CITY OF MOUNT ZION, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

DECEMBER 31, 2018

CITY OF MOUNT ZION, GEORGIA

Annual Financial Report
For the Fiscal Year Ended December 31, 2018

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FINANCIAL SECTION

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WILL ROBINSON, CPA, LLC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Mount Zion, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mount Zion, Georgia, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City of Mount Zion, Georgia's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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.

Basis for Qualified Opinion

City of Mount Zion's opening accounts payable carried balances of $37,938 and $51,573 in governmental activities and business-type activities respectively on the statement of net position. We were unable to obtain sufficient appropriate audit evidence regarding items totaling $31,098 on the General Fund and $40,456 on the Water and Sanitation Fund in the schedule of accounts payable as of December 31, 2017. Consequently, we were unable to determine what effects prior year accounts payable has on the statement of activities and the statements of cash flows for the year ended December 31, 2018.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of

governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mount Zion as of December 31, 2018, and the results of its operations and its cash flows 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 and the required supplementary information on pages 3-9 and 38-42 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 Mount Zion, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of special purpose local option sales tax proceeds are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, schedule of expenditures of special purpose local option sales tax proceeds, and the schedule of expenditures of federal awards 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 combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards 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 October 21, 2019 on our consideration of the City of Mount Zion, 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 of Mount Zion, Georgia'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 Mount Zion, Georgia's internal control over financial reporting and compliance.

Will Robinson, CPA, LLC

Carrollton, Georgia
February 7, 2020

CITY OF MOUNT ZION, GEORGIA

Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2018

This management discussion and analysis of the City of Mount Zion, Georgia's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2018. It is designed to give the reader an objective and easily readable analysis of the City's financial performance. The primary intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the notes to the basic financial statements, and the financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for the year ended December 31, 2018 are as follows:

The City's total assets exceeded its total liabilities by $3,937,237 (net position) for the fiscal year reported. In total, combined net assets increased $269,470 which represents a 7% increase over the year ended December 31, 2017.

1. Combined tax revenues accounted for $700,203 or 60% of all revenues from governmental activities. Service specific revenues in the form of charges for services, grants, contributions, and fines and forfeitures accounted for $431,613 or 37% of total revenues of $1,163,960 from governmental activities.

2. The City had $1,097,687 in expenses related to governmental activities; only $431,613 of these expenses were offset by charges for services, grants, contributions, and fine and forfeitures. General revenues (primarily taxes) of $732,347 provided for these services.

3. Total water and sanitation program revenues for the year 2018 were $598,765. Total expenses for the year 2018 were $395,568. The increase in net assets after depreciation and non-operating revenues and/or expenses, capital contributions, and transfers was $163,440 for the year 2018.

4. Revenues from the General Fund were $848,624 for the year 2018, an increase of 4% over the prior year. General Fund expenditures totaled $876,374 for the year ending December 31, 2018, an increase of 9% over the prior year.

Overview of the Financial Statements

This annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the City of Mount Zion as a financial whole; or as an entire operating entity. The government-wide statements (i.e. Statement of Net Position and Statement of Activities) provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short term as well as what remains for future spending. For proprietary funds, the statements offer short- and long-term financial information about activities the City operates like businesses, such as water and sewer. The fund financial statements also look at the City's most significant funds with all other non-major funds presented in total in one column.

Government-Wide Financial Statements

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the Statement of Net Position. This is the City-wide statement of position presenting information that includes all of the City's assets and liabilities, 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 as a whole is improving or deteriorating. Evaluation of the overall health of the City would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of the City's infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the Statement of Activities, which reports how the City's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by taxes and user charges, and from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, judicial, public safety, public services, health and welfare, economic development and culture and recreation. Business-type activities include the City's water system and sanitation services.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported.

The City has two kinds of funds:

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the City's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-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 assist in understanding the differences between these two perspectives.

Proprietary funds are activities that the City operates similar to a business in that it attempts to recover costs through charges to the user. The City's only proprietary fund is an enterprise fund. Enterprise funds may be used to account for any activity or service that charges a fee to external users to cover the cost of operations, including cost of depreciation and debt service. The City operates its Water and Sanitation Fund as an enterprise fund. Proprietary fund statements use the accrual basis of accounting similar to the government-wide statements.

Notes to the Basic Financial Statements

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The required supplementary information includes the budgetary comparison statement for the General Fund and the City's progress in its obligation to provide pension benefits to its employees.

Financial Analysis of the City as a Whole

The City's net position at fiscal year-end is $3,937,237. This is a $269,470 increase from the prior year's net position of $3,667,767, restated. The following table provides a summary of the City's net position.

Summary of Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017 Restated	2018	2017 Restated	2018	2017 Restated
Assets:						
Current and other assets	$ 585,177	$ 478,946	$ 706,164	$ 210,631	$ 1,291,341	$ 689,577
Capital assets	3,168,598	2,970,907	1,301,214	273,748	4,469,812	3,244,655
Total assets	3,753,775	3,449,853	2,007,378	484,379	5,761,153	3,934,232
Deferred Outflows	23,152	13,890	6,530	3,473	29,682	17,363
Liabilities:						
Current liabilities	185,779	19,206	666,779	87,992	852,558	107,198
Long-term liabilities	193,560	163,700	793,735	12,930	987,295	176,630
Total liabilities	379,339	182,906	1,460,514	100,922	1,839,853	283,828
Deferred Inflows	10,721	-	3,024	-	13,745	-
Net position:						
Net investment in capital assets	2,906,925	2,885,100	41,417	273,748	2,948,342	3,158,848
Restricted	295,718	63,588	-	-	295,718	63,588
Unrestricted	184,224	332,149	508,953	113,182	693,177	445,331
Total net position	$ 3,386,867	$ 3,280,837	$ 550,370	$ 386,930	$ 3,937,237	$ 3,667,767

Summary of Changes in Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017 Restated	2018	2017 Restated	2018	2017 Restated
Revenues:						
Program:						
Charges for services	$ 71,178	$ 164,645	$ 401,071	$ 260,190	$ 472,249	$ 424,835
Operating grants	8,479	45,733	-	-	8,479	45,733
Capital grants	351,956	213,636	197,646	-	549,602	213,636
General:						
Property taxes	187,022	155,223	-	-	187,022	155,223
Vehicle taxes	54,857	-	-	-	54,857	-
Sales taxes	276,913	248,893	-	-	276,913	248,893
Franchise taxes	46,814	47,275	-	-	46,814	47,275
Insurance premium taxes	122,206	113,316	-	-	122,206	113,316
Other taxes	12,391	44,247	-	-	12,391	44,247
Unrestricted investment earnings	128	-	48	-	176	-
Gain on sale of capital assets	18,450	-	-	-	18,450	-
Miscellaneous revenue	13,566	-	-	-	13,566	-
Total revenues	1,163,960	1,032,968	598,765	260,190	1,762,725	1,293,158
Program expenses:						
General government	232,525	270,107	-	-	232,525	270,107
Judicial	5,428	-	-	-	5,428	-
Public safety	241,663	284,993	-	-	241,663	284,993
Public works	89,868	-	-	-	89,868	-
Health and welfare	13,860	-	-	-	13,860	-
Culture and recreation	290,266	236,275	-	-	290,266	236,275
Housing and development	217,141	-	-	-	217,141	-
Interest on long-term debt	6,936	-	-	-	6,936	-
Water and sewerage	-	-	395,568	271,163	395,568	271,163
Total expenses	1,097,687	791,375	395,568	271,163	1,493,255	1,062,538
Excess (deficiency) before transfers	66,273	241,593	203,197	(10,973)	269,470	230,620
Transfers	39,757	-	(39,757)	-	-	-
Changes in net position	106,030	241,593	163,440	(10,973)	269,470	230,620
Beginning net position, restated	3,280,837	3,039,244	386,930	397,903	3,667,767	3,437,147
Ending net position	$ 3,386,867	$ 3,280,837	$ 550,370	$ 386,930	$ 3,937,237	$ 3,667,767

Governmental Activities

Please note that the most significant expenses are culture and recreation expenses of $290,266 representing 26% of the total governmental expenses. The next most significant program expenses are public safety which totals $241,663 and 22%, general government which totals $232,525 and 21% and housing and development which totals $217,141 and 20% of the total governmental expenses.

Business-Type Activities

The most significant business-type activity of the City is the Water system and Sanitation services. The majority of its revenue was derived from user fees charged for product and service.

Cost of Program Services

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The table below shows, for governmental and business-type activities, the combined total cost of services and the combined net cost of services, that is, it identifies the cost of these services supported by tax revenue.

Program revenues make up 58% of the combined revenues, which shows the City is dependent upon tax revenues for governmental activities.

