CITY OF GRAY, GEORGIA



ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2019

CITY OF GRAY, GEORGIA

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

CITY OF GRAY, GEORGIA

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2019

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT ..... 1 – 3

MANAGEMENT'S DISCUSSION AND ANALYSIS ..... 4 – 9

FINANCIAL STATEMENTS

Government-wide Financial Statements:
- Statement of Net Position ..... 10 – 11
- Statement of Activities ..... 12 – 13

Fund Financial Statements:
- Balance Sheet – Governmental Funds 14
- Reconciliation of Balance Sheet – Governmental Funds to the Statement of Net Position 15
- Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds 16
- Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities 17
- Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund ..... 18 – 19
- Statement of Net Position – Proprietary Funds ..... 20 – 21
- Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds ..... 22 – 23
- Statement of Cash Flows – Proprietary Funds ..... 24 – 25

Notes to the Financial Statements ..... 26 – 47

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in the City's Net Pension Liability and Related Ratios 48-49

Schedule of City Contributions 50

Notes to the Required Supplementary Information 51

SUPPLEMENTARY INFORMATION

Combining and Individual Fund Statements and Schedules:
Combining Balance Sheet – Nonmajor Governmental Funds 52

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances – Nonmajor Governmental Funds 53

Law Enforcement Confiscation
Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual 54

Hotel / Motel Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual 55
2016 Community Development Block Grant Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual 56

Schedule of Projects Constructed with Special Sales Tax Proceeds 57

Component Unit – Downtown Development Authority
Balance Sheet 58
Statement of Revenues, Expenditures, and
Changes in Fund Balances 59

GOVERNMENTAL REPORTS

Independent Auditor's Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance with
Government Auditing Standards ..... 60 – 61

Schedule of Findings and Responses 62

INDEPENDENT AUDITOR'S REPORT

Mayor and City Council
City of Gray
Gray, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Gray, Georgia (the "City"), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

1503 Bass Road ■ Post Office Box 6315 ■ Macon, Georgia 31208-6315

Phone 478-742-3313 ■ Facsimile 478-742-0316 ■ www.clhp.com

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Gray, Georgia, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 4 through 9, the schedule of changes in the City's net pension liability and related ratios on page 48-49, the schedule of City contributions on page 50, and the notes to the required supplementary information on page 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2020 on our consideration of the City of Gray, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Gray, Georgia's internal control over financial reporting and compliance.

Macon, Georgia
May 18, 2020

MANAGEMENT'S DISCUSSION & ANALYSIS

As management of the City of Gray, Georgia (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the year ended December 31, 2019.

Financial Highlights

- The assets and deferred outflows of resources for the City exceeded its liabilities and deferred inflows of resources as of December 31, 2019 by $14,403,717.
- The government's total net position increased by $504,339 for the year ended December 31, 2019.
- As of December 31, 2019, total net position consisted of $8,284,682 net investment in capital assets, $951,551 restricted and $5,167,484 unrestricted.
- As of the close of the current year the City's governmental funds reported combined ending fund balances of $4,688,557 an increase of $505,848 in comparison with the prior year.
- For the year ended December 31, 2019, fund balance for the general fund increased from $3,609,655 to $3,998,254.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

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

The government-wide financial statements can be found on pages 10 through 13 of this report.

Fund Financial Statements

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

Governmental Funds

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

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

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

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

The basic governmental funds financial statements can be found on pages 14 through 19 of this report.

Proprietary Funds

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

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

The basic proprietary fund financial statements can be found on pages 20 through 25 of this report.

Notes to Financial Statements

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $14,403,717 at the close of the most recent year.

A portion of the City's net position reflects its investment in capital assets, less any related debt outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. As of December 31, 2019 the investment consists of $19,005,027 in assets, with accumulated depreciation of $9,372,835 and outstanding debt of $1,347,510.

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

As of December 31, 2019 current liabilities increased by $149,413 and net position increased by $504,339 compared to December 31, 2018.

Summary of Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets						
Current and other assets	$ 4,973,028	$ 4,337,014	$ 2,043,279	$ 1,901,043	$ 7,016,307	$ 6,238,057
Capital assets	3,070,606	3,195,887	6,561,586	6,500,598	9,632,192	9,696,485
Total assets	8,043,634	7,532,901	8,604,865	8,401,641	16,648,499	15,934,542
Deferred outflows of resources						
Related to pensions	119,721	63,989	64,465	42,659	184,186	106,648
Total deferred outflows of resources	119,721	63,989	64,465	42,659	184,186	106,648
Liabilities						
Current and other liabilities	252,119	145,159	329,151	396,622	581,270	541,781
Long-term liabilities	297,467	170,167	1,512,212	1,341,482	1,809,679	1,511,649
Total liabilities	549,586	315,326	1,841,363	1,738,104	2,390,949	2,053,430
Deferred inflows of resources						
Related to pensions	24,712	53,029	13,307	35,353	38,019	88,382
Total deferred inflows of resources	24,712	53,029	13,307	35,353	38,019	88,382
Net position						
Net investment in capital asse	3,070,606	3,195,887	5,214,076	5,201,671	8,284,682	8,397,558
Restricted	614,443	497,217	337,108	323,648	951,551	820,865
Unrestricted	3,904,008	3,535,431	1,263,476	1,145,524	5,167,484	4,680,955
Total net position	$ 7,589,057	$ 7,228,535	$ 6,814,660	$ 6,670,843	$ 14,403,717	$ 13,899,378

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2017
Revenues						
Program revenues						
Charges for services	$ 224,985	$ 254,870	$ 2,134,860	$ 2,057,086	$ 2,359,845	$ 2,311,956
Operating grants and contributions	350,630	159,527	81,491	14,441	432,121	173,968
Capital grants and contributions	382,055	362,043	120,310	647,364	502,365	1,009,407
General revenues						
Taxes	2,063,860	1,968,921	-	-	2,063,860	1,968,921
Investment revenues	38,871	6,513	12,218	6,395	51,089	12,908
Gain on sale of asset	30,875	27,500	-	-	30,875	27,500
Miscellaneous	9,741	4,354	-	-	9,741	4,354
Total Revenues	3,101,017	2,783,728	2,348,879	2,725,286	5,449,896	5,509,014
Expenses						
General government	602,700	521,119	-	-	602,700	521,119
Public safety	1,071,894	1,097,836	-	-	1,071,894	1,097,836
Public works	548,818	594,164	-	-	548,818	594,164
Other	427,952	229,634	-	-	427,952	229,634
Water and Sewer	-	-	2,128,256	2,117,341	2,128,256	2,117,341
Sanitation	-	-	165,937	154,538	165,937	154,538
Total Expenses	2,651,364	2,442,753	2,294,193	2,271,879	4,945,557	4,714,632
Increase (decrease) in net position before transfers	449,653	340,975	54,686	453,407	504,339	794,382
Transfers	(89,131)	(86,962)	89,131	86,962	-	-
Increase (decrease) in net position	360,522	254,013	143,817	540,369	504,339	794,382
Net position - beginning of year	7,228,535	6,974,522	6,670,843	6,130,474	13,899,378	13,104,996
Net position - end of year	$ 7,589,057	$ 7,228,535	$ 6,814,660	$ 6,670,843	$ 14,403,717	$ 13,899,378

Financial Analysis of the City's Funds

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

Governmental Funds

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

As of December 31, 2019 the City's governmental funds reported combined ending fund balances of $4,688,577. The unassigned fund balance reflects a balance of $3,976,991. A total of $711,566 is restricted or assigned to indicate that it is not available for new spending because it has already been committed for restricted purposes.

