Outflows/Inflows of Resources

In addition to assets, the proprietary funds' Statement of Net Position and the entity-wide Statement of Net Position report a separate section for deferred outflows of resources. This separate financial statement element represents contributions to the City's pension plan during the fiscal year that were to be used in future periods and certain changes in the calculation of the pension plan's value that are not recognized as City expenses during the fiscal year ended June 30, 2019.

In addition to liabilities, the proprietary funds' Statement of Net Position and the entity-wide Statement of Net Position report a separate section for deferred inflows of resources. This separate financial statement element represents certain changes in the calculation of the pension plan's value that are not recognized as City income during the fiscal year ended June 30, 2019.

In addition to liabilities, the governmental funds balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents unearned revenue in the form of property taxes not available in the current fiscal year. These amounts are recognized in the period they become available.

Note 9. Lease Obligations

The City has entered into a capital lease agreement with Branch Banking and Trust as lessee for financing the acquisition of a police equipped 2017 Dodge Charger. The interest rate on this lease is 3.80%. If the lease is paid in full, the title to the property is transferred to the City. The City's equipment under lease has a cost of $30,242. Depreciation expense for fiscal 2019 was $5,777 and accumulated depreciation on the vehicle was $17,331 at year end.

The City has entered into a capital lease agreement with Branch Banking and Trust as lessee for financing the acquisition of a police equipped 2016 Dodge Charger. The interest rate on this lease is 3.60%. If the lease is paid in full, the title to the property is transferred to the City. The City's equipment under lease has a cost of $37,558. Depreciation expense for fiscal 2019 was $7,330 and accumulated depreciation on the vehicle was $14,660 at year end.

The City has entered into a capital lease agreement with Magnolia Bank as lessee for financing the acquisition of a 2019 Dodge Charger. The interest rate on this lease is 4.35%. If the lease is paid in full, the title to the property is transferred to the City. The City's equipment under lease has a cost of $24,274. Depreciation expense for fiscal 2019 was $0 and accumulated depreciation on the vehicle was $0 at year end.

The City has entered into a capital lease agreement with Magnolia Bank as lessee for financing the acquisition of a police equipped 2019 Dodge Charger. The interest rate on this lease is 4.51%. If the lease is paid in full, the title to the property is transferred to the City. The City's equipment under lease has a cost of $24,930. Depreciation expense for fiscal 2019 was $0 and accumulated depreciation on the vehicle was $0 at year end.

The following is a schedule of the combined future minimum lease payments of all capital leases and the present value of the net minimum lease payments at June 30, 2019:

Year Ending June 30	Governmental Activities
2020	$ 42,096
2021	28,516
2022	17,527
Less Accumulated Interest Paid	(5,379)
Present Value of Minimum Lease Payments	$ 82,760

The City has no significant operating lease obligations.

Note 10. Long-term Liabilities

Note Payable:

The City has entered into an agreement with the Georgia Environmental Finance Authority (GEFA) to fund improvements and expansion of its Waste Water Treatment Plant and related infrastructure. The project was completed and the loan closed in fiscal 2018. The total amount drawn down for project costs was $1,714,053. Monthly debt service on the loan began in December 2017 in the amount of $6,961 including interest calculated at 2.71%.

The following schedule presents debt service requirements to maturity for the GEFA note payable.

Year Ending June 30	Principal	Interest	Total
2020	$ 39,192	$ 44,342	$ 83,534
2021	40,267	43,267	83,534
2022	41,372	42,162	83,534
2023	42,508	41,026	83,534
2024	43,674	39,860	83,534
2025-2029	237,017	180,656	417,673
2030-2034	271,369	146,304	417,673
2035-2039	310,699	106,974	417,673
2040-2044	355,730	61,943	417,673
2045-2047	272,300	13,573	285,873
Totals	$1,654,128	$ 720,107	$2,374,235

Changes in long-term liabilities

The following is a summary of the City's debt transactions for the year ended June 30, 2019:

	Balance	Additions	Reductions	Balance	One Year
Governmental Activities:					
Capitalized Leases	$ 55,976	$ 49,204	$ (22,420)	$ 82,760	$ 39,879
Compensated Absences	20,746	30,391	(26,150)	24,987	24,987
Total Governmental Activities	$ 76,722	$ 79,595	$ (48,570)	$ 107,747	$ 64,866
Business-type Activities:					
Note Payable	$ 1,692,274	$ (38,146)	$ -	$ 1,654,128	$ 39,192
Compensated Absences	3,156	2,890	(5,162)	884	884
Total Business-type Activities	$ 1,695,430	$ (35,256)	$ (5,162)	$ 1,655,012	$ 40,076

In prior years, the General Fund has been used to liquidate compensated absences of the governmental funds.

