CITY OF MORGAN, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE FISCALYEAR ENDED JUNE 30, 2018

CITY OF MORGAN, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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INTRODUCTORY SECTION

CITY OF MORGAN, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

ELECTED OFFICIAL

Mayor	Richard Martin
Council Members	Peggy Aycock
	Christopher Prater
	Jesse Williams
	Natasha Martin

APPOINTED OFFICIALS

City Clerk	Lisa Bozeman

FINANCIAL SECTION

William R. Burke, CPA, MAcc
Rebecca B. Worsham, CPA
John S. Buckhaulter, CPA, CFE
Margaret B. Harrell, CPA, CFE

Gloria J. Buice, CPA
Kayla K. Calhoun, CPA
Dalisha C. Childree, CPA
Logan Holt, CPA
J. Alvin Newton, Jr., CPA, JD
Rebecca Rambo, CPA
Billy Walker, CPA

Burke, Worsham & Harrell, LLC
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Licensed in Georgia and Florida

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Morgan, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the City of Morgan, Georgia as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the remaining fund information City of Morgan, Georgia, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof 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 on pages 6–9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental

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MEMBERS:
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS / GEORGIA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

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 Morgan, Georgia's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information and schedules found on pages 31-37 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules listed above are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Burke, Worsham & Harrell, LLC

Burke, Worsham & Harrell, LLC
Donalsonville, Georgia
December 20, 2018

Management's Discussion and Analysis

As management of the City of Morgan, Georgia, we offer readers of the City of Morgan's financial statements this narrative overview and analysis of the financial activities of the City of Morgan for the fiscal year ended June 30, 2018.

Financial Highlights

- The assets of the City of Morgan exceeded its liabilities at the close of the most recent fiscal year by $2,835,893, an increase of $234,629 from the prior year. Of this amount, $178,711 may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City's governmental funds reported ending fund balance of $193,505, a decrease of $200,165 from the prior year.
- In the City's business-type activities, operating revenues increased by $9,115 and operating expenses decreased by $33,959 from the prior year, for a total operating income increase of $43,074.
- The resources available for appropriation were $363,907 more than budgeted for the general fund. The actual expenditures were $567,132 more than budgeted.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Morgan'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 financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The *statement of net position* presents information on all of the City of Morgan's assets and liabilities, with the difference between the two reported as *net position.* Over time, increases and 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 City's net position changed during the most recent fiscal 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 only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Morgan that are principally supported by taxes and intergovernmental revenues (*governmental activities)* from other 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, public works, and recreation. The business-type activities of the City include the Water and Sewer Fund.

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

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

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, government 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 fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the 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 fund 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 has one major governmental fund, the general fund, and one non-major capital project fund, SPLOST V.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 13 through 15 of this report.

Proprietary funds. The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its Water and Sewer Fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Fund. The Water and Sewer Fund is a major fund.

The basic proprietary fund financial statements can be found on pages 16 through 18 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19 through 29 of this report.

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 exceeded liabilities by $2,835,893 at the close of the most recent fiscal year.

By far the largest portion of the City's net position (74 percent) reflects its investment in capital assets, (e.g., land, buildings, machinery, and infrastructure) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Only 8 percent reflects its unrestricted portion.

City of Morgan's Net Position

	Governmental activities		Business-type activities		Total	
	2017	2018	2017	2018	2017	2018
Current and other assets	$ 395,981	$ 204,442	$ 539,925	$ 548,407	$ 935,906	$ 752,849
Capital assets	264,399	685,349	2,617,112	2,529,748	2,881,511	3,215,097
Total assets	660,380	889,791	3,157,037	3,078,155	3,817,417	3,967,946
Long-term liabilities outstanding	39,452	22,599	1,087,723	988,274	1,127,175	1,010,873
Other liabilities	18,465	39,314	70,513	81,866	88,978	121,180
Total liabilities	57,917	61,913	1,158,236	1,070,140	1,216,153	1,132,053
Net position:						
Net investment in capital assets	208,793	634,373	1,162,325	1,474,059	1,371,118	2,108,432
Restricted - capital outlay projects	9,211	12,271	-	39,164	9,211	51,435
Restricted - debt service	-	-	536,213	497,315	536,213	497,315
Unrestricted	384,459	181,234	300,263	(2,523)	684,722	178,711
Total net position	$ 602,463	$ 827,878	$ 1,998,801	$ 2,008,015	$ 2,601,264	$ 2,835,893

The City's net position that is *restricted* totals $548,750. All of the *unrestricted net position* of $178,711 may be used to meet the government's ongoing obligations to citizens and creditors.

Change in Net Position

Governmental activities:

The City's net position increased by $225,415, an increase of $100,331 from the prior year.

Business-type activities:

The City's net position decreased by $14,991, a decrease of $54,242 from the prior year.