Governmental and Business-Type Activities (Combined)

	Total Cost of Services 2018	Net Cost of Services 2018
Program expenses:		
General government	$ 232,525	$ (199,482)
Judicial	5,428	(5,428)
Public safety	241,663	(184,517)
Public works	89,868	78,172
Health and welfare	13,860	616
Culture and recreation	290,266	(131,358)
Housing and development	217,141	(217,141)
Interest on long-term debt	6,936	(6,936)
Water and sewerage	395,568	203,149
Total expenses	$ 1,493,255	$ (462,925)

Governmental Fund Balance

The General Fund's fund balance for the year ending December 31, 2018 is $268,657. The SPLOST Fund's fund balance for the year ending December 31, 2018 is $258,767. The Downtown Development Authority Fund's fund balance for the year ending December 31, 2018 is $3,427. The total fund balance for all governmental funds is $530,851.

General Fund Budgeting Highlights

The City's budget is prepared according to Georgia law. The most significant budgeted fund is the General Fund. The actual revenues of $848,624 were over the final budgeted amount of $803,800 by $44,824. The actual expenditures of $876,374 were over the final budgeted amount of $774,074 by $102,299.

Capital Assets and Debt Administration

Capital Assets

At the end of the year 2018, the City had $4,469,812 invested in capital assets. The following table provides a summary of the City's capital assets.

Capital Assets
Net of Accumulated Depreciation

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017 Restated	2018	2017 Restated	2018	2017 Restated
Land	$ 454,119	$ 252,550	$ -	$ -	$ 454,119	$ 252,550
Construction in progress	59,650	-	1,081,260	-	1,140,910	-
Improvements other than buildings	86,276	89,397	-	-	86,276	89,397
Water system and tower	-	-	-	-	-	-
Buildings and improvements	1,600,141	1,655,294	-	-	1,600,141	1,655,294
Infrastructure	727,100	747,611	63,991	85,321	791,091	832,932
Machinery and equipment	153,408	138,968	150,750	178,000	304,158	316,968
Vehicles	87,904	87,087	5,213	10,427	93,117	97,514
Total	$ 3,168,598	$ 2,970,907	$ 1,301,214	$ 273,748	$ 4,469,812	$ 3,244,655

The primary increases occurred in the governmental activities with increases to vehicles of approximately $370,000 for public safety and public works vehicles.

Additional information on the City's capital assets can be found in Note 5 of this report.

Long-Term Debt

At the end of the current fiscal year, the City had total debt outstanding of $5,255,027. This debt includes compensated absences, capital leases payable, notes payable, OPEB obligation and other long-term debt. No additional debt was issued during the current fiscal year. The City is current on all required debt service obligations.

Outstanding Debt

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017 Restated	2018	2017 Restated	2018	2017 Restated
Compensated absences	$ 34,235	$ 26,172	$ 10,509	$ 7,801	$ 44,744	$ 33,973
Capital leases payable	70,313	85,807	-	-	70,313	85,807
Notes payable	191,360	-	-	-	191,360	-
Other long term debt	-	-	790,582	-	790,582	-
Total	$ 295,908	$ 111,979	$ 801,091	$ 7,801	$ 1,096,999	$ 119,780

Additional information on the City's long-term liabilities can be found in Note 6 of this report.

Economic Outlook

The City of Mount Zion is located in Carroll County, which is located in the north western part of the state, approximately 50 miles west of Atlanta. The 2000 U.S. Census population figure for the City of Mount Zion was 1,275 and the 2010 U.S. Census population figure was 1,696. City leaders have recognized, and plans have been developed and/or implemented to maintain balanced, controlled and planned developments in concert with an economic development plan that encourages appropriate growth. The economic growth has also placed increased demands on services, but the City has adopted a conservative approach and implemented programs to meet these demands. The City has still been able to provide its services at a cost per capita that is comparable to other communities with similar demographic and economic characteristics.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information please contact, Teresa Ferguson, City Clerk, City of Mount Zion, P. O. Box 597, Mount Zion, Georgia 30150, 770-832-1622 x2, or teresa@cityofmountzion.com.

BASIC FINANCIAL STATEMENTS

CITY OF MOUNT ZION, GEORGIA

Statement of Net Position
December 31, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	$ 279,022	$ 136,643	$ 415,665
Taxes receivable, net of allowance	129,811	-	129,811
Accounts receivable, net of allowance	7,273	35,074	42,347
Inventories	-	17,406	17,406
Internal balances	27,397	(27,397)	-
Due from other governments	141,674	469,215	610,889
Restricted assets:			
Cash	-	75,223	75,223
Capital assets:			
Nondepreciable capital assets	513,769	1,081,260	1,595,029
Depreciable capital assets, net	2,654,829	219,954	2,874,783
Total assets	3,753,775	2,007,378	5,761,153
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	23,152	6,530	29,682
Total deferred inflows of resources	23,152	6,530	29,682
LIABILITIES			
Accounts payable	19,162	12,645	31,807
Accrued liabilities	12,893	3,081	15,974
Contracts payable	-	469,215	469,215
Retainage payable	-	92,924	92,924
Customer deposits	-	67,067	67,067
Net pension liability	51,376	14,491	65,867
Capital leases due within one year	60,707	-	60,707
Capital leases due in more than one year	9,606	-	9,606
Other long-term liabilities due in more than one year	-	790,582	790,582
Compensated absences due within one year	23,965	7,356	31,321
Compensated absences due in more than one year	10,270	3,153	13,423
Notes payable due within one year	17,676	-	17,676
Notes payable due in more than one year	173,684	-	173,684
Total liabilities	379,339	1,460,514	1,839,853
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension	10,721	3,024	13,745
Total deferred inflows of resources	10,721	3,024	13,745
NET POSITION			
Net investment in capital assets	2,906,925	41,417	2,948,342
Restricted for:			
Capital projects	292,291	-	292,291
Housing and development	3,427		3,427
Unrestricted	184,224	508,953	693,177
Total net position	$ 3,386,867	$ 550,370	$ 3,937,237

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

CITY OF MOUNT ZION, GEORGIA

Statement of Activities
For the Fiscal Year Ended December 31, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Business-type Activities	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Total
Primary government:							
Governmental activities:							
General government	$ 232,525	$ 2,602	$ 8,479	$ 21,962	$ (199,482)	$ -	$ (199,482)
Judicial	5,428	-	-	-	(5,428)	-	(5,428)
Public safety	241,663	26,948	-	30,198	(184,517)	-	(184,517)
Public works	89,868	-	-	168,040	78,172	-	78,172
Health and welfare	13,860	-	-	14,476	616	-	616
Culture and recreation	290,266	41,628	-	117,280	(131,358)	-	(131,358)
Housing and development	217,141	-	-	-	(217,141)	-	(217,141)
Interest on long-term debt	6,936	-	-	-	(6,936)	-	(6,936)
Total governmental activities	1,097,687	71,178	8,479	351,956	(666,074)	-	(666,074)
Business-type activities:							
Water and sanitation	395,568	401,071	-	197,646	-	203,149	203,149
Total business-type activities	395,568	401,071	-	197,646	-	203,149	203,149
Total primary government	$ 1,493,255	$ 472,249	$ 8,479	$ 549,602	(666,074)	203,149	(462,925)
General revenues:							
Property taxes					187,022	-	187,022
Vehicle taxes					54,857	-	54,857
Sales taxes					276,913	-	276,913
Franchise taxes					46,814	-	46,814
Insurance premium taxes					122,206	-	122,206
Other taxes					12,391	-	12,391
Unrestricted investment earnings					128	48	176
Gain on sale of capital assets					18,450	-	18,450
Miscellaneous revenue					13,566	-	13,566
Transfers					39,757	(39,757)	-
Total general revenues and transfers					772,104	(39,709)	732,395
Change in net position					106,030	163,440	269,470
Net position, beginning of year, restated					3,280,837	386,930	3,667,767
Net position, end of year					$ 3,386,867	$ 550,370	$ 3,937,237

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

CITY OF MOUNT ZION, GEORGIA

Balance Sheet
Governmental Funds
December 31, 2018

ASSETS	General	SPLOST	Downtown Development Authority	Total Governmental Funds
Cash	$ 175,869	$ 99,726	$ 3,427	$ 279,022
Receivables:				
Taxes	129,811	-	-	129,811
Accounts	7,273	-	-	7,273
Due from other funds	27,397	33,667	-	61,064
Due from other governments	-	141,674	-	141,674
Total assets	$ 340,350	$ 275,067	$ 3,427	$ 618,844
LIABILITIES				
Accounts payable	$ 2,862	$ 16,300	$ -	$ 19,162
Accrued liabilities	12,893	-	-	12,893
Due to other funds	33,667	-	-	33,667
Total liabilities	49,422	16,300	-	65,722
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes & fines	22,271	-	-	22,271
Total deferred inflows of resources	22,271	-	-	22,271
FUND BALANCES				
Fund balances (deficit):				
Restricted:				
Capital projects	33,524	258,767	-	292,291
Housing and development	-	-	3,427	3,427
Unassigned	235,133	-	-	235,133
Total fund balances	268,657	258,767	3,427	530,851
Total liabilities, deferred inflows of resources and fund balances	$ 340,350	$ 275,067	$ 3,427	$ 618,844