The fund balance of the City's governmental funds increased by $505,848 during the current year.

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

The water and sewer system fund provides to the City's residential and commercial customers. The City strives to maintain competitive rates to its customers while providing safe drinking water and sewerage treatment. Unrestricted net position of the water and sewerage and sanitation operations at the end of the year amounted to $1,263,476.

General Fund Budgetary Highlights

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

A detailed comparison of the general fund budget to actual amounts can be found on pages 18 through 19 of this report.

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2019 totals $9,632,192 net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, infrastructure, machinery and equipment, and vehicles. The total decrease in the City's investment in capital assets for the current year was $64,293. Detailed information regarding the capital asset activity for 2019 can be found in Note 8 of this report.

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	$ 1,053,040	$ 1,053,040	$ 26,167	$ 26,167	$ 1,079,207	$ 1,079,207
Water Rights	-	-	313,683	313,683	313,683	313,683
Construction in progress	-	-	528,611	95,892	528,611	95,892
Infrastructure	1,033,660	1,142,437	5,461,493	5,773,704	6,495,153	6,916,141
Buildings	552,951	572,576	-	-	552,951	572,576
Storm Drainage Improve.	-	-	82,127	89,018	82,127	89,018
Equipment	160,156	186,947	110,513	137,380	270,669	324,327
Vehicles	270,799	240,887	38,992	64,754	309,791	305,641
Total	$ 3,070,606	$ 3,195,887	$ 6,561,586	$ 6,500,598	$ 9,632,192	$ 9,696,485

Long-Term Debt

The water and sewer fund reflects revenue bonds as long-term debt as of December 31, 2019. Bonds payable equal $130,000 as of December 31, 2019. In 2009, the City borrowed an additional $1,090,026 from GEFA for a belt press for the wastewater treatment. Notes payable equal $594,771 as of December 31, 2019, with $54,776 due within one year. In 2016, the City entered into a contract with GEFA for to provide financing for improvements to the water system. The total amount the City drew down on this

loan was $374,798. Notes payable equal $334,943 with $17,376 due within one year. In 2018, the City entered into a contract with GEFA to provide financing for improvements to the sewer system. As of December 31, 2019 $287,796 has been drawn down. Detailed information regarding the long-term debt activity for 2019 can be found in Note 9.

Accomplishments/Growth for 2019

In 2019, the City of Gray continued to make great strides in upgrading its water and sewer infrastructure. Improvements were made to the City Hall and Water Department buildings. The police department purchased three new vehicles.

Request for Information

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

FINANCIAL STATEMENTS

CITY OF GRAY, GEORGIA

STATEMENT OF NET POSITION
DECEMBER 31, 2019

	Primary Government			Component Unit
ASSETS	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
Cash and cash equivalents	$ 3,609,546	$ 1,364,820	$ 4,974,366	$ 63,359
Certificates of deposit	1,104,114	226,087	1,330,201	-
Receivables (net of allowance):				
Accrued interest	-	1,056	1,056	-
Taxes	81,731	-	81,731	-
Accounts	9,861	142,508	152,369	300
Due from other governments	133,101	-	133,101	-
Prepaids	-	6,375	6,375	-
Internal balances	34,675	(34,675)	-	-
Restricted assets:				
Cash and cash equivalents	-	337,108	337,108	-
Capital assets:				
Nondepreciable assets	1,053,040	868,462	1,921,502	291,203
Depreciable assets, net	2,017,566	5,693,124	7,710,690	137,008
Total assets	8,043,634	8,604,865	16,648,499	491,870
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to pensions	119,721	64,465	184,186	-
Total deferred outflows of resources	119,721	64,465	184,186	-

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

CITY OF GRAY, GEORGIA

STATEMENT OF NET POSITION
DECEMBER 31, 2019
(CONTINUED)

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
LIABILITIES				
Accounts payable	207,712	99,094	306,806	-
Accrued liabilities	44,407	19,391	63,798	-
Accrued interest	-	991	991	-
Customer deposits	-	209,675	209,675	500
Noncurrent liabilities:				
Due within one year				
Loans payable	-	72,152	72,152	-
Compensated absences	21,609	16,163	37,772	-
Due in more than one year				
Loans payable	-	1,145,358	1,145,358	-
Bonds payable	-	130,000	130,000	-
Net pension liability	275,858	148,539	424,397	-
Total liabilities	549,586	1,841,363	2,390,949	500
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pensions	24,712	13,307	38,019	-
Total deferred inflows of resources	24,712	13,307	38,019	-
NET POSITION				
Net investment in capital assets	3,070,606	5,214,076	8,284,682	428,211
Restricted for:				
Debt service	-	337,108	337,108	-
Perpetual care	71,167	-	71,167	-
Capital outlay	507,597	-	507,597	-
Law enforcement	35,679	-	35,679	-
Unrestricted	3,904,008	1,263,476	5,167,484	63,159
Total net position	$ 7,589,057	$ 6,814,660	$ 14,403,717	$ 491,370

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

CITY OF GRAY, GEORGIA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 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				
General government	$ 602,700	$ 89,601	$ -	$ -
Judicial	78,933	-	-	-
Public safety	1,071,894	135,384	77,472	-
Public works	548,818	-	-	382,055
Health and Welfare	6,771	-	273,158	-
Culture and recreation	7,212	-	-	-
Housing and Development	335,036	-	-	-
Total governmental activities	2,651,364	224,985	350,630	382,055
Business-type activities				
Water & Sewer	2,128,256	1,948,503	81,491	120,310
Sanitation	165,937	186,357	-	-
Total business-type activities	2,294,193	2,134,860	81,491	120,310
Total primary government	$ 4,945,557	$ 2,359,845	$ 432,121	$ 502,365
Component Unit:				
Downtown Development Authority	$ 11,430	$ 15,600	$ -	$ 20,000
		Property taxes		
		Sales taxes		
		Insurance premium tax		
		Franchise tax		
		Other taxes		
		Unrestricted investment earnings		
		Gain on sale of asset		
		Miscellaneous		
		Total general revenues		
		Transfers		
		Change in net position		
		Net position - beginning of year		
		Net position - end of year		

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

CITY OF GRAY, GEORGIA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMEBER 31, 2019
(CONTINUED)

Net (Expense) Revenue and Changes in Net Position			Component Unit
Primary Government			
Governmental Activities	Business-type Activities	Total	Downtown Development Authority
$ (513,099)	$ -	$ (513,099)	$ -
(78,933)	-	(78,933)	-
(859,038)	-	(859,038)	-
(166,763)	-	(166,763)	-
266,387	-	266,387	-
(7,212)	-	(7,212)	-
(335,036)	-	(335,036)	-
(1,693,694)	-	(1,693,694)	-
-	22,048	22,048	-
-	20,420	20,420	-
-	42,468	42,468	-
(1,693,694)	42,468	(1,651,226)	-
			24,170
935,936	-	935,936	-
412,389	-	412,389	-
251,169	-	251,169	-
232,171	-	232,171	-
232,195	-	232,195	-
38,871	12,218	51,089	-
30,875	-	30,875	-
9,741	-	9,741	20,000
2,143,347	12,218	2,155,565	20,000
(89,131)	89,131	-	-
360,522	143,817	504,339	44,170
7,228,535	6,670,843	13,899,378	447,200
$ 7,589,057	$ 6,814,660	$ 14,403,717	$ 491,370