Note 11. Pension Plan

Plan Description. The City has a non-contributory defined benefit plan covering all full time employees. The plan, the City of Emerson Retirement Plan, is administered by the Georgia Municipal Employees Benefit System (GMEBS), a statewide, agent multiple-employer defined benefit plan. GMEBS policy direction and oversight for the fund is provided by a 15 member board comprised of elected and appointed officials from the fund's membership. GMEBS handles all administrative and investment functions relative to the plan. The City established its plan effective July 1, 1990, and the authority to establish, amend or discontinue the plan remains with the City. The plan provides pension benefits and death and disability benefits for all employees that have been employed full time for one year. Members may retire at 65 years of age with 5 years of service or at age 55 with 10 years of service. Benefits are calculated at 1.25% to 2.0% of the average monthly earnings for the period of the five highest years prior to retirement.

The Georgia Municipal Employees Benefit System issues a publicly available annual financial report that includes financial statements and required supplementary information. This report may be obtained by contacting the Georgia Municipal Employees Benefit System, C/O Georgia Municipal Association – Risk Management and Employee Benefit Services, 201 Pryor Street, SW, Atlanta, Georgia 30303.

As of January 1, 2018, employee membership data related to the current plan was as follows:

Retired Participants	10
Terminated Vested Participants	15
Participants active during the plan year ended December 31, 2017 (including 5 elected officials)	
Vested	14
Nonvested	8
Total Participants	47

Funding Policy and Annual Contributions. The funding policy for the plan is to contribute an amount equal to the recommended contribution in each year. These contributions are determined under the projected unit credit actuarial cost method and the asset valuation method for developing the actuarial value of the assets. The period and related method of amortizing the unfunded actuarial accrued liability is 30 years from July 1, 1991, and the current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods, if applicable, are closed for this plan year. On the basis of current valuation, dated January 1, 2017, it was determined that the current contribution rate is 6.70% of annual covered payroll.

The Plan is subject to the minimum funding standards of the Public Retirement Systems Standards Law (Georgia Code Section §47-20-10). According to the latest actuarial valuation, dated January 1, 2018, the estimated minimum annual contribution under these funding standards is $45,647.

The contribution to the plan during the fiscal year ended June 30, 2019 was $46,162 ($0 employee and $46,162 employer; 0% and 6.70% of covered payroll respectively) and was made in accordance with contribution requirements determined by an actuarial valuation as of January 1, 2018. The City's current year covered payroll amounted to $680,138 based upon the actuarial valuation of January 1, 2018.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of September 30, 2018, along with the Total Pension Liability (TPL) and Fiduciary Net Position (FNP) used to calculate the NPL. These actuarial assumptions are based on the results of an actuarial measurement date of September 30, 2018.

Actuarial Assumptions: The total pension liability in the September 30, 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%, average, including inflation
Investment Rate of Return	7.50%, net of pension plan investment expense, including inflation
Cost of Living Adjustment	0.00%

The RP-2000 mortality tables were determined to contain sufficient provision appropriate to reasonably reflect future mortality improvement, based on a four-year review of mortality experience for the period January 1, 2010 to June 30, 2014.

Actuarial Methods:

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Closed level dollar for remaining unfunded liability
Asset Valuation Method	Sum of the actuarial value at the beginning of the year and the cash flow during year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at the end of the year. The actuarial value is adjusted, if necessary, to be within 20% of market value.

Discount Rate: The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee 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 employee 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 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.