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

CITY OF MOUNT ZION, GEORGIA

Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2018

Total Governmental Fund Balances			$ 530,851
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
	Cost	$ 4,609,069	
	Less accumulated depreciation	(1,440,471)	3,168,598
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.			
	Property taxes and fines		22,271
The deferred outflows are not current assets or financial resources; and the deferred inflows are not due and payable in the current period and therefore are not reported in the Governmental Funds.			
	Deferred outflows related to pension and OPEB	23,152	
	Deferred inflows related to pension and OPEB	(10,721)	12,431
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.			
	Note payable	(191,360)	
	Net pension liability	(51,376)	
	Compensated absences	(34,235)	
	Capital leases	(70,313)	(347,284)
Net position of governmental activities			$ 3,386,867

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

CITY OF MOUNT ZION, GEORGIA

Statement of Revenues, Expenditures, and
Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended December 31, 2018

	General	SPLOST	Downtown Development Authority	Total Governmental Funds
REVENUES				
Taxes	$ 685,205	$ -	$ -	$ 685,205
Licenses and permits	905	-	-	905
Intergovernmental	77,433	274,523	-	351,956
Charges for services	43,325	-	-	43,325
Fines and forfeitures	19,675	-	-	19,675
Investment income	36	91	1	128
Contributions and donations	8,479	-	-	8,479
Miscellaneous revenue	13,566	-	-	13,566
Total revenues	848,624	274,614	1	1,123,239
EXPENDITURES				
Current:				
General government	214,996	-	-	214,996
Judicial	5,428	-	-	5,428
Public safety	281,167	-	-	281,167
Public works	45,860	-	-	45,860
Health and welfare	13,860	-	-	13,860
Culture and recreation	309,583	-	-	309,583
Housing and development	5,480	-	211,661	217,141
Capital outlay	-	172,780	-	172,780
Debt service:				
Principal	-	44,357	8,640	52,997
Interest	-	3,990	2,946	6,936
Total expenditures	876,374	221,127	223,247	1,320,748
Excess (deficiency) of revenues over (under) expenditures	(27,750)	53,487	(223,246)	(197,509)
OTHER FINANCING SOURCES (USES)				
Proceeds from the issuance of debt	28,863	-	200,000	228,863
Transfers in	39,757	-	26,642	66,399
Transfers out	-	(26,642)	-	(26,642)
Total other financing sources (uses)	68,620	(26,642)	226,642	268,620
Net change in fund balances	40,870	26,845	3,396	71,111
FUND BALANCE, beginning of year, restated	227,787	231,922	31	459,740
FUND BALANCE (deficit), end of year	$ 268,657	$ 258,767	$ 3,427	$ 530,851

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

CITY OF MOUNT ZION, GEORGIA

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Fiscal Year Ended December 31, 2018

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds		$ 71,111
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		
Capital outlay	$ 346,397	
Depreciation expense	(148,706)	197,691
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	14,998	
Police fines	7,273	22,271
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Issuance of debt - capital lease	(28,863)	
Issuance of debt - note payable	(200,000)	
Principal repayments:		
Capital leases	44,357	
Notes payable	8,640	(175,866)
The increase in other post employment benefits obligations did not require the use of current financial resources and therefore was not reported as expenditures in governmental funds, but is an expense in the Statement of Activities.		-
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences	(8,063)	
Pension expense	(1,114)	(9,177)
Change in net position of governmental activities		$ 106,030

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

CITY OF MOUNT ZION, GEORGIA

Statement of Net Position
Proprietary Fund
December 31, 2018

	Business-type Activities Enterprise Fund Water and Sanitation Fund
ASSETS	
CURRENT ASSETS	
Cash	$ 136,643
Accounts receivable, net of allowances	35,074
Inventories	17,406
Due from other governments	469,215
Restricted assets, cash	
Customer deposits	67,067
Capital outlay	8,156
Total current assets	733,561
NON CURRENT ASSETS	
Capital assets:	
Non depreciable	1,081,260
Depreciable, net of accumulated depreciation	219,954
Total capital assets (net of accumulated depreciation)	1,301,214
Total non current assets	1,301,214
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pension	6,530
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	12,645
Due to other funds	27,397
Contracts payable	469,215
Retainage payable	92,924
Accrued liabilities	3,081
Compensated absences	7,356
Customer deposits, payable with restricted assets	67,067
Total current liabilities	679,685
LONG-TERM LIABILITIES	
Compensated absences	3,153
Net pension liability	14,491
Other long term liabilities	790,582
Total long-term liabilities	808,226
Total liabilities	1,487,911
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pension	3,024
Total deferred inflows of resources	
NET POSITION	
Net investment in capital assets	41,417
Unrestricted	508,953
Total net position	$ 550,370

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

CITY OF MOUNT ZION, GEORGIA

Statement of Revenues, Expense, and
Changes in Net Position
Proprietary Fund
For the Fiscal Year Ended December 31, 2018

	Business-type Activities Enterprise Fund Water and Sanitation Fund
OPERATING REVENUES	
Charges for services:	
Water sales	$ 333,299
Other charges	1,088
Sanitation charges	66,684
Total operating revenues	401,071
OPERATING EXPENSES	
Personnel costs	129,803
Contracted services	27,706
Supplies	184,265
Depreciation	53,794
Total operating expenses	395,568
Operating income	5,503
NONOPERATING REVENUES (EXPENSES)	
Debt forgiveness	197,646
Interest income	48
Total nonoperating revenues (expenses)	197,694
Income before transfers	203,197
Transfer out	(39,757)
Change in net position	163,440
NET POSITION, beginning of year, restated	386,930
NET POSITION, end of year	$ 550,370

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

CITY OF MOUNT ZION, GEORGIA

Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended December 31, 2018

	Business-type Activities Enterprise Fund Water and Sanitation Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	$ 401,758
Payments to employees	(105,228)
Payments to suppliers for goods and services provided	(103,335)
Net cash provided by operating activities	193,195
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Transfers in	(39,757)
Purchase of property and equipment	(863,110)
Proceeds from long-term borrowings	790,582
Net cash used in capital and related financing activities	(112,285)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	48
Net cash provided by investing activities	48
Net increase in cash and cash equivalents	80,958
Cash and cash equivalents, beginning of year (including restricted cash of $66,380)	130,908
Cash and cash equivalents, end of year (including restricted cash of $75,223)	$ 211,866
Reconciliation of operating income to net cash provided by operating activities:	
Net operating income	$ 5,503
Adjustments to reconcile net operating income to net cash provided by operating activities:	
Change in assets, deferred outflows, liabilities, and deferred inflows:	
Depreciation	53,794
Decrease in due from other funds	24,376
Decrease in inventory	2,867
Increase in deferred outflows	(6,530)
Decrease in accounts payable	(38,928)
Increase in contracts payable	92,924
Increase in due to other funds	27,397
Increase in accrued liabilities	3,081
Increase in net pension liability	14,491
Increase in customer deposits	687
Increase in compensated absences	10,509
Increase in deferred inflows	3,024
Net cash provided by operating activities	$ 193,195

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

Note 1. Summary of Significant Accounting Policies

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

A. Reporting Entity

The City of Mount Zion, Georgia was incorporated in 1912 under the provisions of an act of the General Assembly of Georgia. The City operates under the Mayor-Council form of government and provides the following services to its citizens as authorized by its charter: public safety (police), recreation, water, sanitation, and general and administrative services. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Mount Zion, Georgia (the "primary government") and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City. In conformity with generally accepted accounting principles, as set forth in Governmental Accounting Standards Board Statement No. 14, the financial statements of the following component units are presented in the City's financial statements.

The City of Mount Zion Downtown Development Authority (the "Authority") was created as a separate legal entity by action of the City Council to assist in the development and redevelopment activities in the downtown area. The seven member governing board of the Authority is appointed by the City Council. The Authority is blended as a special revenue fund of the City because it provides services almost exclusively for the benefit of the City. Separate financial statements are not prepared for the Authority.

The City of Mount Zion Development Authority (the "Development Authority") was created as a separate legal entity by an act of the state legislature and "activated" by action of the City Council to promote and expand industry, welfare and trade for the public good and welfare of the City of Mount Zion, Georgia, and make long-range plans for such development and expansion. The governing board of the Authority is appointed by the City Council for fixed terms. The Development Authority is fiscally dependent upon the City because the City Council has the sole authority to levy taxes for the Development Authority. The Development Authority is audited along with the primary government's financial statements as a blended component unit. Separate financial statements are not prepared for the Development Authority.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities and business-type activities. *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 net position includes non-current assets and non-current liabilities. In addition, the government-wide statement of activities reflects depreciation expense on the City's capital assets.