Key elements of these changes are as follows:

City of Morgan's Changes in Net Position

	Governmental activities		Business-type activities		Total	
	2017	2018	2017	2018	2017	2018
Revenues:						
Program revenues:						
Charges for services	$ 53,373	$ 57,235	$ 549,894	$ 582,815	$ 603,267	$ 640,050
Capital grants and contributions	-	181,754	-	-	-	181,754
General revenues:						
Property taxes	10,253	9,704	-	-	10,253	9,704
Other taxes	138,902	165,644	-	-	138,902	165,644
Other	55,841	3,655	26,496	3,575	82,337	7,230
Total revenues	258,369	417,992	576,390	586,390	834,759	1,004,382
Expenses:						
General government	108,028	216,680	-	-	108,028	216,680
Public safety	24,231	47,680	-	-	24,231	47,680
Public works	138,575	166,438	-	-	138,575	166,438
Recreation	7,072	6,213	-	-	7,072	6,213
Interest on long-term debt	-	3,487	-	-	-	3,487
Unallocated depreciation	35,293	-	-	-	35,293	-
Water and sewer fund	-	-	357,225	353,460	357,225	353,460
Total expenses	313,199	440,498	357,225	353,460	670,424	793,958
Increase (decrease) in net assets before transfers	(54,830)	(22,506)	219,165	232,930	164,335	210,424
Transfers	179,914	247,921	(179,914)	(247,921)	-	-
Increase in net position	125,084	225,415	39,251	(14,991)	164,335	210,424
Net position -07/01	477,379	602,463	1,959,550	1,998,801	2,436,929	2,601,264
Prior period adjustment	-	-	-	24,205	-	24,205
Net position - 06/30	$ 602,463	$ 827,878	$ 1,998,801	$ 2,008,015	$ 2,601,264	$ 2,835,893

Financial Analysis of the City's Funds

As noted earlier, 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 fiscal year.

The general fund is one of the governmental funds of the City. As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $193,505. Of this fund balance, $181,234 is available for spending at the City's discretion.

General Fund Budgetary Highlights. There were no amendments to the original budget.

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

Unrestricted net position of the Water and Sewer Fund at the end of the year amounted to ($2,523). Other factors covering the finances of this fund have already been addressed in the discussion of the City's business-type activities.

Capital Asset and Debt Administration

Capital assets. The City's net investment in capital assets for its governmental and business type activities as of June 30, 2018, amounts to $3,215,097 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, automobiles, roads, and highways. The total increase in the City's net investment in capital assets for the current fiscal year was $333,586.

City of Morgan's Capital Assets
(net of depreciation)

	Governmental activities		Business-type activities		Total	
	2017	2018	2017	2018	2017	2018
Land	$ 54,634	$ 54,634	$ 309,420	$ 309,420	$ 364,054	$ 364,054
Buildings and improvements	134,764	501,067	2,220,046	2,136,899	2,354,810	2,637,966
Machinery and equipment	75,001	129,648	87,646	83,429	162,647	213,077
Total	$ 264,399	$ 685,349	$ 2,617,112	$ 2,529,748	$ 2,881,511	$ 3,215,097

Additional information on the City's capital assets can be found in Note IV. C. on pages 24–25 of this report.

Long-term debt.

At the end of the current fiscal year, the City had three notes payable outstanding in the Governmental activities with a total balance of $50,976, and three notes payable outstanding in the proprietary fund with a total balance of $1,055,689. Additional information on the City's long-term debt can be found in Note IV. F. on pages 26-27 of this report.

Economic Factors for the coming fiscal year

The City was impacted by Hurricane Michael in the 2019 fiscal year. Grants are being applied for to help with the cost of cleanup around the City.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information should be addressed to the City Clerk, P.O. Box 246, Morgan, GA 39866.

BASIC FINANCIAL STATEMENTS

CITY OF MORGAN, GEORGIA
STATEMENT OF NET POSITION
JUNE 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 194,165	$ 834	$ 194,999
Receivables (net of allowance for uncollectibles)	10,277	3,252	13,529
Restricted assets:			
Temporarily restricted			
Cash and cash equivalents	-	544,321	544,321
Capital assets (net of accumulated depreciation):			
Land	54,634	309,420	364,054
Buildings & improvements	501,067	2,136,899	2,637,966
Machinery & equipment	129,648	83,429	213,077
Total assets	**889,791**	**3,078,155**	**3,967,946**
LIABILITIES			
Accounts payable and other current liabilities	10,937	6,609	17,546
Liabilities payable from restricted assets	-	7,842	7,842
Noncurrent liabilities:			
Due within one year	28,377	67,415	95,792
Due in more than one year	22,599	988,274	1,010,873
Total liabilities	**61,913**	**1,070,140**	**1,132,053**
NET POSITION			
Net investment in capital assets	634,373	1,474,059	2,108,432
Restricted			
Capital outlay projects	12,271	39,164	51,435
Debt service	-	497,315	497,315
Unrestricted	181,234	(2,523)	178,711
Total net position	**$ 827,878**	**$ 2,008,015**	**$ 2,835,893**

The notes to the financial statements are an integral part of this statement.