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

CITY OF GRAY, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019

ASSETS	General	2015 SPLOST	2016 CDBG	Non-Major Governmental Funds	Total Governmental Funds
Cash and cash equivalents	$ 2,932,297	$ 557,551	$ 90	$ 119,608	$ 3,609,546
Certificates of deposit	1,040,617	-	-	63,497	1,104,114
Receivables, net of allowance					
Taxes	81,731	-	-	-	81,731
Accounts	8,823	-	-	1,038	9,861
Due from other governments	45,697	-	87,404	-	133,101
Due from other funds	34,865	-	-	-	34,865
Total Assets	$ 4,144,030	$ 557,551	$ 87,494	$ 184,143	$ 4,973,218
LIABILITIES					
Accounts payable	$ 69,017	$ 49,954	$ 87,404	$ 1,337	$ 207,712
Accrued liabilities	44,407	-	-	-	44,407
Due to other funds	-	-	90	100	190
Total Liabilities	113,424	49,954	87,494	1,437	252,309
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	30,852	-	-	-	30,852
Unavailable revenue - other	1,500	-	-	-	1,500
Total Deferred Inflows of Resources	32,352	-	-	-	32,352
FUND BALANCES					
Restricted	-	507,597	-	106,846	614,443
Assigned	21,263	-	-	75,860	97,123
Unassigned	3,976,991	-	-	-	3,976,991
Total fund balances	3,998,254	507,597	-	182,706	4,688,557
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 4,144,030	$ 557,551	$ 87,494	$ 184,143	$ 4,973,218

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

CITY OF GRAY, GEORGIA

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2019

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

Total fund balances - governmental funds	$ 4,688,557
Capital Assets	
Capital assets used in governmental activities are not financed resources and, therefore, are not reported in the funds.	
Cost of assets	5,686,169
Accumulated depreciation	(2,615,563)
Deferred outflows of resources	
Related to pensions	119,721
Long-term Liabilities	
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities both current and long-term are reported in the Statement of Net Position. Long-term liabilities at year-end consist of the following:	
Compensated absences	(21,609)
Net pension liability	(275,858)
Deferred inflows of resources	
Related to pensions	(24,712)
Revenues	
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	32,352
Total Net position of Governmental Activities	$ 7,589,057

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

CITY OF GRAY, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

REVENUES:	General	2015 SPLOST	2016 CDBG	Non-Major Governmental Funds	Total Governmental Funds
Taxes:					
Property	$ 935,725	$ -	$ -	$ -	$ 935,725
Sales	412,389	-	-	-	412,389
Other taxes	703,098	-	-	12,436	715,534
Licenses and permits	89,601	-	-	-	89,601
Intergovernmental	77,472	374,745	273,158	-	725,375
Fines and forfeitures	132,584	-	-	2,800	135,384
Investment earnings	37,957	7,310	-	915	46,182
Miscellaneous	9,741	-	-	-	9,741
Total revenues	2,398,567	382,055	273,158	16,151	3,069,931
EXPENDITURES:					
Current:					
General government	564,035	176	-	12,436	576,647
Judicial	78,933	-	-	-	78,933
Public safety	960,493	14,789	-	-	975,282
Public works	279,602	-	-	-	279,602
Health and welfare	6,771	-	-	-	6,771
Culture and recreation	-	-	-	7,212	7,212
Housing and development	61,878	-	273,158	-	335,036
Capital outlay	-	246,344	-	-	246,344
Total Expenditures	1,951,712	261,309	273,158	19,648	2,505,827
Excess (deficiency) of revenues over (under) expenditures	446,855	120,746	-	(3,497)	564,104
OTHER FINANCING SOURCES (USES):					
Proceeds from sale of assets	30,875	-	-	-	30,875
Transfers out	(89,131)	-	-	-	(89,131)
Total other financing sources and (uses)	(58,256)	-	-	-	(58,256)
Net change in fund balances	388,599	120,746	-	(3,497)	505,848
Fund balance - beginning of year	3,609,655	386,851	-	186,203	4,182,709
Fund balance - end of year	$ 3,998,254	$ 507,597	$ -	$ 182,706	$ 4,688,557

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

CITY OF GRAY, GEORGIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds	$	505,848
Capital Assets		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is depreciated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.		
Total capital outlays		137,014
Total depreciation		(256,174)
The net effect of various miscellanous transactions involving capital assets (i.e., sales and donations) is to decrease net position		(6,121)
Deferred outflows of resources related to pensions is not available during the current period and therefore is not reported in the funds.		
Change in deferred outflows of resources related to pensions		55,732
Long-term Debt		
Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. The adjustments for these items are as follows:		
Compensated absences		1,386
Net pension liability		(105,691)
Deferred inflows of resources related to pensions is not available during the current period and therefore is not reported in the funds.		
Change in deferred inflows of resources related to pensions		28,317
Revenues		
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		211
Change in net position of governmental activities	$	360,522

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

CITY OF GRAY, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES:				
Taxes:				
General property taxes	$ 777,288	$ 777,288	$ 935,725	$ 158,437
Local option sales tax	362,000	362,000	412,389	50,389
Other taxes:				
Insurance premium tax	215,000	215,000	251,169	36,169
Motor vehicle tax	100,286	100,286	114,342	14,056
Franchise tax	218,000	218,000	232,171	14,171
Beer and wine tax	80,000	89,131	89,131	-
Real estate transfer tax	2,000	2,000	3,129	1,129
Recording intangible taxes	8,000	8,000	9,477	1,477
Mobile home tax	525	525	978	453
Penalties and interest	2,000	2,000	2,701	701
Total Taxes	1,765,099	1,774,230	2,051,212	276,982
Licenses and Permits:				
Business licenses and permits	75,000	75,000	89,601	14,601
Intergovernmental Revenues:				
Department of transportation	-	47,203	47,203	-
Emergency management agency	-	19,980	20,269	289
Jones County Board of Education				
Crossing Guards	10,000	10,000	10,000	-
Total Intergovernmental Revenues	10,000	77,183	77,472	289
Fines, Forfeitures and Penalties:				
Fine and forfeitures	129,000	128,800	132,584	3,784
Total Fines, Forfeitures and Penalties	129,000	128,800	132,584	3,784
Miscellaneous:				
Interest earnings	7,000	7,000	37,957	30,957
Miscellaneous	1,578	7,649	9,741	2,092
Total Miscellaneous	8,578	14,649	47,698	33,049
Total Revenues	$ 1,987,677	$ 2,069,862	$ 2,398,567	$ 328,705

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

CITY OF GRAY, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019
(CONTINUED)

	Budget			Variance with
	Original	Final	Actual	Final Budget
EXPENDITURES:				
Current:				
General Government				
General administration	$ 588,676	$ 585,042	$ 564,035	$ 21,007
Judicial				
Municipal court	74,800	75,714	75,633	81
Public defender	3,600	3,400	3,300	100
Public Safety				
Police	718,200	769,244	769,244	-
Prisoner custody	17,000	16,086	7,065	9,021
Fire	101,883	107,033	100,146	6,887
Dispatching	83,050	83,050	83,038	12
Emergency management	1,000	1,000	1,000	-
Public Works				
Highways and streets	282,000	329,202	279,602	49,600
Health and Welfare				
Community center	5,500	7,142	6,771	371
Housing and Development				
Better Hometown	25,000	25,000	25,000	-
Keep Jones Beautiful	7,368	7,368	7,278	90
Planning and Zoning	9,600	9,600	9,600	-
Downtown Development	20,000	20,000	20,000	-
Total Expenditures	1,937,677	2,038,881	1,951,712	87,169
Excess (Deficiency) of Revenues over Expenditures	50,000	30,981	446,855	415,874
Other Financing Sources (Uses):				
Proceeds on sale assets	-	26,150	30,875	4,725
Transfer to Water and Sewer Fund	(80,000)	(89,131)	(89,131)	-
Total Other Financing Sources (Uses)	(80,000)	(62,981)	(58,256)	4,725
Net change in fund balance	(30,000)	(32,000)	388,599	420,599
Fund balance - beginning of year	3,609,655	3,609,655	3,609,655	-
Fund balance - end of year	$ 3,579,655	$ 3,577,655	$ 3,998,254	$ 420,599