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.

Note 1. Summary of Significant Accounting Policies (Continued)

B. Government-wide and Fund Financial Statements (Continued)

Program revenues include 1) charges to those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The City reports the following major governmental funds:

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

The **special revenue *Downtown Development Authority Fund*** accounts for the financial resources provided from the 2014 one percent Special Purpose Local Option Sales Tax. Such resources are to be used for improvements to parks and recreation facilities, water and sewer projects, road improvements and the administrative building.

The **capital projects *SPLOST Fund*** accounts for the financial resources to promote and expand industry, welfare and trade for the public good and welfare of the City of Mount Zion, Georgia, and make long-range plans for such development and expansion.

The City reports the following major proprietary fund:

The ***Water and Sanitation Fund*** accounts for the activities of the water distribution system and sanitation services.

The City also reports no non-major governmental funds.

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 for the proprietary fund. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period. For this purpose, the City considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to long-term debt, compensated absences and claims and judgments, are recorded only when payment is due.

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

In accordance with GASB Statement No. 33, "Accounting and Financial Reporting for Non-exchange Transactions," the corresponding assets (receivables) in non-exchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source.

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

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 City has elected not to follow subsequent private-sector guidance.

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

D. Cash and Investments

For purposes of the statement of cash flows, the enterprise funds consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Customer deposit resources in the water fund are restricted to the payment of customer's deposits as they become due.

E. Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as 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."

F. 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 amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenditures/expenses during the period. Actual results could differ from those estimates.

Note 1. Summary of Significant Accounting Policies (Continued)

G. Inventories

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories consist of expendable supplies held for consumption. The cost is recorded as an asset at the time the individual item is purchased. Inventories reported in the governmental funds are equally offset by a fund balance reserve, which indicates that they do not constitute "available, spendable resources" even though they are a component of net current assets.

H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide and proprietary fund financial statements. Capital assets are defined by the City 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 estimated fair market 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 asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

Asset	Years
Improvements other than buildings	15-50
Buildings and improvements	15-50
Water distribution system	40
Infrastructure	50
Machinery and equipment	5-10
Vehicles	5

Prior to January 1, 2003, governmental funds' infrastructure assets were not capitalized. The City is a Phase 3 entity and is not required to record infrastructure from years prior to implementation of the reporting model.

I. Long-Term Obligations

In the government-wide financial statements and proprietary 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 statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as other assets and amortized over the term of the related debt.

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

Note 1. Summary of Significant Accounting Policies (Continued)

J. Compensated Absences

Accumulated sick pay benefits have not been recorded as a liability because these benefits are paid upon the illness of an employee and the amount of such payments cannot be reasonably estimated. Accumulated unpaid vacation costs are accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

K. Fund Equity

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

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

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

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

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

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

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

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

(1) Committed

(2) Assigned

(3) Unassigned

Note 1. Summary of Significant Accounting Policies (Continued)

K. Fund Equity (Continued)

Net Position – Net position represent the difference between assets and liabilities in reporting which utilizes the economic resources measurement focus. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position are reported as unrestricted.

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

L. Deferred outflows/inflows of resources

The City implemented GASB Statements No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and No. 65, Items Previously Reported as Assets and Liabilities, as of December 1, 2012. These new standards establish accounting and financial reporting for deferred outflows / inflows of resources and the concept of net position as the residual of all other elements presented in a statement of net position.

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(s) and so will not be recognized as an outflow of resources (expense) until then. The City has items that qualify for reporting in this category are related to the City's pension plan. These items are amortized in a systematic and rational method and recognized in pension expenses in future periods.

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance or 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 government has two types of items that qualifies for reporting in this category. The first item arises only under a modified accrual basis of accounting and, accordingly, the item, unavailable revenue from property taxes and police fines, is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second items that qualify for reporting in this category are related to the City's pension plan and OPEB plan. These items are amortized in a systematic and rational method and recognized in pension or health care expenses in future periods.

M. Pensions

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

Note 2. Stewardship, Compliance, and Accountability

Budgetary Information

The following procedures are used by the City in establishing the budgetary data reflected in the financial statements:

1. The City Charter establishes the fiscal year as the twelve-month period beginning January 1 and ending December 31. Prior to December 31, the departments submit to the City Clerk a budget of estimated expenditures for the ensuing fiscal year, after which the City Clerk subsequently submit a budget of estimated expenditures and revenues to the City Council for the City's operating funds. These include General, Administrative, Police, Streets, Library and Recreation, Senior Citizens, and Water and Sanitation.
2. Upon receipt of the budget estimates, the Council holds a first meeting on the Budget Ordinance. Information about the Budget Ordinance is then published in the official newspaper of the City. The Council is precluded from passing the Budget Ordinance until ten days have passed after the Ordinance Publication.
3. The budget is then legally enacted through the passage of the Budget Ordinance.
4. The legal level of budgetary control is the departmental level. Budgeted amounts can be transferred between accounts within departments; however, any revisions of the total departmental budget must be approved by the City Council.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.
6. The budgets for the General Fund, special revenue funds, and capital project fund were adopted on a basis consistent with generally accepted accounting principles (GAAP).

Budgeted amounts are as originally adopted, or as amended by the City Council. No individual amendments were made during the current year.

Excess of Expenditures Over Appropriations

The following General Fund functions had excesses of actual expenditures over appropriations in the amount shown for the fiscal year ended December 31, 2018.

General government		
City Council	$	1,750
Judicial		
Municipal court		5,428
Public safety		
Police		2,217
Public works		
Highways and streets		45,860
Health and welfare		
Senior citizens		1,860
Culture and recreation		
Libraries		31,236
Housing and development		
Economic development		4,880

Note 3. Deposits

Custodial Credit Risk – Deposits:

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

Note 4. Receivables

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

	General	Water and Sewerage	Total
Receivables:			
Taxes	$ 135,210	$ -	$ 135,210
Accounts	20,329	35,074	55,403
Gross receivables	155,539	35,074	190,613
Less allowance for uncollectibles	(18,455)	-	(18,455)
Net total receivables	$ 137,084	$ 35,074	$ 172,158

Property taxes attach as an enforceable lien on property as of January 3, 2018. Taxes are levied on August 15, 2018 and payable on or before December 1, 2018. The City bills and collects its own property taxes. Property taxes levied for the year ending December 31, 2018 and not collected are recorded as receivables, net of estimated uncollectibles.

Amounts due from other governments at December 31, 2018, are broken down as follows:

SPLOST Fund:	
Sales tax collections	
Carroll County Board of Commissioners	$ 141,674
	$ 141,674

Note 5. Capital Assets

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

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 252,550	$ 201,569	$ -	$ -	$ 454,119
Construction in progress	-	59,650	-	-	59,650
Total	252,550	261,219	-	-	513,769
Capital assets, being depreciated:					
Improvements other than buildings	187,294	-	-	-	187,294
Buildings and improvements	2,280,957	-	-	-	2,280,957
Infrastructure	1,025,532	-	-	-	1,025,532
Machinery and equipment	215,309	34,907	-	-	250,216
Vehicles	301,030	50,271	-	-	351,301
Total	4,010,122	85,178	-	-	4,095,300
Less accumulated depreciation for:					
Improvements other than buildings	(97,897)	(3,121)	-	-	(101,018)
Buildings and improvements	(625,663)	(55,153)	-	-	(680,816)
Infrastructure	(277,921)	(20,511)	-	-	(298,432)
Machinery and equipment	(76,341)	(20,467)	-	-	(96,808)
Vehicles	(213,943)	(49,454)	-	-	(263,397)
Total	(1,291,765)	(148,706)	-	-	(1,440,471)
Total capital assets, being depreciated, net	2,718,357	(63,528)	-	-	2,654,829
Governmental activities capital assets, net	$ 2,970,907	$ 197,691	$ -	$ -	$ 3,168,598
Business Type activities:					
Capital assets, not being depreciated:					
Construction in progress	$ -	$ 1,081,260	$ -	$ -	$ 1,081,260
Total	-	1,081,260	-	-	1,081,260
Capital assets, being depreciated:					
Water system & tower	853,209	-	-	-	853,209
Machinery and equipment	344,475	-	-	-	344,475
Vehicles	34,068	-	-	-	34,068
Total	1,231,752	-	-	-	1,231,752
Less accumulated depreciation for:					
Water system & tower	(767,888)	(21,330)	-	-	(789,218)
Machinery and equipment	(166,475)	(27,250)	-	-	(193,725)
Vehicles	(23,641)	(5,214)	-	-	(28,855)
Total	(958,004)	(53,794)	-	-	(1,011,798)
Total capital assets, being depreciated, net	273,748	(53,794)	-	-	219,954
Business type activities capital assets, net	$ 273,748	$ 1,027,466	$ -	$ -	$ 1,301,214