CITY OF MORGAN, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Primary Government: Business type Activities	Net (Expense) Revenue and Changes in Net Position: Primary Government: Total
Primary government:							
Governmental activities:							
General government	$ 216,680	$ 2,865	-	$ 21,119	$ (192,696)	$ -	$ (192,696)
Public safety	47,680	-	-	-	(47,680)	-	(47,680)
Public works	166,438	54,370	-	160,635	48,567	-	48,567
Culture and recreation	6,213	-	-	-	(6,213)	-	(6,213)
Interest on long-term debt	3,487	-	-	-	(3,487)	-	(3,487)
Total governmental activities	**440,498**	**57,235**	**-**	**181,754**	**(201,509)**	**-**	**(201,509)**
Business-type activities:							
Water and sewer	353,460	582,815	-	-	-	229,355	229,355
Total business-type activities	**353,460**	**582,815**	**-**	**-**	**-**	**229,355**	**229,355**
Total primary government	**$ 793,958**	**$ 640,050**	**$ -**	**$ 181,754**	**$ (201,509)**	**$ 229,355**	**$ 27,846**
General revenues:							
Property taxes, levied for general purposes					9,704	-	9,704
Sales and use taxes					16,911	-	16,911
Business taxes					148,733	-	148,733
Investment earnings					2,512	3,575	6,087
Miscellaneous revenues					1,143	-	1,143
Transfers					247,921	(247,921)	-
Total general revenues and transfers					**426,924**	**(244,346)**	**182,578**
Change in net position					**225,415**	**(14,991)**	**210,424**
Net position - beginning					602,463	1,998,801	2,601,264
Prior period adjustment					-	24,205	24,205
Net position - ending					**$ 827,878**	**$ 2,008,015**	**$ 2,835,893**

The notes to the financial statements are an integral part of this statement.

CITY OF MORGAN, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	MAJOR FUND	NON-MAJOR FUNDS	
	GENERAL	Other Capital Project Funds	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash and cash equivalents	$ 185,818	$ 8,347	$ 194,165
Receivables (net of allowance for uncollectibles)	6,353	3,924	10,277
TOTAL ASSETS	**192,171**	**12,271**	**204,442**
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	10,937	-	10,937
TOTAL LIABILITIES	**10,937**	**-**	**10,937**
FUND BALANCES:			
Restricted for:			
Construction and capital outlay	-	12,271	12,271
Unassigned, reported in:			
General fund	181,234	-	181,234
TOTAL FUND BALANCES	**181,234**	**12,271**	**193,505**
TOTAL LIABILITIES AND FUND BALANCES	**$ 192,171**	**$ 12,271**	
Amounts reported for governmental activities in the statement of net postion are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			685,349
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			(50,976)
NET POSITION OF GOVERNMENTAL ACTIVITIES			**$ 827,878**

The notes to the financial statements
are an integral part of this statement.

CITY OF MORGAN, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	MAJOR FUND	NON-MAJOR FUNDS	
	GENERAL	Other Capital Project Funds	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Taxes	$ 175,348	$ -	$ 175,348
Licenses and permits	2,865	-	2,865
Intergovernmental revenue	160,635	21,119	181,754
Charges for services	54,370	-	54,370
Investment earnings	2,461	51	2,512
Miscellaneous revenue	1,143	-	1,143
TOTAL REVENUES	**396,822**	**21,170**	**417,992**
EXPENDITURES			
Current:			
General government	214,269	-	214,269
Public safety	41,038	-	41,038
Public works	139,091	-	139,091
Culture and recreation	2,546	-	2,546
Capital outlay:			
Public safety	2,200	-	2,200
Public works	436,247	-	436,247
Culture and recreation	22,570	-	22,570
Debt retirement:			
Principal	67,232	5,203	72,435
Interest	2,395	1,092	3,487
TOTAL EXPENDITURES	**927,588**	**6,295**	**933,883**
EXCESS OF REVENUES OVER EXPENDITURES	**(530,766)**	**14,875**	**(515,891)**
OTHER FINANCING SOURCES (USES)			
Loan proceeds	67,805	-	67,805
Transfers	259,736	(11,815)	247,921
TOTAL OTHER FINANCING SOURCES (USES)	**327,541**	**(11,815)**	**315,726**
NET CHANGE IN FUND BALANCES	**(203,225)**	**3,060**	**(200,165)**
FUND BALANCE - BEGINNING OF YEAR	384,459	9,211	393,670
FUND BALANCE - END OF YEAR	**$ 181,234**	**$ 12,271**	**$ 193,505**

The notes to the financial statements are an integral part of this statement.

CITY OF MORGAN, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Amounts reported for governmental activities in the statement of activities (page 12) is different because:

Net change in fund balances- total governmental funds (page 14)		$ (200,165)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Depreciation expense	$ (40,067)	
Capital outlays	461,017	
		420,950
The issuance of long-term debt (e.g., leases, bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amoritized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Debt proceeds	$ (67,805)	
Debt retirement	72,435	
		4,630
Change in net position of governmental activities (page 12)		**$ 225,415**

The notes to the financial statements are an integral part of this statement.