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. The difference between the resulting rate and the rate on the ongoing basis is a margin for adverse deviation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	45%	6.40%
International Equity	20%	7.40%
Global Fixed Income	10%	5.10%
Domestic Fixed Income	5%	3.03%
Real Estate	20%	1.75%
Cash	0%	
Total	100%	

Changes in Net Pension Liability

	(a) (TPL) Total Pension Liability	(b) (FPL) Fiduciary Net Position	(a)-(b) (NPL) Net Pension Liability
Balances at September 30, 2017	$ 882,679	$ 755,859	$ 126,820
Changes for the Year			
Service Cost	32,862	-	32,862
Interest	67,541	-	67,541
Differences Between Expected and Actual Experience	24,319	-	24,319
Contributions - Employer	-	40,754	(40,754)
Net Investment Income	-	75,130	(75,130)
Benefit Payments, Including Refunds of Employee Contributions	(29,993)	(29,993)	-
Administrative Expense	-	(7,172)	7,172
Net Changes	94,729	78,719	16,010
Balances at September 30, 2018	$ 977,408	$ 834,578	$ 142,830

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 percent, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50 percent) or 1 percentage point higher (8.50 percent) than the current rate:

Sensitivity of the NPL to Changes in Discount Rate

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Total Net Pension Liability	$ 288,186	$ 142,830	$ 22,818

For the year ended June 30, 2019, the City recognized pension expense of $47,251. At June 30, 2019, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions for future periods	$ 34,621	$ -
Difference between expected and actual experience	43,324	-
Changes in assumptions	7,965	-
Net differences between projected and actual earnings on pension plan investments and changes in assumptions	-	(43,755)
Total	$ 85,910	$ (43,755)

Pension plan contributions subsequent to the measurement date of $34,621 are reported as deferred outflows of resources and will be recognized as a net reduction of the net pension liability in the year ended June 30, 2020. 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 Ended June 30,	Amount
2020	13,978
2021	(2,358)
2022	(5,288)
2023	1,203
2024 and After	-

The required Schedule of Changes in the City's Net Pension Liability and Related Ratios and the Schedule of City Contributions immediately follow the notes to the financial statements.

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

Note 12. Deferred Compensation Plan

The City of Emerson has adopted a deferred compensation plan in accordance with provisions of the Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments). The City of Emerson 457 Plan is a defined contribution plan.

The plan allows all full-time employees to voluntarily defer up to 28% of gross compensation up to $7,500 per year and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death or unforeseeable emergency. All administrative costs are deducted from the participant's account.

The plan is administered by an unrelated financial institution. Under the terms of an IRC Section 457 deferred compensation plan, all deferred compensation and income attributable to the investment of the deferred compensation amounts held by the financial institution, until paid or made available to the employees or beneficiaries, are the property of the City. In addition, the participants in the plan have rights equal to his or her share of the fair value of the plan assets.

In accordance with GASB Statement No. 32, the City does not report the deferred compensation plan assets in its financial statements because the City does not play an active role in the administration of the plan or perform investment functions for the plan.

Note 13. Restricted Assets and Restricted Net Position/Fund Balance

Restricted Assets

At June 30, 2019, the City's restricted assets consisted of externally restricted cash accounts maintained in the Confiscated Asset Special Revenue Fund and the 2014 SPLOST Capital Project Fund. There are no restricted assets in the City's proprietary funds.

Restricted Net Position or Fund Balance

Restrictions are used to indicate that a portion of the net position or fund balance is not available for all expenditures or expenses and is legally segregated for a specific future use. The City's restricted net position and fund balance are concentrated in the governmental activities and governmental funds and are as follows:

Restricted for law enforcement activities – Created to segregate money received from federal or state sources that restrict use for law enforcement purposes only.

Restricted for construction – Created to segregate money received from SPLOST and certain grant proceeds where the use of funds is restricted to approved expenditures or expenses.

Restricted Net Position and Fund Balances at June 30, 2019 are as follows:

Drug Enforcement Activities	$ 26,501
Capital Project Activities	476,198
	$ 502,699

Note 14. Contingencies

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

Note 15. Risk Management

At year-end, there were no legal actions taken by or against the City that would have an adverse effect on the City's financial condition. The City is a defendant in various lawsuits. Although the outcome is not presently determinable, in the opinion of the City's attorney, the resolution of the any current legal matters will not have a material adverse effect on the financial condition of the City. The City is exposed to various risk of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; and natural disasters for which the City carries insurance.

The City has joined with other municipalities in the State as part of the Georgia Interlocal Risk Management Agency (GIRMA) for its property and liability insurance, and the Worker's Compensation Self-Insurance Fund (WCSIF) to provide risk coverage for injuries to employees. Both are public entity risk pools currently operating as common risk management and insurance programs for member local governments. The Georgia Municipal Association (GMA) administers the risk pool.

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

The fund is to defend and protect its members against liability or loss as prescribed in the member governments' contracts and in accordance with the worker's compensation laws of Georgia. The funds are to pay all costs against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

During the past three years, the costs of any settlements have not exceeded insurance coverage.