Note 5. Capital Assets (Continued)

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

Governmental activities:	
General government	$ 8,352
Public safety	30,400
Public works	44,008
Culture and recreation	65,946
Total depreciation expense - governmental activities	$ 148,706
Business-type activities:	
Water and sewerage	$ 53,794
Total depreciation expense - business-type activities	$ 53,794

Note 6. Long-Term Debt

Long-term liability activity for the year ended December 31, 2018 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due In More Than One Year
Governmental activities:						
Compensated absences	$ 26,172	$ 17,667	$ 9,604	$ 34,235	$ 23,965	$ 10,270
Capital lease payable	85,807	28,863	44,357	70,313	60,707	9,606
Notes payable	-	200,000	8,640	191,360	17,676	173,684
Governmental activities long-term liabilities	$ 111,979	$ 246,530	$ 62,601	$ 295,908	$ 102,348	$ 193,560
Business-type activities:						
Compensated absences	$ 7,801	$ 4,944	$ 2,236	$ 10,509	$ 7,356	$ 3,153
Other long term debt	-	790,582	-	790,582	-	790,582
Business-type activities long-term liabilities	$ 7,801	$ 795,526	$ 2,236	$ 801,091	$ 7,356	$ 793,735

The compensated absences liability will be paid from the General or Water and Sanitation Funds from which employees' salaries are paid. The capital leases, other long-term debt, and notes payable will be paid by the General Fund and the Water and Sanitation Fund.

Note 6. Long-Term Debt (Continued)

Governmental Activities:

Notes Payable. The City incurred debt to an individual for the purchase of land for economic development.

Interest Rate	Term (yrs)	Due Date	Monthly Payment	Original Balance	Balance
3.00%	10	2027	$ 1,931	$ 200,000	$ 191,360

Fiscal Year	Principal	Interest	Total
2019	$ 17,676	$ 5,499	$ 23,175
2020	18,213	4,961	23,174
2021	18,767	4,407	23,174
2022	19,338	3,837	23,175
2023	19,926	3,248	23,174
2024-2027	97,440	6,846	104,286
	$ 191,360	$ 28,798	$ 220,158

Capital Lease Payable. The following is an analysis and debt service requirements of leased assets under capital leases as of December 31, 2018:

	Cost	Amortization Expense Current	Amortization Expense Accumulated
Public Works:			
Equipment	$ 77,909	$ 7,791	$ 23,373
Public Safety:			
Vehicles	61,110	12,222	34,290
Culture and Recreation:			
Vehicles	28,318	3,540	3,540
	$ 167,337	$ 23,553	$ 61,203

Fiscal Year	Principal	Interest	Total
2019	$ 60,707	$ 2,388	$ 63,095
2020	9,606	672	10,278
	$ 70,313	$ 3,060	$ 73,373

Note 6. Long-Term Debt (Continued)

Other Long Term Debt.

During the current fiscal year, the City's Water and Sanitation Fund entered in an agreement for direct borrowings of $1,800,000 with GEFA for water system improvements. The final amortization of the loan proceeds has not been prepared since the construction is ongoing. The total obligations from GEFA will be reduced by 40% during the construction period for debt forgiveness.

Construction drawdowns as of December 31, 2018 was $988,228. Per the agreement between the City and GEFA, the City has received $197,646 of debt forgiveness as of December 31, 2018. The net of $790,582 is reported as other long-term liabilities on the Proprietary Fund's Statement of Net Position.

The City pledges its full faith and credit and revenue-raising power, including its taxing power. In event of default, the debt may be declared immediately due and payable.

Note 7. Interfund receivables, payables and transfers

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

	Due From		
Due To	General Fund	Water and Sanitation Fund	Totals
General Fund	$ -	$ 27,397	$ 27,397
SPLOST Fund	33,667	-	33,667
Total	$ 33,667	$ 27,397	$ 61,064

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, and (2) payments between funds are made. The balance above between the General Fund and Water and Sanitation Fund represents payroll expenses of the Water and Sanitation Fund paid by the General Fund. The balance above between the General Fund and SPLOST Fund represents various expenditures to be reimbursed by the General Fund paid by the SPLOST Fund.

The composition of interfund transfers for the fiscal year ended December 31, 2018, is as follows:

Transfers In	Transfers Out	Amount
Downtown Development Authority	SPLOST Fund	$ 26,642
General Fund	Water and Sanitation Fund	39,757
		$ 66,399

These transfers to the Downtown Development Fund from SPLOST Fund is the Downtown Development Fund's portion of economic development of SPLOST revenue. The transfers from the Water and Sanitation Fund were used to reimburse the General Fund for various operational expenditures.

Note 8. Joint Venture

Under Georgia Law, the City, in conjunction with other cities and counties in the northwest Georgia area, is a member of the Three Rivers Regional Commission (TRRC) and is required to pay annual dues thereto. Membership in an TRRC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the TRRC in Georgia. The TRRC Board membership includes the chief elected official of each City and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an NWGRC. Separate financial statements may be obtained from the Three Rivers Regional Commission, 120 North Hill Street, Griffin, Georgia 30224.

Note 9. Defined Benefit Pension Plan

A. Plan Description

The City's contributes to the City of Mount Zion Retirement Plan (the "Plan"), which is a participating member in the Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer pension plan defined benefit pension plan. O.C.G.A. Section 47-5-1 et Seq. assigns the authority to establish and amend the benefit provisions of the plans that participate in the GMEBS to the respective employer entities. For the City of Mount Zion Retirement Plan, that authority rests with the City of Mount Zion, Georgia. The benefit provisions and all other requirements are established and maybe amended by City ordinance. It is the responsibility of the GMEBS to function as the investment and administrative agent for the City of Mount Zion, Georgia with respect to the pension plan. The City of Mount Zion Retirement Plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. GMEBS issues a publicly available financial report that includes financial statements and required supplementary information to the Plan. That report may be obtained by writing to Georgia Municipal Association, Employee Benefit Section, 201 Pryor Street, SW, Atlanta, Georgia 30303-3606.

B. Benefits Provided

The City of Mount Zion Retirement Plan provides retirement, disability, and death benefits. Retirement benefits are determined as 1.25 percent of the employee's final 3-year average compensation times the employee's years of service. Effective January 1, 2016, the Plan was amended to provide for immediate participation for employees. The change has no impact on service credited under the Plan and no impact on benefits. As a result of this change, all employees are now included in the valuation. This change has minimal impact on the Plan's liability. Elected officials are not covered. The employees are vested after five years. The normal retirement age is sixty five plus five years with the early retirement age being fifty five plus ten years. As of January 1, 2018, the date of the most recent actuarial valuation, the plan membership included the following categories of participants.

Benefits for retired particpants and beneficiaries	1
Terminated vested participants	7
Active vested participants	9
Total present value of vested benefits	17
Nonvested benefits	1
Total present value of accrued plan benefits	18

C. Contributions

Recommended Contribution: The GMEBS Board of Trustees has adopted an actuarial funding policy for determination of annual contributions and the systematic funding of liabilities arising under the Plan. The annual minimum contribution is the sum of 1) the normal cost (including administrative expenses), 2) the closed level **Note**

9. Defined Benefit Pension Plan

C. Contributions (Continued):

dollar amortization of the unfunded actuarial liability over a period that ranges from 10 to 30 years based on the

funding policy adopted by the GMEBS Board of Trustees, and 3) interest on these amounts from the valuation date to the date contributions are paid (assumed monthly).

State Funding Standards: The Plan is subject to minimum funding standards of the Public Retirement Systems Standards Law (Georgia Code Section 47-20-10). The estimated minimum annual contribution under these standards is $30,134. The minimum contribution has been determined as the sum of 1) the normal cost (including administrative expenses), 2) the 30-year level percentage of payroll amortization of the unfunded actuarial liability of the 10-year level percentage of payroll amortization of the surplus, and 3) interest on these amounts from the

valuation date to the date contributions are paid (assumed monthly). The GMEBS Board of Trustees has adopted an actuarial funding policy that requires a different funding level than the estimated minimum annual contribution to minimize fluctuations in annual contribution amounts and to accumulate sufficient funds to secure benefits under the Plan. If the City contributes the recommended contribution developed under the actuarial funding policy each ear, the Plan will meet the applicable state funding standards.

The City makes 100% of the contributions to the Plan. The contractually required contributions, which are actuarially determined as an amount that is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute at an actuarially determined rate; the current rate is 8.41% of annual covered payroll.

D. Net Pension Liability

The City's net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018.