CITY OF MORGAN, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2018

	Business-type Activities Enterprise Fund
	Water and Sewer
ASSETS	
Current assets:	
Cash	$ 834
Accounts receivable	3,252
Restricted cash:	
Customer deposits	7,842
Construction	39,164
Debt service	497,315
Total current assets	**548,407**
Capital assets:	
Land	309,420
Buildings and improvements	3,161,703
Machinery and equipment	607,550
Less accumulated depreciation	(1,548,925)
Total capital assets (net of accumulated deprecation)	**2,529,748**
Total noncurrent assets	**2,529,748**
TOTAL ASSETS	**3,078,155**
LIABILITIES	
Current liabilities:	
Accounts payable	6,609
Notes payable- current	67,415
Current liabilities payable from restricted assets:	
Customer deposits	7,842
Total current liabilities	**81,866**
Noncurrent liabilities:	
Notes payable	988,274
Total noncurrent liabilities	**988,274**
TOTAL LIABILITIES	**1,070,140**
NET POSITION	
Net investment in capital assets	1,474,059
Restricted:	
Construction	39,164
Debt service	497,315
Unrestricted	(2,523)
TOTAL NET POSITION	**$ 2,008,015**

The notes to the financial statements
are an integral part of this statement.

CITY OF MORGAN, GEORGIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Business-type Activities Enterprise Fund
	Water and Sewer
Operating revenues:	
Charges for services	$ 578,342
Other income	4,473
Total operating revenues	**582,815**
Operating expenses:	
Salaries	35,281
Operating expenses	185,538
Depreciation	102,447
Total operating expenses	**323,266**
Operating income	**259,549**
Non-operating revenues (expenses):	
Investment earnings	3,575
Interest expense	(30,194)
Total non-operating revenues (expenses)	**(26,619)**
Income (loss) before transfers	**232,930**
Capital contributions	11,815
Transfers out	(259,736)
Change in net position	**(14,991)**
Total net position - beginning of the year	**1,998,801**
Prior period adjustment- Note	**24,205**
Total net position - end of the year	**$ 2,008,015**

The notes to the financial statements are an integral part of this statement.

CITY OF MORGAN, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Business-type Activities Enterprise Fund
	Water and Sewer
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	$ 582,439
Cash payments for goods and services	(184,206)
Cash payments to employees	(35,281)
Net Cash provided by operating activities	**362,952**
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Payments from other funds	-
Payments to other funds	(259,736)
Net cash provided by non-capital financing activities	**(259,736)**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Payment for capital assets	(15,083)
Capital contributions- SPLOST	11,815
Principal payments- notes payable	(65,473)
Interest paid	(30,194)
Net cash provided by capital and related financing activities	**(98,935)**
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received	3,575
Net cash provided by investing activities	**3,575**
Net increase in cash and cash equivalents	**7,856**
Cash and cash equivalents - beginning of the year	537,299
Cash and cash equivalents - ending of the year	**$ 545,155**
RECONCILIATION OF OPERATING INCOME TO NET CASH USED FOR OPERATING ACTIVITIES:	
Operating income	**$ 259,549**
Adjustments to reconcile operating income to net cash used for operating activities:	
Depreciation	102,447
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(626)
Increase (decrease) in accounts payable	1,332
Increase (decrease) in customer deposits	250
Total adjustments	**103,403**
Net cash provided by operating activities	**$ 362,952**

Note:
Cash and cash equivalents - end of year in the amount of $545,155 reconciled to the Statement of Net Position, page 16.

Cash and cash equivalents - end of year	$ 834
Restricted cash	544,321
Cash and cash equivalents - end of year	$ 545,155

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City operates under a council/mayor form of government and provides the following services: public safety, public works, culture and recreation, and general and administrative services. In addition, the City operates water, sewer, and sanitation services for the incorporated and immediate surrounding areas.

As required by generally accepted accounting principles, these financial statements present the City and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize it is legally separate from the government.

Component Units. The City of Morgan has no component units, blended or discretely presented.

B. Government- wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities which normally are supported by taxes and intergovernmental revenues are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment 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 to applicants that 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.

The City does not allocate indirect costs.

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

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

Governmental fund financial statements are reported using the current financial resources measurement *focus* and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current

fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following *major* government 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.

The government reports the following *non-major* government fund:

The Special Purpose Local Option Sales Tax Fund V is the government's non-major capital project funds. These funds are used for the collection of taxes for capital outlays as specified by the memorandum.

The government reports the following *major* proprietary funds:

The water and sewer fund operates the water distribution system and the sewer system within the City.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. The fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, liabilities and net position or equity

1. 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.

State statutes authorize the government and the City to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

2. Receivables and payables

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are expendable available financial resources.

All trade receivables are shown net of allowance for uncollectibles. Trade accounts receivable in excess of 120 days comprise the trade accounts receivable allowance for uncollectibles.

Property taxes attach as an enforceable lien on property as of April fifteenth. Property taxes are levied as of the fifteenth day of September each year and are payable by December 31. At June 30, 2018, there was $370 in uncollected property taxes.

3. Inventories and prepaid items

Expendable supplies are recorded as expenditures at the time items are purchased. The City does not record inventories or supplies on the books. The City records expenditures when purchased, rather than as prepaid items.

4. Restricted assets

The City's restricted assets are cash and debt service. They consist of customer deposits, construction monies and sinking fund.

5. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with a useful life of more than one year. The City has a capitalization threshold of $1,000. Purchased or constructed capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The City, a phase 3 government, does not have historical records for infrastructure. Therefore, no infrastructure is reported prior to implementation of GASB 34.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized on assets.

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

Assets	Years
Buildings	25-50 years
Building Improvements	10-50 years
Infrastructure	25-50 years
Machinery and Equipment	3-20 years

The water and sewer system capital assets are stated at cost. Minor renewals are expensed as incurred. Property retired or sold and the related accumulated depreciation is removed from the accounts. Depreciation is determined under the straight-line method.

6. Compensated absences

Cost of vacation pay is not recorded until such benefits are paid. GASB standards require that such benefits be accrued when: (1) the employer's obligation to employees' right to receive compensation for future benefits is attributable to employees' service already rendered; (2) the obligation relates to rights that vest or accumulate; (3) payment of the compensation is probable; and (4) the amount can be reasonably estimated.

Accumulated sick pay benefits have not been recorded as a liability because these benefits are paid only upon the illness of an employee, and the amount of such payments cannot be reasonably estimated.

7. Long-term obligation

In the government-wide financial statements, and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

The City of Morgan, Georgia has one long-term obligation with the Georgia Environmental Facilities Authorities.

8. Categories and classifications of Fund Balance

The City has implemented GASB 54 during calendar year 2012 [Note IV. H. Fund Balance Determinations and Classifications]. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications, under GASB 54, are Nonspendable, Restricted, Committed, Assigned and Unassigned.

9. Net Position

Net investment in capital assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction or improvement of assets.

Restricted net position – This amount is restricted by external creditors, grantors, contributors or laws or regulations of other governments.

Unrestricted net position – This amount is all net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

10. Comparative data/reclassifications

Comparative total data for the prior year have not been presented.

NOTE II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and the proprietary fund. The City's annual budget is prepared based on anticipated revenues and appropriated expenditures. Revenue anticipations, generally conservative, are designed to help insure fiscal responsibility and maintain a balanced budget.

The legal level of budgetary controls is the department level subject to approval by the Mayor and City Council Members.

In May of each year, the City begins preparing the new budget for the coming year. The City Council Budget Committee works together to complete the budget and it presents a proposed budget to the mayor and council at the June meeting. After their approval, the council holds a public hearing and a final budget is adopted no later than June 30.

An encumbrance accounting system recognizes purchase orders, contracts, and other commitments for expenditures not fully expended at year end and restricts that portion of applicable appropriations. The City does not use the encumbrance system of accounting.

B. Excess of expenditures over appropriation

For the year ended June 30, 2018, expenditures exceed the budget in five departments.

	Budget	Actual	Variance
General government	$ 154,136	$ 214,269	$ (60,133)
Public safety	14,476	43,238	(28,762)
Streets	139,844	554,066	(414,222)
Recreation	12,000	25,116	(13,116)
Debt retirement	16,000	69,627	(53,627)

C. Deficit fund balance

All funds had a positive fund balance as of June 30, 2018.

NOTE III. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

At year end, the City of Morgan's carrying amount of deposits was $737,708 and the bank balance was $792,154.

As of June 30, 2018, $250,000 of the City's bank balance was covered by federal depository insurance. $542,154 was collateralized with securities held by the pledging financial institution's trust department or agent in the City's name, $0 was collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name.

Calculation to tie to Statement of Net Position:	
Cash and cash equivalents	$ 194,999
Restricted assets	544,321
Less: cash on hand	(1,612)
Total carrying amount	$ 737,708

B. Receivables

Receivables as of year-end for the City's individual major and non-major funds, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	SPLOST V	Water & Sewer Fund	Total
Receivables:				
Accounts	$ 3,175	$ -	$ 3,252	$ 6,427
Taxes	940	-	-	940
Intergovernmental	2,238	3,924	-	6,162
Gross receivables	6,353	3,924	3,252	13,529
Less: allowance for uncollectibles	-	-	-	-
Net total receivables	$ 6,353	$ 3,924	$ 3,252	$ 13,529

C. Capital assets

Capital assets for the year ended June 30, 2018 was as follows:

Governmental activities	Balance 7/1/2017	Increases	Decreases	Balance 6/30/2018
Capital Assets, not being depreciated:				
Land	$ 54,634	$ -	$ -	$ 54,634
Total capital assets, not being depreciated	54,634	-	-	54,634
Capital Assets, being depreciated:				
Buildings & improvements	332,410	378,508	-	710,918
Machinery and equipment	418,807	82,509	-	501,316
Total capital assets, being depreciated	751,217	461,017	-	1,212,234
Less accumulated depreciation for:				
Buildings & improvements	(197,646)	(12,202)	-	(209,848)
Machinery and equipment	(343,806)	(27,865)	-	(371,671)
Total accumulated depreciation	(541,452)	(40,067)	-	(581,519)
Total capital assets, being depreciated, net	209,765	420,950	-	630,715
Governmental activities capital assets, net	$ 264,399	$ 420,950	$ -	$ 685,349