Note 16. Joint Venture

The City of Emerson is a member of the Northwest Georgia Regional Commission. The NGRC was created under the laws of the State of Georgia and cities and counties in the area served by the NGRC are required to be members. The membership of the NGRC includes 10 counties and 35 municipalities. Bartow County pays annual membership dues on behalf of the City. The City has no equity interest in the NGRC nor does the City materially contribute to the continued existence of the NGRC. The Official Code of Georgia Annotated Section §50-8-39.1 states that in the event the NGRC ceases operation, the membership can be assessed for any debt or obligation of the NGRC. Separate financial statements may be obtained from Northwest Georgia Regional Commission, P. O. Box 1793, Rome, Georgia 30162.

Note 17. Special Purpose Local Option Sales Tax

In November 2012, Bartow County voters approved a referendum on the question of "yes/no shall a special one percent sales and use tax be imposed in Bartow County for a period of time not to exceed twenty-four calendar quarters, or until there is collected net proceeds of $193,000,000, for various capital outlay purposes". Actual collection of the tax began April 1, 2014 and is projected to end March 31, 2020. The City of Emerson's distributive share of this amount is projected to be $3,787,814 or 1.97%. The City is to use the proceeds from the tax for various infrastructure, capital equipment and water/sewer improvements.

Note 18. Construction Commitments

As of June 30, 2019, the City had no outstanding commitments under construction contracts.

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Required Supplementary Information

CITY OF EMERSON, GEORGIA
Required Supplementary Information
Schedule of Changes in the Net Pension Liability and Related Ratios
For the Previous Ten Fiscal Periods

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Total Pension Liability										
Service Cost	$ 32,862	$ 30,519	$ 26,466	$ 20,659	$ 27,632	•	•	•	•	•
Interest	67,541	61,275	54,593	48,227	49,957	•	•	•	•	•
Benefit Changes	-	-	-	-	-	•	•	•	•	•
Differences Between Expected and Actual Experienc	24,319	2,290	35,046	42,381	(63,197)	•	•	•	•	•
Changes of Assumptions	-	-	-	-	(4,318)	•	•	•	•	•
Benefit Payments, Including Refunds	(29,993)	(30,641)	(29,129)	(29,130)	(35,664)	•	•	•	•	•
Other	-	13,273	-	-	-	•	•	•	•	•
Net Change in Total Pension Liability	94,729	76,716	86,976	82,137	(25,590)	•	•	•	•	•
Total Pension Liability - Beginning	882,679	805,963	718,987	636,850	662,440	•	•	•	•	•
Total Pension Liability - Ending	$ 977,408	$ 882,679	$ 805,963	$ 718,987	$ 636,850	•	•	•	•	•
Plan Net Position										
Contributions - Employer	$ 40,754	$ 34,362	$ 27,100	$ 31,122	$ 32,531	•	•	•	•	•
Contributions - Member	-	-	-	-	-	•	•	•	•	•
Net Investment Income	75,130	99,070	66,656	6,757	61,504	•	•	•	•	•
Benefit Payments, Including Refunds	(29,993)	(30,641)	(29,129)	(29,130)	(35,664)	•	•	•	•	•
Administrative Expense	(7,172)	(7,557)	(3,959)	(4,330)	(3,500)	•	•	•	•	•
Other	-	-	-	-	-	•	•	•	•	•
Net Change in Plan Net Position	78,719	95,234	60,668	4,419	54,871	•	•	•	•	•
Plan Net Position - Beginning	755,859	660,625	599,904	595,485	540,614	•	•	•	•	•
Plan Net Position - Ending	$ 834,578	$ 755,859	$ 660,572	$ 599,904	$ 595,485	•	•	•	•	•
Net Pension Liability - Ending	$ 142,830	$ 126,820	$ 145,391	$ 119,083	$ 41,365	•	•	•	•	•
Total Pension Liability	977,408	882,679	805,963	718,987	636,850	•	•	•	•	•
Plan Net Position	834,578	755,859	660,572	599,904	595,485	•	•	•	•	•
Net Pension Liability	142,830	126,820	145,391	119,083	41,365	•	•	•	•	•
Ratio of Plan Net Position to Total Pension Liability	85.39%	85.63%	81.96%	83.44%	93.50%	•	•	•	•	•
Covered Employee Payroll	808,577	680,138	639,887	635,125	566,461	•	•	•	•	•
Net Pension Liability as a Percentage of Covered Employee Payroll	17.66%	18.65%	22.72%	18.75%	7.30%	•	•	•	•	•

This schedule is to be built prospectively. Historical information prior to 2015 is not required.