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

Inflation	2.75%
Salary increases	3.25% to 8.25%, include an inflation assumption of 2.75%
Investment rate of return	7.50%, based on long-term expected rate of return on pension plan investments
Mortality Rates:	
Healthy:	RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females
Disabled:	RP-2000 Disabled Retiree Mortality Table with sex-distinct rates

Note 9. Defined Benefit Pension Plan

D. Net Pension Liability (Continued):

Plan Determination Basis: 1994 Group Annuity Reserving Unisex Table

RP-2000 Mortality Tables were determined to contain sufficient provision appropriate to reasonably reflect future mortality improvement, based on a four-year review of mortality experience for the period January 1, 2010 to June 30, 2014. Mortality experience will be reviewed periodically and updated if necessary.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset

allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of September 30, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Long-Term Nominal Real Rate of Return
Domestic Equity	45%	6.71%	9.20%
International Equity	20%	7.71%	9.70%
Real Estate	10%	5.21%	4.80%
Global Fixed Income	5%	3.36%	7.00%
Domestic Fixed Inco	20%	2.11%	
Cash	0%		
Total	100%		

Discount rate. The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Note 9. Defined Benefit Pension Plan

D. Net Pension Liability (Continued):

Changes In Net Pension Liability

	Increase (Decrease)		
	Total Pension Liabilty (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a) - (b)**
Balances at September 30, 2016	$ 295,250	$ 230,599	$ 64,651
Changes for the year:			
Service cost	16,194	-	16,194
Interest	22,764	-	22,764
Differences between expected and actual experience	12,886	-	12,886
Contributions—employer	-	23,901	(23,901)
Net investment income	-	35,973	(35,973)
Benefit payments, including refunds of employee contributions	(3,053)	(3,053)	-
Administrative expense	-	(3,807)	3,807
Other changes	5,439	-	5,439
Net changes	54,230	53,014	1,216
Balances at September 30, 2017	$ 349,480	$ 283,613	$ 65,867

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 7.75%, 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 (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's Net Pension Liability	$ 121,865	$ 65,867	$ 20,104

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued GMEBS financial report.

Note 9. Defined Benefit Pension Plan

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

For the year ended December 31, 2018, the City recognized pension expense of $151,696. At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 18,682	$ -
Changes of assumptions	5,132	-
Net difference between projected and actual earnings on pension plan investments	-	13,745
City contributions subsequent to the measurement date	5,868	-
	$ 29,682	$ 13,745

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

Deferred Outflows(Inflows) Recognized in Future Years

Year Ended December					
2019	2020	2021	2022	2023	Thereafter
$ 2,935	$ 3,902	$ 3,055	$ 177	$ -	$ -

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of January 1, 2018.

Note 10. Risk Management

The City is exposed to various risks of losses related to: torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency Property and Liability Insurance Fund and the Georgia Municipal Association Group Self-Insurance Workers Compensation Fund, public entity risk pools currently operating as common risk management and insurance programs for member local governments.

As part of these risk pools, the City is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claims of loss. The City is also to allow the pool's agent and

Note 10. Risk Management (Continued):

attorneys to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the funds.

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member government contract and in accordance with the worker's compensation law of Georgia. The funds are to pay all cost taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

The City carries commercial insurance for other risks of losses, such as general property and liability insurance. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Note 11. Commitments and Contingencies

Grant Contingencies:

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to the disallowance of certain expenditures previously reimbursed by those agencies. Based upon prior experience, management of the City believes such disallowances, if any, will not be significant.

Note 12. Prior Period Adjustments

The City has determined that a restatement of the fund balances of the General Fund, SPLOST Fund, Downtown Development Authority and the net position of the Water and Sanitation Fund is required to reflect corrections to the beginning balance of capital assets, property tax receivable, LOST receivable, fines receivable, accounts payable, due from other governments, contractor reimbursement, capital leases, compensated absences, net pension liability, and deferred outflows related to pension.

Fund Balance, General Fund, December 31, 2017, as previously reported	$	180,546
Adjustment for proper recognition of LOST receivable		4,163
Adjustment for proper recognition of fines receivable		(17,071)
Adjustment for proper recognition of accounts payable		31,098
Adjustment for proper recognition of accrued salaries		(12,366)
Adjustment for proper recognition of property tax receivable		41,417
Beginning Fund Balance, General Fund, December 31, 2017, restated	$	227,787

Fund Balance, SPLOST Fund, December 31, 2017, as previously reported	$	63,588
Adjustment for proper recognition of contractor reimbursement		47,000
Adjustment for proper recognition of due from other governments		121,334
Beginning Fund Balance, SPLOST Fund, December 31, 2017, restated	$	231,922

Fund Balance, Downtown Development Authority Fund, December 31, 2017, as previously reported	$	-
Downtown Development Authority was not included as blended component unit in prior year		31
Beginning Fund Balance, SPLOST Fund, December 31, 2017, restated	$	31

Note 12. Change in Accounting Principle and Prior Period Adjustments (Continued)

Net Position, Water and Sanitation Fund, December 31, 2017 as previously reported	$ 471,222
Adjustment for proper recognition of accounts payable	40,456
Adjustment for proper recognition of accrued salaries	(2,694)
Adjustment for proper recognition of compensated absences	(7,801)
Adjustment for proper recognition of capital assets	(104,796)
Adjustment for proper recognition of net pension liability & deferred outflows related to pension	(9,457)
Beginning Net Position, Water and Sanitation Fund, December 31, 2017, restated	$ 386,930

Net position, Governmental Activities, December 31, 2017, as previously reported	$ 3,492,179
Adjustment for proper recognition of LOST receivable	4,163
Adjustment for proper recognition of fines receivable	(17,071)
Adjustment for proper recognition of accounts payable	31,098
Adjustment for proper recognition of accrued salaries	(12,366)
Adjustment for proper recognition of property tax receivable	41,417
Adjustment for proper recognition of contractor reimbursement	47,000
Adjustment for proper recognition of due from other governments	121,334
Downtown Development Authority was not included as blended component unit in prior year	31
Adjustment for proper recognition of capital assets	(341,789)
Adjustment for proper recognition of capital leases	(85,807)
Adjustment for proper recognition of compensated absences	(26,172)
Adjustment for proper recognition of net pension liability	12,930
Adjustment for proper recognition of deferred outflows related to pension	13,890
Beginning net position, Governmental Activities, December 31, 2017, restated	$ 3,280,837

Net Position, Business-Type Activities, December 31, 2017, as previously reported	$ 471,222
Adjustment for proper recognition of accounts payable	40,456
Adjustment for proper recognition of accrued salaries	(2,694)
Adjustment for proper recognition of compensated absences	(7,801)
Adjustment for proper recognition of capital assets	(104,796)
Adjustment for proper recognition of net pension liability & deferred outflows related to pension	(9,457)
Beginning Net Position, Business-Type Activities, December 31, 2017, restated	$ 386,930

Note 13. Subsequent Event

Subsequent events were evaluated through February 7, 2020, which is the date the financial statements were available to be issued.

In September 2019, the City finalized the GEFA Note Payable for a principal amount of $1,800,000 with an annual interest rate of 1.25%, monthly payments of $8,480 due the first of each month beginning October 1, 2019. The note payable matures on September 1, 2039.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MOUNT ZION, GEORGIA

Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget (GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended December 31, 2018

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	$ 632,050	$ 632,050	$ 685,205	$ 53,155
Licenses and permits	-	-	905	905
Intergovernmental	-	-	77,433	77,433
Charges for services	129,700	129,700	43,325	(86,375)
Fines and forfeitures	30,600	30,600	19,675	(10,925)
Contributions and donations	11,450	11,450	8,479	(2,971)
Investment income	-	-	36	36
Miscellaneous	-	-	13,566	13,566
Total revenues	803,800	803,800	848,624	44,824
EXPENDITURES				
Current:				
General government				
City Council	10,350	10,350	12,100	(1,750)
General administration	236,125	236,125	202,896	33,229
Total general government	246,475	246,475	214,996	31,479
Judicial				
Municipal court	-	-	5,428	(5,428)
Public safety				
Police	278,950	278,950	281,167	(2,217)
Total public safety	278,950	278,950	281,167	(2,217)
Public works				
Highways and streets	-	-	45,860	(45,860)
Health and welfare				
Senior citizens	12,000	12,000	13,860	(1,860)
Culture and recreation				
Parks	165,375	165,375	191,658	(26,283)
Community center	47,625	47,625	48,089	(464)
Community events	1,350	1,350	16,900	(15,550)
Libraries	21,700	21,700	52,936	(31,236)
Total culture and recreation	236,050	236,050	309,583	(73,533)
Housing and development				
Economic development	600	600	5,480	(4,880)
Total housing and development	600	600	5,480	(4,880)

(Continued)

CITY OF MOUNT ZION, GEORGIA

Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget (GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended December 31, 2018