Business-type activities:	Balance 7/1/2017	Increases	Decreases	Balance 6/30/2018
Capital assets not being depreciated:				
Land	$ 309,420	$ -	$ -	$ 309,420
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	309,420	-	-	309,420
Capital assets being depreciated:				
Buildings and improvements	3,161,703	-	-	3,161,703
Machinery and equipment	592,467	15,083	-	607,550
Total capital assets, being depreciated	3,754,170	15,083	-	3,769,253
Less accumulated depreciation for:				
Structures and improvements	(941,657)	(83,147)	-	(1,024,804)
Machinery and equipment	(504,821)	(19,300)	-	(524,121)
Total accumulated depreciation	(1,446,478)	(102,447)	-	(1,548,925)
Total capital assets, being depreciated, net	2,307,692	(87,364)	-	2,220,328
Business-type activities capital assets, net	$ 2,617,112	$ (87,364)	$ -	$ 2,529,748

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

Governmental activities	
General Government	$ 2,411
Public Safety	6,642
Public Works	27,347
Recreation	3,667
Total depreciation expense- governmental activities	$ 40,067

D. Interfund receivables, payables and transfers

During the year ended June 30, 2018, transfers between funds were as follows:

	Transfer In	Transfer Out
General Fund	$ 259,736	$ -
Capital Project Funds:		
SPLOST V	-	11,815
Enterprise Fund:		
Water and Sewer Fund	11,815	259,736
Totals	$ 271,551	$ 271,551

Transfers are used to record revenue and expenses in the proprietary fund that are all run through the general fund checking account and to move capital assets that have been purchased by SPLOST for the proprietary fund.

E. Long-term debt

Governmental Activities:

On September 15, 2015, the City signed a promissory note with Kansas State Bank in the amount of $27,344 with an interest rate of 4.0% to purchase equipment with repayment of five annual payments of $6,295 beginning September 15, 2016. The annual requirements to amortize the note as of June 30, 2018, are as follows:

Fiscal Year	Principal	Interest	Total
2019	5,456	839	6,295
2020	5,723	572	6,295
2021	6,002	293	6,295
	$ 17,181	$ 1,704	$ 18,885

On April 15, 2017, the City signed a note with Kansas State Bank in the amount of $27,344 with an interest rate of 4.0% to purchase equipment with repayment of 36 monthly payments of $1,007. The annual requirements to amortize the note as of June 30, 2018, are as follows:

Fiscal Year	Principal	Interest	Total
2019	11,397	683	12,080
2020	10,874	3	10,877
	$ 22,271	$ 686	$ 22,957

On August 29, 2017, the City signed a note with First State Bank in the amount of $45,932 with an interest rate of 5.25% to purchase a Kubota Tractor. The City repaid this note on December 28, 2017 and then turned around and signed a new note for $21,873 with an interest rate of 5.50% on January 5, 2018. The note will be repaid with 11 monthly payments of $1,802 and 1 last estimated payment of $2,721 The annual requirements to amortize the note as of June 30, 2018, are as follows:

Fiscal Year	Principal	Interest	Total
2019	11,524	198	11,722
	$ 11,524	$ 198	$ 11,722

Proprietary Fund

On May 1, 2009, the City signed a contract with Georgia Environmental Facility Authority (GEFA) for funds to construct a new well. The original amount of the loan was $591,657, and it is to be repaid in 240 monthly payments of $2,993. The interest rate on the loan is two percent. The annual requirements to amortize the note as of June 30, 2015, are as follows:

Fiscal Year	Principal	Interest	Total
2019	29,142	6,775	35,917
2020	29,721	6,196	35,917
2021	30,340	5,577	35,917
2022	30,943	4,974	35,917
2023	31,568	4,349	35,917
2024-2028	167,654	11,931	179,585
2029	32,613	311	32,924
	$ 351,981	$ 40,113	$ 392,094

On May 12, 2015, the City signed a contract with Georgia Environmental Facility Authority (GEFA) for funds to improve the wastewater infrastructure. The original amount of the loan was $718,318, and it is to be repaid in 240 monthly payments of $3,995. The interest rate on the loan is 3.03%. The annual requirements to amortize the note as of June 30, 2018, are as follows:

Fiscal Year	Principal	Interest	Total
2019	27,769	20,166	47,935
2020	28,622	19,313	47,935
2021	29,501	18,434	47,935
2022	30,408	17,527	47,935
2023	31,342	16,593	47,935
2024-2028	171,759	67,915	239,674
2029-2033	199,817	39,857	239,674
2034-2037	158,991	8,780	167,771
	$ 678,209	$ 208,585	$ 886,794

On June 29, 2015, the City signed a note with John Deere Financial in the amount of $60,775 with an interest rate of 6.5% to purchase equipment with repayment of 1 initial payment of $6,000 and 60 monthly payments of $985. The annual requirements to amortize the note as of June 30, 2018, are as follows:

Fiscal Year	Principal	Interest	Total
2019	10,504	1,311	11,815
2020	11,171	644	11,815
2021	3,824	114	3,938
	$ 25,499	$ 2,069	$ 27,568

Changes in long-term liabilities

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities:					
Note payable	$ 55,606	$ 67,805	$ (72,435)	$ 50,976	$ 28,377
Governmental activities Long-term liabilities	55,606	67,805	(72,435)	50,976	28,377
Business-type activities:					
Notes Payable	1,121,162	-	(65,473)	1,055,689	67,415
Business-type activities Long-term liabilities	$ 1,121,162	$ -	$ (65,473)	$ 1,055,689	$ 67,415

G. Restricted assets

There are restrictions in the business-type activities of $7,842 for customer deposits, $39,164 for construction, and $497,315 for debt service.