CITY OF EMERSON, GEORGIA
Required Supplementary Information
Schedule of Contributions - Pension Plan
For the Previous Ten Fiscal Periods

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially Determined Contribution	$ 46,162	$ 38,951	$ 32,833	$ 25,189	$ 33,099	*	*	*	*	*
Contributions in Relation to the Actuarially Determined Contribution	46,162	38,951	32,833	25,189	33,099	*	*	*	*	*
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	*	*	*	*	*
Covered Employee Payroll	$680,138	$639,887	$635,125	$513,162	$566,461	*	*	*	*	*
Contributions As a Percentage of Covered Employee Payroll	6.79%	6.09%	5.17%	4.91%	5.84%	*	*	*	*	*

* Historical information prior to implementation of GASB 67/68 not required.

Notes to Schedule:

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method	Projected Unit Credit
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.
Asset Valuation Method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at the end of the year. The actuarial value is adjusted, if necessary to be within 20% of market value.
Inflation	2.75%
Salary Increases	2.75% plus age and service based merit increases
Investment Rate of Return	7.50% net pension plan investment expense, including inflation
Retirement Age	Normal - 65; Early - 55
Mortality	The mortality and economic 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.
Other Information	This schedule is presented to illustrate the requirement to show information for 10 years. However, a full 10 year trend is not available. The actuarially determined contribution rate was determined as of January 1, 2018, with an interest adjustment to the fiscal year. Contributions in relation to this actuarially determined contribution rate will be reported for the fiscal year ending June 30, 2019.

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Capital Project Fund Budgetary Schedule

CITY OF EMERSON, GEORGIA
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Capital Projects Fund - 2014 SPLOST - Budget and Actual
From Inception and For the Year Ended June 30, 2019

	Actual			
	Prior Years	Current Year	Total to Date	Project Authorization
Revenues				
Intergovernmental	$ 1,343,953	$ 348,418	$ 1,692,371	$ 3,787,814
Interest Income	48,081	1,377	49,458	-
Total Revenues	1,392,034	349,795	1,741,829	3,787,814
Expenditures				
Current				
General Government	110,067	26,725	136,792	136,792
Public Works	96,972	22,655	119,627	119,627
Water and Sewer System Improvements	26,112	-	26,112	26,112
Capital Outlays				
General Government	42,741	-	42,741	98,622
Public Works	377,414	345,254	722,668	734,273
Water and Sewer System Improvements	395,991	-	395,991	2,672,388
Total Expenditures	1,049,297	394,634	1,443,931	3,787,814
Excess (Deficiency) of Revenues Over (Under) Expenditures	342,737	(44,839)	297,898	-
Other Financing Sources				
Proceeds from Asset Sale	-	178,300	178,300	-
Total Other Financing Sources	-	178,300	178,300	-
Net Change in Fund Balance	$ 342,737	133,461	$ 476,198	$ -
Fund Balance - Beginning of Year		342,737		
Fund Balance - End of Year		$ 476,198		



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Compliance Section

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CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

LLOYD WILLIAMSON
CHRISTIAN HATCH

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 City Council
Emerson, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Emerson, Georgia, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Emerson, Georgia's basic financial statements and have issued our report thereon dated November 19, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Emerson, Georgia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate for 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 of Emerson, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Emerson, Georgia's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Emerson, 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.*

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 of 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.

DRAFT

Williamson and Company
Certified Public Accountants
Cartersville, Georgia
November 19, 2019

CITY OF EMERSON,GEORGIA

2014 SPLOST - Schedule of Special Purpose Local Option Sales Tax Expenditures
For the Fiscal Year Ended June 30, 2019

Project	Original Estimated Cost	Revised Estimated Cost	Expenditures		
			Prior Years	Current Year	Total
SPLOST 2014					
Water Projects					
Water System Improvements	$ 1,515,000	$ 1,515,000	$ 76,941	$ -	$ 76,941
Sewer Projects					
Sewer System Improvements	1,183,500	1,183,500	345,162	-	345,162
Road Projects					
Road Projects	345,000	345,000	253,778	240,644	494,422
Storm Sewer System					
Storm Sewer System Improvements	158,900	158,900	4,976	-	4,976
Public Works					
Replacement of Public Works Equipment	350,000	350,000	215,632	127,265	342,897
Information Technology					
Information Technology	235,414	235,414	152,808	26,725	179,533
Total	$ 3,787,814	$ 3,787,814	$ 1,049,297	$ 394,634	$ 1,443,931

Note: This schedule is prepared on the modified accrual basis of accounting.