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

CITY OF GRAY, GEORGIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2019

	Business-type Activities Enterprise Funds		
	Water and Sewer Fund	Nonmajor Sanitation Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 1,285,873	$ 78,947	$ 1,364,820
Certificates of deposit	226,087	-	226,087
Restricted cash, cash equivalents and investments:			
Revenue bond covenant accounts	337,108	-	337,108
Accrued interest receivable	1,056	-	1,056
Accounts receivable (net of allowance for uncollectibles)	127,146	15,362	142,508
Due from other funds	-	3,479	3,479
Prepaid items	6,375	-	6,375
Total current assets	1,983,645	97,788	2,081,433
Noncurrent assets:			
Capital assets:			
Nondepreciable assets	868,462	-	868,462
Depreciable assets, net	5,693,124	-	5,693,124
Total capital assets	6,561,586	-	6,561,586
Total noncurrent assets	6,561,586	-	6,561,586
Total assets	8,545,231	97,788	8,643,019
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	64,465	-	64,465
Total deferred outflows of resources	64,465	-	64,465

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

CITY OF GRAY, GEORGIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2019
(CONTINUED)

	Business-type Activities Enterprise Funds		
		Nonmajor	
	Water and Sewer Fund	Sanitation Fund	Total
LIABILITIES			
Current liabilities:			
Accounts payable	$ 85,059	$ 14,035	$ 99,094
Accrued liabilities	19,391	-	19,391
Customer deposits payable	209,675	-	209,675
Accrued interest payable	991	-	991
Compensated absences	16,163	-	16,163
Due to other funds	38,154	-	38,154
Notes payable - current	72,152	-	72,152
Total current liabilities	441,585	14,035	455,620
Noncurrent liabilities:			
Revenue bonds payable	130,000	-	130,000
Notes payable	1,145,358	-	1,145,358
Net pension liability	148,539	-	148,539
Total noncurrent liabilities	1,423,897	-	1,423,897
Total liabilities	1,865,482	14,035	1,879,517
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	13,307	-	13,307
Total deferred inflows of resources	13,307	-	13,307
NET POSITION			
Net investment in capital assets	5,214,076	-	5,214,076
Restricted:			
Restricted for debt service	337,108	-	337,108
Unrestricted	1,179,723	83,753	1,263,476
Total net position	$ 6,730,907	$ 83,753	$ 6,814,660

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

CITY OF GRAY, GEORGIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Business-type Activities Enterprise Funds		
		Nonmajor	
	Water and Sewer Fund	Sanitation Fund	Total
Operating Revenues:			
Charges for sales and services:			
Water sales	$ 1,018,818	$ -	$ 1,018,818
Sewerage fees	783,670	-	783,670
Garbage fees	-	186,357	186,357
Connection fees	104,855	-	104,855
Penalties and other fees	30,179	-	30,179
Miscellaneous	10,981	-	10,981
Total operating revenues	1,948,503	186,357	2,134,860
Operating Expenses:			
Salaries	415,874	-	415,874
Employee benefits	49,267	-	49,267
Depreciation	394,393	-	394,393
Utilities	133,170	-	133,170
Maintenance and supplies	420,630	-	420,630
Insurance	158,662	-	158,662
Gas, oil, tires	8,400	-	8,400
Professional fees	29,077	-	29,077
Contracted services	-	165,875	165,875
Travel	6,215	-	6,215
Engineering fees	17,056	-	17,056
County water expense	412,099	-	412,099
Other operating expenses	50,855	62	50,917
Total Operating Expenses	2,095,698	165,937	2,261,635
Operating Income (Loss)	(147,195)	20,420	(126,775)
Non-Operating Revenues (Expenses):			
Interest revenue	12,193	25	12,218
Intergovernmental revenue	81,491	-	81,491
Interest expense	(32,558)	-	(32,558)
Total Non-Operating Revenues (Expenses)	61,126	25	61,151

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

CITY OF GRAY, GEORGIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019
(CONTINUED)

	Business-type Activities Enterprise Funds		
	Water and Sewer Fund	Nonmajor Sanitation Fund	Total
Net Income (Loss) before Contributions and Transfers	(86,069)	20,445	(65,624)
Capital contributions	120,310	-	120,310
Transfers in	89,131	-	89,131
Change in net position	123,372	20,445	143,817
Net position - beginning of year	6,607,535	63,308	6,670,843
Net position - end of year	$ 6,730,907	$ 83,753	$ 6,814,660

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

CITY OF GRAY, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Business-type Activities Enterprise Funds		
	Water and Sewer Fund	Nonmajor Sanitation Fund	Total
Cash Flows from Operating Activities:			
Cash received from customers	$ 1,945,768	$ 185,925	$ 2,131,693
Cash paid to suppliers for good and services	(1,217,716)	(166,318)	(1,384,034)
Cash paid to employees	(475,447)	-	(475,447)
Net Cash Provided by (Used for) Operating Activities	252,605	19,607	272,212
Cash Flows from Noncapital Financing Activities:			
Transfer from General Fund	89,131	-	89,131
Net Cash Provided by (Used for) Noncapital Financing Activities	89,131	-	89,131
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of assets	(365,605)	-	(365,605)
Loss on disposal of assets	30,534	-	30,534
Intergovernmental revenue	81,491	-	81,491
Proceeds from financing	244,474	-	244,474
Principal paid on revenue bonds	(125,000)	-	(125,000)
Principal paid on notes	(70,891)	-	(70,891)
Interest paid on revenue bonds	(32,648)	-	(32,648)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(237,645)	-	(237,645)
Cash Flows from Investing Activities:			
Interest received	11,906	25	11,931
Net Cash Provided by (Used for) Investing Activities	11,906	25	11,931
Net Increase (Decrease) in Cash and Cash Equivalents	115,997	19,632	135,629
Cash and Cash Equivalents - Beginning of Year	1,733,071	59,315	1,792,386
Cash and Cash Equivalents - End of Year	$ 1,849,068	$ 78,947	$ 1,928,015
Reconciliation of Cash Equivalents:			
Cash	$ 1,511,960	$ 78,947	$ 1,590,907
Restricted cash	337,108	-	337,108
Total Cash and Cash Equivalents	$ 1,849,068	$ 78,947	$ 1,928,015

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

CITY OF GRAY, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019
(CONTINUED)

