CITY OF NAHUNTA, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

CITY OF NAHUNTA, GEORGIA
ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS
FOR THE YEAR ENDED JUNE 30, 2017

PAGE NO.

FINANCIAL SECTION

Auditor's Disclaimer of Opinion 3

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements:

Statement of Net Position 5

Statement of Activities 6

Fund Financial Statements:

Balance Sheet – Governmental Funds 7

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position 8

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds 9

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities 10

Statement of Net Position – Proprietary Fund 11

Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund 12

Statement of Cash Flows – Proprietary Fund 13

Notes to Financial Statements 15

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund 31

Schedule of Changes in the Net Pension Liability and Related Ratios 32

Schedule of Pension Contributions 33

CITY OF NAHUNTA, GEORGIA
ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS
FOR THE YEAR ENDED JUNE 30, 2017

PAGE NO.

SPECIAL REPORTS SECTION

Report on Compliance and on Internal Controls over Financial Reporting Based on an Audit Financial Statements Performed in Accordance with *Government Auditing Standards* 35

Schedule of Findings and Questioned Costs 37

Schedule of Special Purpose Local Option Sales Taxes 39

FINANCIAL SECTION

HURST & HURST CPAs
Certified Public Accountants • Small Business Advisors

221 SELLERS STREET, DOUGLAS, GEORGIA 31533
PHONE: (912) 384-3322
ROBB.HURST@HURSTANDHURST.COM
WWW.HURSTANDHURST.COM

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Nahunta, Georgia

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, and each major fund for the City of Nahunta, Georgia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Nahunta, 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 State 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 error or fraud.

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on conducting an audit in accordance with auditing standards generally accepted in the United States of America. Because of the matters described in the basis for disclaimer of opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion
During the performance of our audit procedures, the City of Nahunta, Georgia was unable to provide documentation supporting balances reported in the general ledger for multiple audit areas, thereby limiting our ability to perform necessary audit procedures. This inability to obtain sufficient appropriate audit evidence was pervasive to all financial statements herein.

Disclaimer of Opinion
Because of the significance of the matters described in the basis for disclaimer of opinion paragraph, the we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion, and, accordingly, we do not express an opinion on these financial statements,

Other Reporting Required by Government Auditing Standards
In accordance with *Government Auditing Standards,* we have also issued our report dated February 24, 2020, on our consideration of the City of Nahunta, Georgia's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Nahunta, Georgia's internal control over financial reporting and compliance.

Hurst & Hurst

Hurst and Hurst CPAs, LLC

Douglas, Georgia
February 24, 2020

BASIC FINANCIAL STATEMENTS

CITY OF NAHUNTA, GEORGIA
STATEMENT OF NET POSITION
JUNE 30, 2017

	PRIMARY GOVERNMENT		
	Government Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	$ 366,800	$ 434,604	$ 801,404
Receivables, Net	67,313	36,837	104,150
Internal Balances	176,267	(176,267)	-
Prepaid Expenses	13,682	4,125	17,807
Receivables from Other Governments	14,478	-	14,478
Land & Improvements	17,500	88,450	105,950
Construction in Progress	-	-	-
Other Capital Assets, net	1,007,231	2,030,215	3,037,446
Total Assets	1,663,271	2,417,964	4,081,235
Deferred Outflows of Resources	28,463	2,928	31,391
Total Assets and Deferred Outflows of Resources	$ 1,691,734	$ 2,420,892	$ 4,112,626
LIABILITIES			
Accounts Payable and Accrued Expenses	6,155	4,223	10,378
Customer Deposits Payable	-	28,310	28,310
Compensated Absences Payable-Due within one year	2,654	-	2,654
Compensated Absences Payable-Due in more than one year	3,649	-	3,649
Long-Term Balances -Due within one year	4,626	54,708	59,334
Long-Term Balances -Due in more than one year	20,074	387,099	407,173
Net Pension Liability	45,252	4,656	49,908
Total Liabilities	82,410	478,996	561,406
Deferred Inflows of Resources	32,748	3,369	36,117
Total Liabilities and Deferred Inflows of Resources	115,158	482,365	597,523
NET POSITION			
Net Investment in Capital Assets	1,000,031	1,676,858	2,676,889
Restricted for:			
Capital Projects	173,635	-	173,635
Debt Service	-	73,321	73,321
Unrestricted (deficit)	402,910	188,348	591,258
Total Net Position	1,576,576	1,938,528	3,515,103
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 1,691,734	$ 2,420,892	$ 4,112,626