	Budget			Variance With
	Original	Final	Actual	Final Budget
Total expenditures	774,075	774,075	876,374	(102,299)
Excess (deficiency) of revenues over (under) expenditures	29,725	29,725	(27,750)	(57,475)
OTHER FINANCING SOURCES				
Transfers out	-	-	28,863	28,863
Transfers in	-	-	39,757	39,757
Total other financing sources	-	-	68,620	68,620
Net change in fund balances	29,725	29,725	40,870	11,145
FUND BALANCE				
Beginning of year	227,787	227,787	227,787	-
End of year	$ 257,512	$ 257,512	$ 268,657	$ 11,145

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

CITY OF MOUNT ZION, GEORGIA

Required Supplementary Information
Defined Benefit Pension Plan

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

	2018	2017	2016	2015	2014 - 2009
Total Pension Liability					(Historical Information prior to implementation of GASB 67/68 is not required)
Service cost	$ 16,194	$ 16,587	$ 8,037	$ 7,353	
Interest	22,764	20,289	35,254	32,617	
Differences between expected and actual experience	12,886	(1,890)	(2,440)	13,540	
Assumption Changes	-	-	-	(7,104)	
refunds of employee contributions	(3,053)	(3,053)	(13,012)	(11,761)	
Other changes	5,439	-	-		
Net change in total pension liability	54,230	31,933	27,839	34,645	
Total Pension Liability Beginning of Year	295,250	263,317	461,391	426,746	
End of Year(a)	$ 349,480	$ 295,250	$ 489,230	$ 461,391	
Plan Fiduciary Net Position					
Contributions - employer	$ 23,901	$ 20,002	$ 18,469	$ 22,044	
Net investments income	35,973	22,293	1,239	39,821	
refunds of employee contributions	(3,053)	(3,053)	(13,012)	(11,761)	
Administrative expense	(3,807)	(1,742)	(5,690)	(5,281)	
Net change in fiduciary net pension Position	53,014	37,500	1,006	44,823	
Beginning of Year	230,599	193,099	454,652	409,829	
End of Year(b)	$ 283,613	$ 230,599	$ 455,658	$ 454,652	
City's Net Pension Liability(a) - (b)	$ 65,867	$ 64,651	$ 33,572	$ 6,739	
Plan's fiduciary net position as a percentage of the total pension liability	81.15%	78.10%	93.14%	98.54%	
Covered - employee payroll	$ 358,136	$ 305,869	$ 201,013	$ 146,517	
City's net pension liability as a percentage of covered employee payroll	18.39%	21.14%	16.70%	4.60%	

Schedule of Contributions

	2018	2017	2016	2015	2014 - 2009
Actuarially determined contribution	*	$ 23,901	$ 23,982	$ 19,765	(Historical Information prior to implementation of GASB 67/68 is not required)
Contributions in relation to the actuarially determined contribution	*	23,901 **	21,632	19,993	
Contribution deficiency (excess)	*	-	-	-	
Covered - employee payroll	*	$ 305,869 ***	$ 201,013	$ 146,517	
Contributions as a percentage of covered employee payroll	*	7.81%	10.76%	13.65%	

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

** Contributions are recorded based on date of receipt into the GMEBS trust. Minor timing issues in receipt of monthly payments are not indicative of non-compliance with GMEBS funding policy. A plan is in compliance with the GMEBS funding policy if it pays either the dollar amount or the percentage of employee-covered payroll of the actuarially determined contributions.

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

Notes to Schedule of Contributions

Valuation Date	The actuarially determined contribution rate was determined as of January 1, 2018, with an interest adjustment to the fiscal year. Contributions in relation to this actuarially contribution rate will be reported for the fiscal year ending December 31, 2018.
Methods and assumptions used to determine contribution rates:	
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Closed level dollar for remaining unfunded liability
Remaining Amortization Period	Remaining amortization period varies for the bases, with a net effective amortization period of 10 years
Asset Valuation Method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 20% of market value.
Actuarial Assumptions:	
Net Investment Rate of Return	7.50%
Projected Salary Increases	2.75% plus service based merit increases
Cost of Living Adjustments	0.00%
Normal Retirement Age	65 + 5
Early Retirement	55 + 10
Mortality Rates:	
Healthy:	RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females
Disabled:	RP-2000 Disabled Retiree Mortality Table with sex-distinct rates
Plan Determination Basis:	1994 Group Annuity Reserving Unisex Table RP-2000 Mortality Tables were determined to contain sufficient provision appropriate to reasonably reflect future mortality improvement, based on a four-year review of mortality experience for the period January 1, 2010 to June 30, 2014. Mortality experience will be reviewed periodically and updated if necessary.
Other information:	See the "Actuarial Valuation History for Notes to Schedules" on following page for the history of changes to plan provisions.

Actuarial Valuation History for Notes to Schedules

Changes of Assumptions

- As a result of the plan change to provide immediate participation for Employees for the Fiscal Year end in 2018, the eligibility assumption has been changed from one year to immediate. The increase in the Plan's NPL is minimal and has been included in the differences between expected and actuarial experience.
  - Amounts reported for the Fiscal Year ending in 2015 and later reflect the following assumption changes based on the results of an actuarial experience study covering the period January 1, 2010 to June 30, 2014.
  - The mortality table for disabled participants was changed to remove the two-year set-forward for males and the one-year set-forward for females.
  - The turnover rates were updated to introduce select rates for service less than five years and to reduce the ultimate rate by 15% and to assume no turnover on and after age 55. The select period rates were further constrained to not be less than the ultimate rates.
  - The retirement rates where normal retirement is only available on or after 65 were changed from prior assumption of 100% at age 65 to the new assumption of 60% at ages 65 to 69 and 100% at age 70. Where normal retirement is available prior to age 65, the rates were changed from prior assumption of 100% at earliest unreduced age, but not below age 60, to the new assumption of 10%at ages 55 to 59, 20% at age 60, 25% at age 61, 35% at age 63, 45% at age 65, and 100% at age 70.
  - The inflation assumption was decreased from 3.50% to 3.25%.
  - The salary increase assumption was changed from select period rates during the first five year of services, followed by age-related rates to an assumption based on new service-related rates. Under the prior assumption, the salary increases ranged from 4.00% to 11.00% and included an inflations assumption of 3.50%. Under the new assumption of 3.50%. Under the new assumption, the salary increases range from 3.75% to 8.00% and include an inflation assumption of 3.25%.

Benefit Changes

- Effective January 1, 2016, the Plan was amended to provide or immediate participation for Employees. This change has no impact on service credited under the Plan and has no impact on benefits.

SUPPLEMENTARY INFORMATION

SPECIAL PURPOSE LOCAL
OPTION SALES TAX PROCEEDS SCHEDULES

CITY OF MOUNT ZION, GEORGIA

Schedule of Expenditures of
Special Purpose Local Option Sales Tax Proceeds
For the Fiscal Year Ended December 31, 2018

2015 Issue - Carroll County, Georgia

Project Description	Original Estimated Cost	Expenditures		
		Prior Years (A)	Current Year	Total
Recreation-land, vehicle, equipment and improvements to facilities	$ 500,000	$ 110,902	$ 47,952	$ 158,854
Water-vehicle, equipment, improvements and line extensions	400,000	90,589	59,881	150,470
Community development-beautification and library support	100,000	9,772	48,743	58,515
Public safety-vehicles and equipment	200,000	76,906	30,547	107,453
Roads-paving, repairs and equipment	500,000	22,680	24,186	46,866
General city-equipment, building renovations and ordinance updates	135,000	153,032	36,460	189,492
	$ 1,835,000	$ 463,881	$ 247,769	$ 711,650

(A) - Prior years expenditures were restated to properly reflect expenditures inadvertently reported in prior year's schedule.

Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds

	SPLOST Fund
Total Expenditures	$ 221,127
Transfers out **(B)**	26,642
	$ 247,769

(B) - Transfer to Mount Zion Development Authority for community development.

COMPLIANCE SECTION

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WILL ROBINSON, CPA, LLC

Certified Public Accountants

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

To the Honorable Mayor and
Members of the City Council
City of Mount Zion, 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 aggregate remaining fund information of the City of Mount Zion, Georgia, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City of Mount Zion, Georgia's basic financial statements and have issued our report thereon dated February 7, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Mount Zion, 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 Mount Zion, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Mount Zion, Georgia's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 18-1, 18-2, 18-3, and 18-4 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Mount Zion, Georgia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 18-5, 18-6 and 18-7.

City of Mount Zion, Georgia's Response to Findings

City of Mount Zion, Georgia's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Mount Zion, 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.