	Business-type Activities Enterprise Funds		
	Water and Sewer Fund	Nonmajor Sanitation Fund	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Operating Income (Loss)	$ (147,195)	$ 20,420	$ (126,775)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Depreciation	394,393	-	394,393
Changes in Assets and Liabilities:			
(Increase) decrease in accounts receivables	(6,435)	(432)	(6,867)
(Increase) decrease in due from other funds	-	(1,255)	(1,255)
(Increase) decrease in prepaids	3,000	-	3,000
(Increase) decrease in deferred outflows - pensions	(21,806)	-	(21,806)
Increase (decrease) in accounts payable	16,646	874	17,520
Increase (decrease) in accrued liabilities	(2,528)	-	(2,528)
Increase (decrease) in customer water deposits	3,700	-	3,700
Increase (decrease) in due to other funds	(1,198)	-	(1,198)
Increase (decrease) in compensated absences	980	-	980
Increase (decrease) in net pension liability	35,094	-	35,094
Increase (decrease) in deferred inflows - pensions	(22,046)	-	(22,046)
Total adjustments	399,800	(813)	398,987
Net Cash Provided by (Used for) Operating Activities	$ 252,605	$ 19,607	$ 272,212
NONCASH CAPITAL FINANCING ACTIVITIES			
Contributions of capital assets from government	$ 120,310	$ -	$ 120,310

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Policies

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

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

A. Reporting Entity

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

The component unit discussed below is included in the City's reporting entity because of the significance of its operational and financial relationships with the City. In conformity with generally accepted accounting principles, as set forth in Statement of Governmental Accounting Standards Board (GASB) No. 61 "The Financial Reporting Entity: Omnibus, an amendment of GASB Statement No. 14 and 34," the City's relationships with other governments and agencies have been examined. The component unit column in the combined financial statements includes the financial data for the Downtown Development Authority, as of December 31, 2019. The financial information for the component unit is reported in columns separate from the City's financial information to emphasize that it is legally separate from the City.

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

A joint venture has the following characteristics:

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

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

Separate financial statements may be obtained from:

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

B. Government-Wide and Fund Financial Statements

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

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

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

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

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

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

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

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

The government reports the following major governmental funds:

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

Capital Projects Fund – The 2015 SPLOST Fund is used to account for SPLOST monies received to be used for improvements to the water and sewer system. The 2016 CDBG Fund is used to account for the grant funds from the Community Development Block Grant and the related expenditures.

The government reports the following major proprietary funds:

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

D. Deposits and Investments

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

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

E. Receivables

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

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

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

F. Restricted Assets

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

G. Prepaid Items

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

H. Inventories

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

I. Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

J. Compensated Absences

Accumulated unpaid sick leave costs are not vested and are not accrued in any fund, but are recognized as expenditures or expenses, when paid. Accumulated unpaid vacation costs and compensatory time are accrued when incurred in the proprietary funds. The City does not budget for compensated absences in the governmental funds. All accumulated unpaid vacation costs and compensatory time (for funds other than proprietary) are reflected in the governmental activities at December 31, 2019 and amount to $21,609.

K. Long-term Obligations

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

L. Management Estimates

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

M. Deferred Outflows / Inflows of Resources

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

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

N. Net Position Flow Assumption

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

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

O. Fund Equity

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

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

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

- Committed
- Assigned
- Unassigned

The City does not have a formal minimum fund balance policy. The following is a summary of the fund balance classifications as of December 31, 2019:

	General Fund	2015 SPLOST	Nonmajor Governmental	Total
Fund Balances				
Restricted:				
Perpetual care	$ -	$ -	$ 71,167	$ 71,167
Law enforcement	-	-	35,679	35,679
Capital outlay	-	507,597	-	507,597
Assigned for:				
Law enforcement	15,763	-	-	15,763
Fire department	5,500	-	-	5,500
Capital outlay	-	-	75,860	75,860
Unassigned	3,976,991	-	-	3,976,991
Total fund balances	$ 3,998,254	$ 507,597	$ 182,706	$ 4,688,557

P. Risk Management

The City is exposed to various risks of loss related to torts of, damage to, and destruction of assets; errors and omissions; and natural disaster. The City maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage in the current year. Commercial insurance premiums totaled $91,249 during the current year.

The City has obtained commercial insurance for workers compensation claims. The limits of the coverage are $1,000,000 for each employee claim. Commercial insurance premiums for workers compensation insurance totaled $42,685 during the current year. Settled claims in the past three years have not exceeded the coverage.

NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING

A. Budget Process

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

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

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

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

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

NOTE 3 – DEPOSITS AND INVESTMENTS

Credit risk

State statutes authorize the City to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime bankers' acceptances; the local government investment pool established by state law (Georgia Fund 1); repurchase agreements; and obligations of other political subdivisions of the State of Georgia. At December 31, 2019, the City's only investments were in certificates of deposit.

At December 31, 2019, the City's certificates of deposit were as follows:

Investment	Maturity	Amount
Certificates of deposit - General Fund	1 - 6 months	$ 410,428
	7 - 12 months	108,632
	12 - 24 months	521,557
Certificates of deposit - Water and Sewer Fund	1 - 6 months	108,488
	7 - 12 months	117,599
Certificates of deposit - Nonmajor Governmental Fund	12 - 24 months	63,497
		$ 1,330,201

Interest rate risk

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

Custodial Credit Risk - Deposits

The custodial credit risk of deposits is the risk that in the event of the failure of a bank, the government will not be able to recover deposits. The City's bank balances of deposits as of December 31, 2019 are entirely insured or collateralized with securities held by the City's agent in the City's name. State statutes require banks holding public funds to secure these funds by FDIC insurance, securities pledged at par value, and surety bonds at face value in combined aggregate totaling not less than 110 percent of the public funds held.

NOTE 4 – PROPERTY TAXES

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

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

The property tax calendar is as follows:

	Real/Personal Property	Motor Vehicles
Assessment Date	January 1	January 1
Levy Date	August 30th	December 1
Due Date and Collection Date	December 31, 2019	Staggered
Lien Date	May 1, 2020	N/A

NOTE 5 – OTHER RECEIVABLES

Receivables at December 31, 2019 consist of the following:

	General Fund	Water & Sewer Fund	Nonmajor Proprietary Fund	Nonmajor Governmental Funds	Total
Receivables:					
Taxes	$ 87,783	$ -	$ -	$ 737	$ 88,520
Accounts	2,280	172,822	26,511	-	201,613
Accrued interest	6,543	1,056	-	301	7,900
Gross Receivables	96,606	173,878	26,511	1,038	298,033
Less: Allowances for Uncollectibles	(6,052)	(45,676)	(11,149)	-	(62,877)
Net Receivables	$ 90,554	$ 128,202	$ 15,362	$ 1,038	$ 235,156

NOTE 6 – DUE FROM OTHER GOVERNMENTS

Amounts due from other governments at December 31, 2019, are as follows:

	Federal	State	Other	Total
Fund:				
General	$ -	$ 39,622	$ 6,075	$ 45,697
2016 CDBG	87,404	-	-	87,404
Total	$ 87,404	$ 39,622	$ 6,075	$ 133,101

NOTE 7 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2019, was as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Water and Sewer Fund	$ 34,675
	2016 CDBG Fund	90
	Nonmajor Governmental Fund	100
Nonmajor Proprietary Fund	Water and Sewer Fund	3,479
Total		$ 38,344

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers:

	Transfers In:	
Transfer out:	Water and Sewer Fund	Total
General Fund	$ 89,131	$ 89,131
Total	$ 89,131	$ 89,131

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

NOTE 8 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019, was as follows:

Primary Government

	Beginning Balance	Additions	Deductions	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 1,053,040	$ -	$ -	$ 1,053,040
Total capital assets, not being depreciated	1,053,040	-	-	1,053,040
Capital assets, being depreciated:				
Infrastructure	2,175,540	-	-	2,175,540
Buildings	842,008	-	-	842,008
Equipment	520,743	9,253	-	529,996
Vehicles	1,057,032	127,761	(99,209)	1,085,584
Total capital assets, being depreciated	4,595,323	137,014	(99,209)	4,633,128
Less accumulated depreciation for:				
Infrastructure	(1,033,103)	(108,777)	-	(1,141,880)
Buildings	(269,432)	(19,625)	-	(289,057)
Equipment	(333,796)	(36,044)	-	(369,840)
Vehicles	(816,145)	(91,728)	93,088	(814,785)
Total accumulated depreciation	(2,452,476)	(256,174)	93,088	(2,615,562)
Total capital assets being depreciated, net	2,142,847	(119,160)	(6,121)	2,017,566
Governmental capital assets, net	$ 3,195,887	$ (119,160)	$ (6,121)	$ 3,070,606

	Beginning Balance	Additions	Deductions	Transfers	Ending Balance
Business-type activities:					
Capital assets, not being depreciated					
Land	$ 26,167	$ -	$ -	$ -	$ 26,167
Water rights	313,683	-	-	-	313,683
Construction in progress	95,892	459,843	(27,123)	-	528,612
Total capital assets, not being depreciated	435,742	459,843	(27,123)	-	868,462
Capital assets, being depreciated					
Sewer system	2,717,690	-	-	-	2,717,690
Water system	6,300,426	17,711	-	-	6,318,137
Wastewater treatment plant	2,617,320	4,950	-	-	2,622,270
Building	41,526	-	-	-	41,526
Equipment	379,647	-	-	-	379,647
Storm drainage improvements	137,829	-	-	-	137,829
Vehicles	233,298	-	-	-	233,298
Total capital assets, being depreciated	12,427,736	22,661	-	-	12,450,397
Less accumulated depreciation for:					
Sewer system	(1,444,035)	(66,086)	-	-	(1,510,121)
Water system	(2,964,131)	(193,748)	-	-	(3,157,879)
Wastewater treatment plant	(1,453,566)	(75,039)	-	-	(1,528,605)
Building	(41,526)	-	-	-	(41,526)
Equipment	(242,267)	(26,867)	-	-	(269,134)
Storm drainage improvements	(48,811)	(6,891)	-	-	(55,702)
Vehicles	(168,544)	(25,762)	-	-	(194,306)
Total accumulated depreciation	(6,362,880)	(394,393)	-	-	(6,757,273)
Total capital assets, being depreciated, net	6,064,856	(371,732)	-	-	5,693,124
Business-type activities capital assets, net	$ 6,500,598	$ 88,111	$ (27,123)	$ -	6,561,586
Less related long-term debt outstanding					(1,347,510)
Net investment in capital assets					$ 5,214,076

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

Governmental activities	
General government	$ 5,797
Public safety	101,472
Public works	148,905
Total	$ 256,174
Business-type activities	
Water & Sewer	$ 394,393
Total	$ 394,393

Activity for the Downtown Development Authority for the year ended December 31, 2019, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
Discretely presented component unit:				
Capital assets, not being depreciated:				
Land	$ 291,203	$ -	$ -	$ 291,203
Total capital assets, not being depreciated	291,203	-	-	291,203
Capital assets, being depreciated:				
Buildings	145,753	-	-	145,753
Total capital assets, being depreciated	145,753	-	-	145,753
Less accumulated depreciation for:				
Buildings	(5,830)	(2,915)	-	(8,745)
Total accumulated depreciation	(5,830)	(2,915)	-	(8,745)
Total capital assets being depreciated, net	139,923	(2,915)	-	137,008
Governmental capital assets, net	$ 431,126	$ (2,915)	$ -	$ 428,211

NOTE 9 – LONG-TERM DEBT

A. Proprietary Funds

Revenue Bonds

In 2009, the City issued $1,060,000 Water and Sewerage Revenue Bonds, Series 2005, due in various semi-annual installments, including interest at 5 percent through January 1, 2021, to finance the construction of a new water tank. Total interest paid for 2019 was $15,750. Principal amount outstanding at December 31, 2019 is $130,000.

Cash requirements to maturity for this issue are as follows:

	Principal	Interest	Total
2021	$ 130,000	$ 3,250	$ 133,250
Total	$ 130,000	$ 3,250	$ 133,250

Loans Payable

2008 GEFA Loan Payable

During 2008, the City was approved for a loan from Georgia Environmental Facilities Authority (GEFA) to finance the costs of acquiring, constructing and installing a new belt press for the water and sewer treatment plant. The amount of the loan as originally approved in June of 2008 was not to exceed $833,400. During 2009, it was determined that the original costs estimates were not sufficient so an additional $67,000 was approved in 2009. The construction of the belt press was completed during 2009. The total amount the City drew down on this loan was $1,090,026, including capitalized interest. Monthly payments of $5,514, including interest at 2%, began in December 2009 and end in November 2029. Total interest paid for 2019 was $12,479.

Cash requirements to maturity for this loan are as follows:

	Principal	Interest	Total
2020	$ 54,776	$ 11,395	$ 66,171
2021	55,882	10,290	66,172
2022	57,010	9,162	66,172
2023	58,160	8,011	66,171
2024	59,334	6,837	66,171
2025-2029	309,609	15,729	325,338
	$ 594,771	$ 61,424	$ 656,195

2016 GEFA Loan Payable DW 16-002

In 2016, the City entered into a contract with the Georgia Environmental Facilities Authority for a Drinking Water State Revolving Loan Fund grant / loan to provide financing for improvements to the water system. The City may draw down funds up to $810,135, of which 40% or $324,054 is forgivable. The total amount the City drew down on this loan was $374,798. Monthly payments of $1,729, including interest at 1.03% began in September 2017 and will end in August 2037. Total interest paid for 2019 was $3,546.

Cash requirements to maturity for this loan are as follows:

	Principal	Interest	Total
2020	$ 17,376	$ 3,368	$ 20,744
2021	17,556	3,188	20,744
2022	17,738	3,007	20,745
2023	17,921	2,823	20,744
2024	18,107	2,637	20,744
2025-2029	93,384	10,347	103,731
2030-2034	98,318	5,405	103,723
2035-2037	54,543	776	55,319
	$ 334,943	$ 31,551	$ 366,494

2018 GEFA Loan Payable CW 2016039

In 2018, the City entered into a contract with the Georgia Environmental Facilities Authority for a Clean Water State Revolving Loan Fund grant / loan to provide financing for improvements to the sewer system. The City may draw down funds up to $711,000, of which 25% or $177,750 is forgivable. As of December 31, 2019, $287,796 has been drawn down. Interest is accrued monthly at 0.89%. Principal payments will begin after the final draw has been made.

Restricted Assets

The balance of the restricted asset accounts in the Water & Sewer enterprise fund as of December 31, 2019 is $337,108.

C. Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Net pension liability	$ 170,167	$ 105,691	$ -	$ 275,858	$ -
Compensated absences	22,995	34,813	(36,199)	21,609	21,609
Governmental activities Long-term liabilities	$ 193,162	$ 140,504	$ (36,199)	$ 297,467	$ 21,609
Business-type activities:					
2005 Revenue bonds	$ 255,000	$ -	$ (125,000)	$ 130,000	$ -
2008 GEFA loan	648,462	-	(53,691)	594,771	54,776
2016 GEFA loan - DW16002	352,142	-	(17,199)	334,943	17,376
2018 GEFA loan - CW2016039	43,323	244,473	-	287,796	-
Net pension liability	113,445	35,094	-	148,539	-
Compensated absences	15,183	21,287	(20,307)	16,163	16,163
Business-type activities Long-term liabilities	$ 1,427,555	$ 300,854	$ (216,197)	$ 1,512,212	$ 88,315

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

NOTE 10 – EMPLOYEE RETIREMENT PLANS

Georgia Municipal Employees Benefit System

Plan Description

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

Benefits Provided

The GMEBS Plan provides retirement, disability and death benefits to plan members and beneficiaries. Effective January 1, 2017, the Plan was amended to provide for immediate participation for employees. This change has no impact on service credited under the Plan and has

no impact on benefits.