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

CITY OF NAHUNTA, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	PROGRAM REVENUES: Charges for Services	PROGRAM REVENUES: Operating Grants and Contributions	PROGRAM REVENUES: Capital Grants and Contributions	NET (EXPENSE) REVENUE CHANGES IN NET POSITION: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total
Primary Government:							
Governmental Activities:							
General Government	$ 350,575	$ 23,455	$ -	$ -	$ (327,120)	$ -	$ (327,120)
Judicial	18,843	-	-	-	(18,843)	-	(18,843)
Public Safety	124,898	40,725	-	137,345	53,172	-	53,172
Public Works	273,723	-	-	-	(273,723)	-	(273,723)
Total Governmental Activities	768,039	64,180	-	137,345	(566,514)	-	(566,514)
Business-Type Activities:							
Public Utilities-Water & Sewer	332,054	465,635	-	-	-	133,581	133,581
Solid Waste	55,042	58,093	-	-	-	3,051	3,051
Total Business-Type Activities	387,096	523,728	-	-	-	136,632	136,632
Total Primary Government	$ 1,155,135	$ 587,908	$ -	$ 137,345	(566,514)	136,632	(429,882)
General Revenues:							
Taxes:							
Property Taxes					237,198	-	237,198
Franchise Taxes					62,701	-	62,701
Sales Taxes					165,187	-	165,187
Other Taxes					149,120	-	149,120
Unrestricted Investment Earnings					-	106	106
Total General Revenues					614,206	106	614,312
Change in Net Position					47,692	136,738	184,430
Net Position - Beginning					1,528,885	1,801,790	3,330,675
Net Position - Ending					$ 1,576,576	$ 1,938,528	$ 3,515,103

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

CITY OF NAHUNTA, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	Major Governmental Funds		Total Governmental Funds
	General Fund	SPLOST	
ASSETS			
Cash and Cash Equivalents	$ 183,415	$ 183,385	$ 366,800
Receivables, Net	67,313	-	67,313
Due from Other Funds	186,017	-	186,017
Receivables from Other Governments	14,478	-	14,478
Prepaid Items	13,682	-	13,682
Total Assets	$ 464,905	$ 183,385	$ 648,290
LIABILITIES			
Accounts Payable and Accrued Expenses	$ 6,155	$ -	$ 6,155
Due to Other Funds	-	9,750	9,750
Total Liabilities	6,155	9,750	15,905
Deferred Inflows of Resources:			
Unavailable Revenue-Property Taxes	63,098	-	63,098
Total Liabilities and Deferred Inflows of Resources	69,253	9,750	79,003
Fund Balance:			
Nonspendable	13,682	-	13,682
Restricted:			
Capital Projects	-	173,635	173,635
Committed	-	-	-
Assigned	-	-	-
Unassigned	381,970	-	381,970
Total Fund Balances	395,652	173,635	569,287
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 464,905	$ 183,385	$ 648,290

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

CITY OF NAHUNTA, GEORGIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

Total fund balances for governmental funds		$ 569,287
The net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		
Cost of Capital Assets	1,953,372	
Less accumulated depreciation	(928,641)	
		1,024,731
Some long-term assets are not available to pay for current period expenditures and therefore, are deferred in the funds		
Property Taxes	63,098	
Differences between Expected and Actual Experience in Pension Plan	22,642	
Pension Contributions Subsequent to Measurement Date	5,820	
		91,560
Some long-term liabilities are not payable in the current period and therefore, are deferred in the funds		
Differences between Expected and Actual Experience in Pension Plan	(30,646)	
Changes in Assumptions in Pension Plan	(1,373)	
Net Differences between Projected and Actual Earnings on Pension Plan Investments	(728)	
		(32,747)
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds		
Capital Leases Payable	(24,700)	
Compensated Absences	(6,303)	
Net Pension Liability	(45,252)	
		(76,255)
Total net position of governmental activities		$ 1,576,576

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

CITY OF NAHUNTA, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Major Governmental Funds		Total Governmental Funds
	General Fund	SPLOST Fund	
REVENUES:			
Taxes	$ 597,273	$ -	$ 597,273
License & Permits	21,833	-	21,833
Intergovernmental Revenues	76,099	61,246	137,345
Charges for Services	1,622	-	1,622
Fines & Forfeitures	40,725	-	40,725
Other Revenues	-	-	-
Total Revenues	737,552	61,246	798,798
EXPENDITURES:			
Current:			
General Government	327,680	-	327,680
Judicial	18,843	-	18,843
Public Safety	111,080	-	111,080
Public Works	205,323	-	205,323
Capital Outlay	61,873	12,978	74,851
Debt Service:			
Principal	-	-	-
Interest	-	-	-
Total Expenditures	724,799	12,978	737,777
Excess (Deficiency) of Revenues Over (Under) Expenditures	12,753	48,268	61,021
OTHER FINANCING SOURCES (USES):			
Transfers In (Out)	-	-	-
Capital Lease Proceeds	24,700	-	24,700
Total Other Financing Sources(Uses)	24,700	-	24,700
Net Change in Fund Balances	37,453	48,268	85,721
Fund Balances - Beginning	358,199	125,367	483,566
Fund Balances - Ending	$ 395,652	$ 173,635	$ 569,287