Will Robinson, CPA, LLC

Carrollton, Georgia
February 7, 2020

Member American Institute of CPA's **Member Georgia Society of CPA's**

WILL ROBINSON, CPA, LLC

Certified Public Accountants

REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; REPORT OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

To the Honorable Mayor and
Members of the City Council
City of Mount Zion, Georgia

Report on Compliance for Each Major Federal Program

We have audited the City of Mount Zion, Georgia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Mount Zion, Georgia's major federal programs for the year ended December 31, 2018. City of Mount Zion, Georgia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Mount Zion, Georgia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States: and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Mount Zion, Georgia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Mount Zion, Georgia's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Mount Zion, Georgia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

Report on Internal Control over Compliance

Management of the City of Mount Zion, Georgia, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Mount Zion, Georgia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Mount Zion, Georgia's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of City of Mount Zion, Georgia as of and for the year ended December 31, 2018, and have issued our report thereon dated February 7, 2020, which contained a modified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Carrollton, Georgia
February 7, 2020

City of Mount Zion, Georgia
Schedule of Expenditures of Federal Awards
For Year Ended December 31, 2018

Federal Grantor/Pass-Through Program Title	Federal CFDA Number	Grant Identification Number	Program or Award Amount	Expenditures
U.S. Department of Environmental Protection Agency				
Passed through Georgia Environmental Finance Authority				
Capitalization Grants for Drinking Water State Revolving Funds	66.468	DW2017018	$ 2,200,000	766,173
Total U.S. Department of Environmental Protection Agency			**2,200,000**	**766,173**
Total Expenditures of Federal Awards			**$ 2,200,000**	**$ 766,173**

Notes To Schedule Of Expenditures Of Federal Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Mount Zion under programs of the federal government for the year ended December 31, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to

Note 3. De Minimus Indirect Cost Rate

The City has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

CITY OF MOUNT ZION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2018

A. SUMMARY OF AUDIT RESULTS:

Financial Statements:

The auditor's report expresses a qualified opinion on the financial statements of City of Mount Zion, Georgia.

There were four reportable conditions deemed to be material weaknesses and are included in the schedule of Findings and Responses as items 18-1 through 18-4.

There were no reportable conditions deemed to be significant deficiencies during the audit of financial statements for City of Mount Zion.

There were three reportable conditions deemed to be instances of noncompliance and are included in the Schedule of Findings and Responses as items 18-5 through 18-7.

Federal Awards:

During the audit of major federal award programs as of December 31, 2018, due to the total amount of federal awards expended being greater than $750,000, we found no reportable conditions deemed to be material weaknesses, significant deficiencies, or instances of noncompliance. There were no audit findings disclosed that are required to be reported in accordance with the Uniform Guidance. The auditee does not qualify as a low-risk auditee. The auditor's report expresses an unmodified opinion on compliance for major programs.

Identification of major programs:

CFDA Number	Name of Federal Programs
66.468	U.S. Environmental Protection Agency GEFA Capitalization Grant for Drinking Water

B. FINDINGS: FINANCIAL STATEMENT AUDIT

18-1 Segregation of Duties:

Condition: This was reported as a prior year finding. There is not appropriate segregation of duties between recording, distribution, and reconciliation of cash accounts and other operational functions within various City departments.

Criteria: Internal controls should be in place, which provide reasonable assurance that an individual cannot misappropriate funds without such actions being detected during the normal course of business.

Effect: Failure to periodically segregate duties between recording, distribution, and reconciliation of cash accounts can lead to the misappropriation of funds without such actions being detected during the normal course of business.

Recommendation: Duties of recording, distribution, and reconciliation of cash accounts should be segregated between employees.

18-1 Segregation of Duties Continued……

Auditee's Response: We concur with the finding. Duties are segregated to the extent possible given the limited staff and will continue to segregate as staffing allows. All future innovative technologies will be employed to assist the current limited staff.

Inadequate Accounting Procedures and Practices

18-2 Fixed Asset Accountability:

Condition: The City's fixed asset listing was not sufficient to ensure proper accounting practices and therefore its general ledger was not updated for fixed asset additions and depreciation expense.

Criteria: Procedures were not in place to properly account for fixed asset depreciation and current year additions and disposals.

Effect: Failure to properly account for fixed asset additions & disposals as well as depreciation expense of those assets could lead to misstatement of financial information and misappropriation of assets. Prior period adjustments were required.

Recommendation: A fixed asset schedule should be maintained for inventory and accounting purposes to prevent misstatement of financial information and misappropriation of assets.

Auditee's Response: We concur with the finding. The City's fixed asset listing in the past has been compiled according to the needs of our insurance carriers and previous city auditor/accountant. The City was not aware it was insufficient in its practices and will take the necessary corrective actions.

18-3 Receivables and Related Revenues:

Condition: The City did not detect and properly record prior period revenue receivables. These misstatements of beginning balances can affect amounts recorded in the current year financial statements.

Criteria: Processes should be in place to ensure that the amounts reported as receivables and revenues are appropriate and in the correct period.

Effect: Failure to recognize revenue and receivables in the appropriate period can result in financial statement misstatements. Prior period adjustments were required.

Recommendation: We recommend that the City carefully review all revenues and related receivables to ensure they are reported appropriately in the proper reporting period.

Auditee's Response: We concur with the finding. The City relied upon its previous accountant/auditor to reconcile end of the year carryovers of accounts receivable and payable and was not aware of the problem. This error will be corrected from this point forward.

18-4 Accruals and Related Expenditures:

Condition: It was noted the City did not detect and properly record prior period liabilities. These material misstatements of current year beginning balances affect amounts recorded in the current year financial statements.

Criteria: Generally, expenditures should be recognized as soon as a liability is incurred, regardless of the timing of the related cash flows.

Effect: Failure to recognize liabilities and expenditures in the appropriate period can result in financial statement misstatements. Prior period adjustments were required.

Recommendation: We recommend that the City carefully review all liabilities and related expenditures to ensure they are reported in the proper reporting period.

Auditee's Response: We concur with the finding. The City relied upon its previous accountant/auditor to generate the appropriate liability records and was not aware of this deficiency. The City has retained a new accountant and this deficiency will no longer exist.

Noncompliance

18-5 Budget Administration:

Condition: For the year ended December 31, 2018, the City adopted a budget for expenditures within various departments and charged those expenditures to line items in which no chart of accounts existed on the general ledger.

Criteria: The Official Code of Georgia (OCGA) Section 36-81-2 through 36-81-6 requires that an annual budget be adopted for the general fund; each special revenue fund and each debt service fund, and requires a project length budget for each capital projects fund.

Effect: Failure to comply with proper budgeting procedures impedes management's ability to oversee the fiscal use and control of funds.

Recommendation: The City should adopt an annual budget for all funds in accordance with state law using data derived from existing fund balances and anticipated revenues and expenditures throughout the fiscal year. The City should adopt a budget based on the chart of accounts in their accounting system to properly identify excesses and deficiencies in budgeted items.

Auditee's Response: We concur with the finding. The City currently maintains a ledger of accounts through a Quick Books Desk Top Pro 2018 software program that was recommended and installed by our previous accountant/auditor many years ago. The City was not aware that this software program would not accommodate the State's current Uniform Chart of Accounts. The City is working with a new accountant and will purchase a new software program as soon as possible.

18-6 SPLOST Expenditures:

Condition: During the year ended December 31, 2018, SPLOST proceeds were used for items not considered capital outlay projects as defined in Official Code of Georgia 48-8-110.

Criteria: Expenditures funded with SPLOST proceeds are governed by a resolution passed by a vote of the citizens of Mount Zion and the Official Code of Georgia. Under state law SPLOST proceeds may only be used to fund capital outlay projects.

Effect: Failure to appropriately expend SPLOST proceeds is in violation of the Official Code of Georgia Title 48 and can result in revocation of the tax.

Recommendation: SPLOST proceeds should only be used to finance capital outlay projects as defined by OCGA 48-8-110. The City should reimburse SPLOST for all non-capital outlay expenditures

Auditee's Response: We concur with the finding. The City relied upon the guidance and approval of our previous accountant/auditor for the expenditure of SPLOST funds. The use of funds outside of OCGA guidelines was a result of a misunderstanding of what qualified as a capital outlay expense. Incorrect expenditures have been reimbursed to the City's SPLOST account.

18-7 Uniform Chart of Accounts:

Condition: During the year ended December 31, 2018, the City did not adopt the Local Government Uniform Chart of Accounts as required by Official Code of Georgia 36-81-3.

Criteria: All local governments in the state of Georgia are required to adopt and use the Uniform Chart of Accounts for all reports submitted to the state.

Effect: Failure to adopt and use the Uniform Chart of Accounts is in violation of the Official Code of Georgia Title 36-81-3.

Recommendation: The City should adopt the Uniform Chart of Accounts.

Auditee's Response: We concur with the finding. The City depended entirely upon the guidance and work practices of its previous account/auditor to correctly prepare and report the City's financial statements. Non-use of the Uniform Chart of Accounts had not been brought to light until this audit. The City's new accountant will begin the necessary transition.

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

The audit of our basis financial statements and schedule of expenditures of federal awards disclosed no audit findings or questioned costs which are required to be reported under Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.