Plan Membership

As of July 1, 2019, the date of the most recent actuarial valuation report, pension plan membership consisted of the following:

Retires and beneficiaries currently receiving benefits	10
Terminated employees entitled to benefits but not yet receiving them	15
Current active employees	21
Nonvested benefits	14
Total membership in the plan	60

Contributions

The plan members are not required to contribute to the plan. The City is required to contribute at an actuarially determined rate; the current rate is 6.60% of annual covered payroll. The contribution requirements of the City are established and may be amended by the GMEBS Board of Trustees.

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

At December 31, 2019, the City reported a net pension liability. The net pension liability was measured as of March 31, 2019. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of July 1, 2019. An expected total pension liability as of December 31, 2019 was determined using standard roll-forward techniques.

For the year ended December 31, 2019, the City recognized pension expense relative to GMEBS in the amount of $87,871. At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to the Pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 112,612	$ 38,019
Changes of assumptions	12,456	-
Net difference between projected and actual earnings on pension plan investments	2,545	-
Employer contributions subsequent to the measurement date	56,573	-
	$ 184,186	$ 38,019

City contributions subsequent to the measurement date of March 31, 2019 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year

ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

Year ended December 31:	
2020	$ 17,357
2021	5,699
2022	15,622
2023	35,102
2024	15,814

Actuarial Assumptions: The total pension liability as of December 31, 2019 was determined by an actuarial valuation as of July 1, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increase	2.75%, plus service based merit increases
Investment rate of return	7.50%, On-going basis, based on long-term expected rate of return of pension plan investments

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

The mortality and economic actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 to June 30, 2014.

Net Pension Liability:

Changes in the Net Pension Liability:	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2018	$ 1,306,349	$ 1,022,737	$ 283,612
Changes for the year:			
Service cost	40,286	-	40,286
Interest	99,637	-	99,637
Difference between expected and actual experience	94,886	-	94,886
Contributions - employer	-	66,990	(66,990)
Net investment income	-	37,562	(37,562)
Benefit payments	(36,287)	(36,287)	-
Administrative expense	-	(10,528)	10,528
Net changes	198,522	57,737	140,785
Balance at December 31, 2019	$ 1,504,871	$ 1,080,474	$ 424,397

The City's net pension liability is recorded in the Government-Wide Statement of Net Position in the amounts of $275,858 for governmental-activities and $148,539 for business-type activities.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of March 31, 2019 is 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%
Real estate	10%	5.10%
Global fixed income	5%	3.03%
Domestic fixed income	20%	1.75%
Total	100%	

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

Sensitivity of the Net Pension Liability to Changes in the Discount rate: The following presents the City's net pension liability calculated using the discount rate of 7.50%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current discount rate (7.50%)	1% Increase (8.50%)
Sensitivity of the Net Pension Liability to Changes in the Discount Rate	$ 656,897	$ 424,397	$ 233,773

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

NOTE 11 – SPECIAL FUNDING DEFINED BENEFIT PENSION PLAN

A. Peace Officers' Annuity and Benefit Fund of Georgia

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

B. Georgia Firefighters' Pension Fund

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

NOTE 12 – CONTINGENT LIABILITIES

Litigation

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

NOTE 13 – EVALUATION OF SUBSEQUENT EVENTS

During March 2020, the City modified operations as a result of the COVID-19 pandemic and in compliance with state and federal recommendations. The extent of the impact of COVID-19 on the City's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak all of which are uncertain. Accordingly, the extent to which COVID-19 may impact the financial condition or results of operation cannot be determined.

The City has evaluated subsequent events through May 18, 2020, the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GRAY, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2019

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

	2019	2018	2017
Total pension liability			
Service cost	$ 40,286	$ 41,554	$ 37,831
Interest on total pension liability	99,637	87,298	85,512
Difference between expected and actual experience	94,886	49,519	(66,619)
Benefit payments, including refunds of employee contributions	(36,287)	(33,553)	(33,821)
Other	-	18,332	-
Net change in total pension liability	198,522	163,150	22,903
Total pension liability - beginning of year	1,306,349	1,143,199	1,120,296
Total pension liability - end of year	$ 1,504,871	$ 1,306,349	$ 1,143,199
Plan fiduciary net position			
Contributions - employer	$ 66,990	$ 69,433	$ 74,129
Net investment income	37,562	111,517	97,753
Benefit payments, including refunds of member contributions	(36,287)	(33,553)	(33,821)
Administrative expenses	(10,528)	(10,333)	(10,618)
Net change in plan fiduciary net position	57,737	137,064	127,443
Plan fiduciary net position - beginning of year	1,022,737	885,673	758,230
Plan fiduciary net position - end of year	$ 1,080,474	$ 1,022,737	$ 885,673
City's net pension liability (asset) - ending	$ 424,397	$ 283,612	$ 257,526
Plan fiduciary net position as a percentage of the total pension liability	71.80%	78.29%	77.47%
Covered-employee payroll	1,139,991	1,100,149	1,049,773
Net pension liability as a percentage of covered-employee payroll	37.23%	25.78%	24.53%

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

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

CITY OF GRAY, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2019

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

	2016	2015
	$ 41,553	$ 43,993
	79,822	73,019
	(14,131)	3,180
	(33,821)	(33,821)
	-	1,415
	73,423	87,786
	1,046,873	959,087
	$ 1,120,296	$ 1,046,873
	$ 75,298	$ 61,770
	2,776	62,637
	(33,821)	(33,821)
	(7,666)	(6,813)
	36,587	83,773
	721,643	637,870
	$ 758,230	$ 721,643
	$ 362,066	$ 325,230
	67.68%	68.93%
	1,000,466	973,479
	36.19%	33.41%

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

CITY OF GRAY, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2019

SCHEDULE OF CITY CONTRIBUTIONS

	2019	2018	2017	2016	2015
Actuarially determined contributions	$ 73,653	$ 64,769	$ 70,988	$ 75,176	$ 75,338
Contributions in relation to the actuarially determined contribution	73,653	64,769	70,988	75,176	75,338
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
City's covered-employee payroll	$ 1,115,955	$ 1,067,035	$ 1,017,020	$ 1,000,466	$ 973,479
Contributions as a percentage of covered-employee payroll	6.60%	6.07%	6.98%	7.51%	7.74%

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

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

Changes of assumptions:

Amounts reported for the fiscal year ending in 2019 and later reflect the following assumption changes based on an actuarial study conducted in September 2017:

- The investment return assumption was decreased from 7.75% to 7.50%.
- The inflation assumption was decreased from 3.25% to 2.75%.