CITY OF EMERSON,GEORGIA

2014 SPLOST - Schedule of Special Purpose Local Option Sales Tax Expenditures
For the Fiscal Year Ended June 30, 2019

Project	Original Estimated Cost	Revised Estimated Cost	Expenditures		
			Prior Years	Current Year	Total
SPLOST 2014					
Water Projects					
Water System Improvements	$ 1,515,000	$ 1,515,000	$ 76,941	$ -	$ 76,941
Sewer Projects					
Sewer System Improvements	1,183,500	1,183,500	345,162	-	345,162
Road Projects					
Road Projects	345,000	345,000	253,778	240,644	494,422
Storm Sewer System					
Storm Sewer System Improvements	158,900	158,900	4,976	-	4,976
Public Works					
Replacement of Public Works Equipment	350,000	350,000	215,632	127,265	342,897
Information Technology					
Information Technology	235,414	235,414	152,808	26,725	179,533
Total	$ 3,787,814	$ 3,787,814	$ 1,049,297	$ 394,634	$ 1,443,931

Note: This schedule is prepared on the modified accrual basis of accounting.

CITY OF EMERSON
RECAP
June 30, 2019

CITY OF EMERSON
CITY WIDE NET POSITION (Page # 7)
Comparing Current Year to Prior Year

	Combined Statements		
	2019	2018	Increase/(Decrease)
ASSETS AND DEFERRED OUTFLOWS			
Cash - Operating	$ 2,664,654	$ 1,975,262	$ 689,392
Receivables - Net	256,330	256,062	268
Inventory	6,829	14,588	(7,759)
Internal Balances	50	-	50
Deferred Outflows of Resources	85,910	79,644	6,266
Capital Assets:			
Land and Construction in Progress	444,832	223,162	221,670
Other Capital Assets - Net	14,008,364	14,427,544	(419,180)
Total Capital Assets	14,453,196	14,650,706	(197,510)
Total Assets and Deferred Outflows	17,466,969	16,976,262	490,707
LIABILITIES AND DEFERRED INFLOWS			
Accounts Payable	88,860	80,794	8,066
Other Current Payables	13,184	5,714	7,470
Customer Deposits	63,363	64,442	(1,079)
Current Portion of Long Term Debt	104,942	82,847	22,095
Deferred Inflows of Resources	43,755	52,409	(8,654)
Net Pention Liability	142,830	126,820	16,010
Noncurrent Liabilities:			
Due in More Than One Year - Net	1,657,817	1,668,760	(10,943)
Total Liabilities and Deferred Inflows	2,114,751	2,081,786	32,965
NET ASSETS			
Net Investment in Capital Assets	12,716,308	12,915,219	$ (198,911)
Restricted for:			
Construction	476,198	397,403	78,795
Law Enforcement Activities	26,501	30,701	(4,200)
Unrestricted	2,133,161	1,551,153	582,008
Total Net Assets	$ 15,352,168	$ 14,894,476	$ 457,692
Net Position Increased By	$ 457,692		

CITY OF EMERSON
ACTUAL COMPARISONS FOR GENERAL FUND (Page # 14)
Current and Prior Year