H. Fund Balance Determination and Classification

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term “proceeds of specific revenue sources” established that one or more specific restricted or committed revenues should be the foundation for a special revenue fund. Restricted or committed specific revenue sources should comprise a *substantial portion* of the fund’s resources. If revenues are initially received in another fund, they should not be reported as revenues in the fund receiving them; instead, they should be

recognized in the special revenue fund where they will be spent. *The proceeds from these special revenue sources should be expected to continue to comprise a substantial portion of inflows.*

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays. Capital projects' funds exclude those types of capital related outflows financed by proprietary funds.

Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

The following classifications are used by the City:

General and Capital Project Funds:

Restricted Fund Balance: the portion of a fund balance that reflects constraints placed on the use of resources other than nonspendable items that are either externally imposed by creditors {debt agreements, grantors, contributors, or laws or regulations of other governments}, or be imposed by law through constitutional provisions or enabling legislation.

Unassigned Fund Balance: that portion of a fund balance that includes amounts that do not fall into one of the above categories. The General Fund is the only fund that should report a positive unassigned balance.

The City uses restricted amounts to be spent first when both restricted and unrestricted fund balances are available, unless there are legal documents/contracts that prohibit the use of restricted fund balance, such as grant agreements that require a dollar match. Additionally, the City would then use committed, assigned and lastly unassigned amounts from the unrestricted fund balance when expending funds. The City does not have a formal minimum fund balance policy.

The composition of the Restricted Classification is as follows:

Construction and Capital Outlay: Restricted Net Position

	General Fund	Nonmajor Governmental Funds	Proprietary Funds	Total
Construction and Capital Outlay	$ -	$ 12,271	$ 39,164	$ 51,435

Debt Service: Restricted Net Position

	General Fund	Nonmajor Governmental Funds	Proprietary Funds	Total
Debt Service	$ -	$ -	$ 497,135	$ 497,135

NOTE IV. OTHER INFORMATION

A. Risk Management

The City of Morgan is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The City maintains commercial insurance coverage covering each of those ricks 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 fiscal years. In addition, the City does not participate in a public risk pool (commercial insurance is maintained).

B. Related party transaction

The City of Morgan had no related party transactions.

C. Subsequent events

Management has advised that there are no substantial subsequent events that the City is aware of as of the date of this report.

D. Contingent liabilities

The City is not aware of any contingent liabilities.

E. Joint venture

Under Georgia law, the City, in conjunction with other cities and counties in the fourteen county Southwest Georgia area, is a member of the Southwest Georgia Regional Development Center (RC) and is required to pay annual dues thereto. During its year ended June 30, 2018, the City of Morgan was a member of the RC and their dues were $1,960 for the year.

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:

Southwest Georgia Regional Commissions
P.O. Box 346
Camilla, GA 31730-0346

F. Retirement plans

The City of Morgan has not established retirement plans for its employees.

G. Prior period adjustment

A prior period adjustment was recorded in the Water and Sewer Fund in the amount of $24,205. This adjustment was recorded due to an overstatement of long-term debt in the prior year audit report.

SUPPLEMENTAL INFORMATION AND SCHEDULES

INDIVIDUAL FUND STATEMENTS

General Fund

The general fund is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

CITY OF MORGAN, GEORGIA
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE
	ORIGINAL	FINAL	ACTUAL	(NEGATIVE)
Revenues:				
Taxes	$ 174,230	$ 174,230	$ 175,348	$ 1,118
Licenses and permits	5,000	5,000	2,865	(2,135)
Intergovernmental revenue	-	-	160,635	160,635
Charges for services	24,000	24,000	54,370	30,370
Interest income	3,020	3,020	2,461	(559)
Miscellaneous	3,300	3,300	1,143	(2,157)
Total revenues	**209,550**	**209,550**	**396,822**	**187,272**
Expenditures:				
Current:				
General government	154,136	154,136	214,269	(60,133)
Public safety	13,476	13,476	41,038	(27,562)
Streets	114,844	114,844	117,819	(2,975)
Sanitation	24,000	24,000	21,272	2,728
Culture and recreation	6,000	6,000	2,546	3,454
Capital outlay				
Public Safety	1,000	1,000	2,200	(1,200)
Streets	25,000	25,000	436,247	(411,247)
Recreation	6,000	6,000	22,570	(16,570)
Debt retirement:				
Principal	16,000	16,000	67,232	(51,232)
Interest	-	-	2,395	(2,395)
Total expenditures	**360,456**	**360,456**	**927,588**	**(567,132)**
Excess (deficiency) of revenues over expenditures				
Other financing sources (uses)				
Loan proceeds	-	-	67,805	67,805
Reserves	150,906	150,906	-	(150,906)
Transfers	-	-	259,736	259,736
Total other financing sources (uses)	**150,906**	**150,906**	**327,541**	**176,635**
Net change in fund balances	**-**	**-**	**(203,225)**	**203,225**
Fund balance- beginning of year	384,459	384,459	384,459	-
Fund balance- ending of year	**$ 384,459**	**$ 384,459**	**$ 181,234**	**$ 203,225**

NON-MAJOR GOVERNMENTAL FUND

Capital Project Fund

Capital Project funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

Special Purpose Local Option Sales Tax Fund V - This fund is used for the collection of taxes for capital outlays as specified in the referendum.