Benefit Changes:

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

Valuation date	The actuarially determined contribution rate was determined as of July 1, 2019, with an interest adjustment to the fiscal year. Contributions in relation to this actuarially determined contribution rate will be reported for the year ending December 31, 2020.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Closed level dollar for the remaining unfunded liability
Remaining amortization period	Remaining amortization period varies for the bases, with a net effective amortization period of 12 years.
Asset valuation method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at the end of the year. The actuarial value is adjusted, if necessary, to be within 20% of market value.
Net Investment Rate of Return	7.50%
Projected Salary Increases	2.75% plus service based merit increases
Cost of Living Adjustments	0.00%
Retirement Age	Ages 55-59 rate of 10%, age 60 rate of 20%, age 61 rate of 25%, age 62 rate of 35%, age 63 rate of 40%, age 64 rate of 45%, ages 65-69 rate of 50% and age 70 and over rate of 100%
Mortality	RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females RP-2000 Disabled Retiree Mortality Table with sex-distinct rates.

SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

CAPITAL PROJECTS FUNDS

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

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

PERMANENT FUND

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

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

CITY OF GRAY, GEORGIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2019

	Special Revenue Funds		Capital Projects	Permanent	Total Nonmajor
	Law Enforcement Confiscation	Hotel / Motel Fund	Capital Improvements	Perpetual Care	Governmental Funds
ASSETS					
Cash and cash equivalents	$ 35,679	$ 100	$ 75,860	$ 7,969	$ 119,608
Certificates of deposit	-	-	-	63,497	63,497
Accounts receivable	-	737	-	-	737
Interest receivable	-	-	-	301	301
Total Assets	$ 35,679	$ 837	$ 75,860	$ 71,767	$ 184,143
LIABILITIES					
Accounts payable	$ -	$ 737	$ -	$ 600	$ 1,337
Due to other funds	-	100	-	-	100
Total Liabilities	-	837	-	600	1,437
FUND BALANCES					
Restricted	35,679	-	-	71,167	106,846
Assigned	-	-	75,860	-	75,860
Total Fund Balances	35,679	-	75,860	71,167	182,706
Total Liabilities and Fund Balances	$ 35,679	$ 837	$ 75,860	$ 71,767	$ 184,143

CITY OF GRAY, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Special Revenue Funds		Capital Projects	Permanent	Total Nonmajor
	Law Enforcement Confiscation	Hotel / Motel Fund	Capital Improvements	Perpetual Care	Governmental Funds
REVENUES					
Taxes	$ -	$ 12,436	$ -	$ -	$ 12,436
Fines and forfeitures	2,800	-	-	-	2,800
Investment earnings	11	-	23	881	915
Total Revenues	2,811	12,436	23	881	16,151
EXPENDITURES					
Current					
General government	-	12,436	-	-	12,436
Culture and recreation	-	-	-	7,212	7,212
Total Expenditures	-	12,436	-	7,212	19,648
Net change in fund balance	2,811	-	23	(6,331)	(3,497)
Fund balances - beginning of year	32,868	-	75,837	77,498	186,203
Fund balances - end of year	$ 35,679	$ -	$ 75,860	$ 71,167	$ 182,706

CITY OF GRAY, GEORGIA

LAW ENFORCEMENT CONFISCATION FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2019

	Final Budget	Actual	Variance with Final Budget
REVENUES			
Fines and forfeitures	$ 10,000	$ 2,800	$ (7,200)
Investment earnings	-	11	11
Total Revenues	10,000	2,811	(7,189)
EXPENDITURES			
Current			
Public safety	10,000	-	10,000
Total Expenditures	10,000	-	10,000
Net change in fund balance	-	2,811	2,811
Fund balance - beginning of year	32,868	32,868	-
Fund balance - end of year	$ 32,868	$ 35,679	$ 2,811

CITY OF GRAY, GEORGIA

HOTEL / MOTEL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2019

	Final Budget	Actual	Variance with Final Budget
REVENUES			
Taxes	$ 12,436	$ 12,436	$ -
Total Revenues	12,436	12,436	-
EXPENDITURES			
Current			
General government	12,436	12,436	-
Total Expenditures	12,436	12,436	-
Net change in fund balance	-	-	-
Fund balance - beginning of year	-	-	-
Fund balance - end of year	$ -	$ -	$ -

CITY OF GRAY, GEORGIA

2016 COMMUNITY DEVELOPMENT BLOCK GRANT
#16h-x-084-2-5852
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED DECEMBER 31, 2019

	Prior Years	Current Year	Total to Date	Project Authorization
REVENUES				
Department of Community Affairs	$ 214,858	$ 273,158	$ 488,016	$ 500,000
Total Revenues	214,858	273,158	488,016	500,000
EXPENDITURES				
Acquisition of Property (Public)	-	-	-	500
Clearance	-	5,500	5,500	6,000
Contingencies - Unprogramed Funds	-	-	-	38,991
Rehabilitation of Private Properties	42,830	97,274	140,104	246,389
Reconstruction of Private Properties	172,028	170,384	342,412	208,120
Total Expenditures	214,858	273,158	488,016	500,000
Net change in fund balance	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	$ -	$ -	$ -	$ -

CITY OF GRAY, GEORGIA

SCHEDULE OF PROJECTS CONSTRUCTED
WITH SPECIAL SALES TAX PROCEEDS
FOR THE YEAR ENDED DECEMBER 31, 2019

2015 SPLOST	Original Estimated Cost	Expenditures Prior Years	Expenditures Current Year	Expenditures Total
Water & sewer system Improvements	$ 1,318,800	$ 450,878	$ 120,310	$ 571,188
Police Vehicles	362,250	184,221	127,368	311,589
Street Improvements	199,500	88,576	-	88,576
Fire Equipment, Vehicles, and Facilities	119,280	39,469	13,631	53,100
Public Works Vehicles and Equipment	100,170	33,585	-	33,585
Total 2015 SPLOST	$ 2,100,000	$ 796,729	$ 261,309	$ 1,058,038

CITY OF GRAY, GEORGIA

BALANCE SHEET
COMPONENT UNIT-DOWNTOWN DEVELOPMENT AUTHORITY
DECEMBER 31, 2019

ASSETS		
Cash and cash equivalent	$	63,359
Rent receivable		300
Total Assets	$	63,659
LIABILITIES AND FUND BALANCES		
Liabilities:		
Security deposit	$	500
Total Liabilities		500
Fund Balances:		
Assigned		20,000
Unassigned		43,159
Total Fund Balance		63,159
Total Liabilities and Fund Balance	$	63,659

CITY OF GRAY, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
COMPONENT UNIT-DOWNTOWN DEVELOPMENT AUTHORITY
FOR THE YEAR ENDED DECEMBER 31, 2019

Revenues:		
Intergovernmental	$	20,000
Rental income		15,600
Donations		20,000
Total Revenues		55,600
Expenditures:		
Current:		
Housing and development		8,515
Total Expenditures		8,515
Net change in fund balances		47,085
Fund Balance, beginning of year		16,074
Fund Balance, end of year	$	63,159

GOVERNMENTAL REPORT

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

Mayor and City Council
City of Gray
Gray, Georgia

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Gray, Georgia (the "City") as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 18, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

1503 Bass Road ▪ Post Office Box 6315 ▪ Macon, Georgia 31208-6315

Phone 478-742-3313 ▪ Facsimile 478-742-0316 ▪ www.clhp.com

Compliance and Other Matters

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

Purpose of this Report

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

Macon, Georgia
May 18, 2020

CITY OF GRAY, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2019

Section I – Summary of Auditor's Results

Financial Statements

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

Federal Awards

There was not an audit of major federal award programs for the year ended December 31, 2019 due to the total amount expended being less than $750,000.

Section II – Financial Statement Findings

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

None Reported