	2019 Actual	2018 Actual	2018 to 2019 INCREASE (DECREASE)
REVENUES			
Taxes	$ 1,046,473	$ 927,983	$ 118,490
Licenses and Permits	101,647	61,475	40,172
Charges for Services and Other	202,580	154,140	48,440
Fines and Forfeitures	288,131	166,184	121,947
Interest Income	1,377	-	1,377
Intergovernmental	33,422	28,287	5,135
Miscellaneous Income	2,974	1,755	1,219
Total Revenues	1,676,604	1,339,824	336,780
EXPENDITURES			
Current:			
Council Commissions and Boards	16,748	15,928	820
General Government	583,159	480,851	102,308
Municipal Court	102,679	125,168	(22,489)
Contracted Services	36,305	30,429	5,876
Public Safety	628,482	499,826	128,656
Public Works	315,927	241,788	74,139
Culture and Recreation	4,328	2,844	1,484
Debt Service			
Principal	22,420	62,485	(40,065)
Interest	2,150	2,036	114
Total Expenditures	1,712,198	1,461,355	250,843
Excess (Deficiency) of Revenues Over (Under) Expenditures	(35,594)	(121,531)	85,937
OTHER FINANCING SOURCES (USES)			
Transfers In	136,593	141,123	(4,530)
Proceeds From Capital Lease	49,204	30,242	18,962
Proceeds From Asset Sale	306,949	-	306,949
Proceeds From Sale of Surplus Supplies	19,481	38,264	(18,783)
Proceeds From Insurance Recoveries	16,998	68,093	(51,095)
Total Other Financing Sources (Uses)	529,225	277,722	337,440
Net Change in Fund Balance	493,631	156,191	423,377
Fund Balance (Deficit) - Beginning of Year	859,381	703,190	156,191
Fund Balance (Deficit) - End of Year	1,353,012	859,381	493,631

CITY OF EMERSON
COMPARISONS FOR WATER AND SEWER FUND (page #18)
Current Year and Prior Year

	2019	2018	Increase/(Decrease)
Operating Revenues			
Charges for Services	$ 973,639	$ 906,287	67,352
Fees	5,539	25,635	(20,096)
Other Revenues	103,687	-	103,687
Total Operating Revenues	1,082,865	931,922	150,943
Operating Expenses			
Salaries, Wages and Employee Benefits	181,260	187,737	(6,477)
Landfill Fees	5,515	4,229	1,286
Purchased Water	156,701	191,704	(35,003)
Materials and Supplies	130,031	108,290	21,741
System Maintenance	104,209	57,525	46,684
Purchased Services	-	7,117	(7,117)
Insurance Expense	21,626	20,247	1,379
Administrative Charge	105,075	71,372	33,703
General and Administrative	117,653	51,658	65,995
Other Repairs and Maintenance	29,349	12,839	16,510
Utilities	158,864	137,963	20,901
Depreciation Expense	350,375	315,071	35,304
Total Operating Expenses	1,360,658	1,165,752	194,906
Operating Income (Loss)	(277,793)	(233,830)	(43,963)
Nonoperating Revenues (Expenses)			
Interest Expense	(45,389)	(44,872)	(517)
Total Nonoperating Revenues (Expenses)	(45,389)	(44,872)	(517)
Income Before Contributions	(323,182)	(278,702)	(44,480)
Capital Contributions	-	24,039	(24,039)
Change in Net Position	(323,182)	(254,663)	
Net Position - Beginning	12,310,526	12,565,189	
Net Position - Ending	$ 11,987,344	$ 12,310,526	(323,182)

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WILLIAMSON & CO., CPA's
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

LLOYD WILLIAMSON
CHRISTIAN HATCH

November 19, 2019

To the Mayor and Members of the City Council
City of Emerson, Georgia

We have audited the financial statements of the governmental activities, business-type activities, and each major fund of the City of Emerson, Georgia for the year ended June 30, 2019, and have issued our report thereon dated November 19, 2019. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City of Emerson, Georgia are described in Note 1 to the financial statements. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

> Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.
>
> The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 19, 2019.

Other Audit Issues

Internal Balances

We continue to recommend clearing this amount out through an accounting transfer. This would allow the Solid Waste fund to emerge from a fund balance deficit that it is currently in. In the future, if the Solid Waste fund is able to generate a cash surplus, it can make annual operating transfers into the General Fund.

Capital Asset Software

In prior audit periods, the City's capital asset detail including depreciation was maintained on a spreadsheet by an external accountant. This spreadsheet was not updated for fiscal 2019. Maintaining an asset detail using a spreadsheet increases the risk of errors in accounting for capital asset additions, disposals, and depreciation expense. In order to audit the City's capital assets, we worked from the prior year ending detail and determine what the City's capital additions and disposals were for 2019 and entered all of that information into our capital asset software. We recommend the City purchase a small user friendly capital asset software program and use it going forward for the City's capital asset inventory maintenance.

As always, Williamson & Company is available to assist in any of the above recommendations or any other accounting issues for the entire year and not just during the yearend audit period.

This information is intended solely for the use of the City Council and management of the City of Emerson, Georgia and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Williamson and Company

Williamson and Company
Certified Public Accountants
Cartersville, Georgia