CITY OF MORGAN, GEORGIA
BALANCE SHEET
NON-MAJOR CAPITAL PROJECT FUND
JUNE 30, 2018

	SPLOST V	TOTAL CAPITAL PROJECT FUND
ASSETS		
Cash and cash equivalents	$ 8,347	$ 8,347
Receivables (net of allowance for uncollectibles)	3,924	3,924
TOTAL ASSETS	**12,271**	**12,271**
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	-	-
TOTAL LIABILITIES	**-**	**-**
FUND BALANCES:		
Restricted for:		
Construction and capital outlay	12,271	12,271
TOTAL FUND BALANCES	**12,271**	**12,271**
TOTAL LIABILITIES AND FUND BALANCES	**$ 12,271**	**12,271**

CITY OF MORGAN, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NON-MAJOR CAPITAL PROJECT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	SPLOST V	TOTAL CAPITAL PROJECT FUND
REVENUES		
Intergovernmental	$ 21,119	$ 21,119
Investment earnings	51	51
TOTAL REVENUES	**21,170**	**21,170**
EXPENDITURES		
Debt service:		
Principal	5,203	5,203
Interest	1,092	1,092
TOTAL EXPENDITURES	**6,295**	**6,295**
EXCESS OF REVENUES OVER EXPENDITURES	**14,875**	**14,875**
OTHER FINANCING SOURCES (USES)		
Transfer out- public works	(11,815)	(11,815)
TOTAL OTHER FINANCING SOURCES (USES)	**(11,815)**	**(11,815)**
NET CHANGE IN FUND BALANCES	**3,060**	**3,060**
FUND BALANCE - BEGINNING OF YEAR	9,211	9,211
FUND BALANCE - END OF YEAR	**$ 12,271**	**$ 12,271**

CITY OF MORGAN, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED
WITH SPECIAL PURPOSE LOCAL OPTION SALES TAX
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Special Purpose Local Option Sales Tax V

Project No.	Project Description	Original Estimated Costs	Current Estimated Costs	Prior Years	Current Year	Total	Percentage of Completion
1	Roads, Streets and Bridges	$ 36,465	$ 36,465	$ -	$ -	$ -	0.00%
2	Water System Improvements	36,465	36,465	40,383	11,815	52,198	143.15%
3	Fire Equipment and Other Heavy Equipment	67,320	67,320	33,432	6,295	39,727	59.01%
	Total	**$ 140,250**	**$ 140,250**	**$ 73,815**	**$ 18,110**	**$ 91,925**	

GOVERNMENT AUDITING STANDARDS REPORT

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

To the Mayor and City Council
City of Morgan, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the City of Morgan, Georgia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Morgan, Georgia's basic financial statements and have issued our report thereon dated December 20, 2018.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described below to be material weaknesses.

Item 2018-1

Finding: Inadequate separation of duties in the Governmental Funds and the Proprietary Fund.

Cause: The City does not have enough staff to segregate the various functions.

Effect: This could result in the misappropriation of assets.

Planned Corrective Action: The Mayor and Council take an active role in reviewing the monthly financials and other monthly check and balances.

Response by Responsible Officials: The Mayor and Council are aware of this finding, but it is not economically feasible to correct.

Response by Auditor: We did not audit the entity's response and, accordingly, do not express an opinion on it.

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MEMBERS:
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS / GEORGIA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

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. We consider the deficiencies described below to be significant deficiencies.

Item 2018-2

Finding: Expenditures exceeded the budget in five departments of the General Fund.

Cause: The City failed to amend the 2018 budget.

Effect: Expenditures for the year exceeded the appropriations in five departments.

Planned Corrective Action: The Mayor and Council will review and amend the budget closer to year-end and will consider each department better and try to anticipate audit journal entries.

Response by Responsible Officials: The Mayor and Council are aware of this finding and will strive to anticipate audit entries when amending next year's budget.

Response by Auditor: We did not audit the entity's response and, accordingly, do not express an opinion on it.

Compliance and Other Matters

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

We noted certain other matters that we reported to management of the City of Morgan, Georgia in a separate letter dated December 20, 2018.

City of Morgan, Georgia's Response to Findings

The City of Morgan, Georgia's response to the findings identified in our audit is described above with each finding. The City of Morgan, Georgia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Burke, Worsham & Harrell, LLC

Burke, Worsham & Harrell, LLC
Donalsonville, Georgia
December 20, 2018