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

CITY OF NAHUNTA, GEORGIA
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, & CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Net Change in fund balances - total governmental funds			$ 85,721
Amounts reported for governmental activities in the Statement of Activities are different because:			
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:			
	Depreciation Expense	(76,918)	
	Capital Outlay	57,123	
	Net Adjustment		(19,795)
The issuance of Long-Term debt provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of Long-Term debt and related items.			
	New Debt Incurred	(24,700)	
	Repayments	-	
			(24,700)
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			
	Pension Liability Adjustments		(10,467)
Some property tax will not be collected for several months after the city's fiscal year end, therefore, they are not considered "available" revenues in the governmental funds			16,933
Change in net position of governmental activities			$ 47,692

CITY OF NAHUNTA, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017

	Business-Type Activities-Enterprise Funds		
	Water & Sewer Fund	Sanitation Fund	Totals
ASSETS			
Current Assets:			
Cash & Cash Equivalents	$ 349,269	$ 12,014	$ 361,283
Receivables, net	31,311	5,526	36,837
Prepaids	4,125	-	4,125
Due From Other Funds	-	65,579	65,579
Total Current Assets	384,705	83,119	467,824
Noncurrent Assets:			
Restricted Assets: Cash and Cash Equivalents	73,321	-	73,321
Capital Assets, Net of Accumulated Depreciation:	2,118,665	-	2,118,665
Total Assets	2,576,691	83,119	2,659,810
Deferred Outflows of Resources	2,779	149	2,928
Total Assets and Deferred Outflows of Resources	$ 2,579,470	$ 83,268	$ 2,662,738
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Expenses	$ 294	$ 3,929	$ 4,223
Customer Deposits	28,310	-	28,310
Due to Other Funds	191,249	50,596	241,845
Current Portion of Long Term Debt	54,708	-	54,708
Total Current Liabilities	274,561	54,525	329,086
Noncurrent Liabilities:			
Revenue Bonds Payable, net of current portion	387,099	-	387,099
Net Pension Liability	4,418	238	4,656
Total Noncurrent Liabilities	391,517	238	391,755
Total Liabilities	666,078	54,763	720,841
Deferred Inflows of Resources	3,197	172	3,369
Total Liabilities and Deferred Inflows of Resources	669,275	54,935	724,210
NET POSITION			
Net Investment in Capital Assets	1,676,858	-	1,676,858
Restricted for:			
Debt Service	73,321	-	73,321
Unrestricted (deficit)	160,016	28,333	188,349
Total Net Position	1,910,195	28,333	1,938,528
Total Liabilities, Deferred Inflows of Resources & Net Position	$ 2,579,470	$ 83,268	$ 2,662,738

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

CITY OF NAHUNTA, GEORGIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Business-Type Activities-Enterprise Funds		
	Water & Sewer Fund	Sanitation Fund	Totals
Operating Revenues:			
Charges for Services	$ 447,954	$ 58,093	$ 506,047
Miscellaneous	17,681	-	17,681
Total Operating Revenues	465,635	58,093	523,728
Operating Expenses			
Personal Services	24,851	1,114	25,965
Contractual Services	93,377	53,833	147,210
Supplies, Repairs, Maintenance	81,491	95	81,586
Depreciation	115,060	-	115,060
Total Operating Expenses	314,779	55,042	369,821
Income (loss) from Operations	150,856	3,051	153,907
Nonoperating Revenues (Expenses):			
Investment Income	106	-	106
Interest Expense	(17,275)	-	(17,275)
Total Nonoperating Revenues (Expenses)	(17,169)	-	(17,169)
Income (loss) before Contributions and Transfers	133,687	3,051	136,738
Capital Contributions	-	-	-
Transfers (Out)	-	-	-
Change in Net Position	133,687	3,051	136,738
Net Position at Beginning of Year	1,776,508	25,282	1,801,790
Net Position at End of Year	$ 1,910,195	$ 28,333	$ 1,938,528

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

CITY OF NAHUNTA, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Business-Type Activities-Enterprise Funds		
	Water & Sewer Fund	Sanitation Fund	Totals
Cash Flows from Operating Activities:			
Cash Received from Customers	$ 450,752	$ 56,470	$ 507,222
Cash Payments to Employees for Services and Benefits	(39,460)	(1,679)	(41,139)
Cash Payments to Suppliers for Goods and Services	(160,948)	(51,060)	(212,008)
Net Cash Provided (Used) by Operating Activities	250,344	3,731	254,075
Cash Flows from Capital and Related Financing Activities:			
Acquisition and Construction of Capital Assets	(69,624)	-	(69,624)
Interest Payments on Capital Debt	(17,275)	-	(17,275)
Principal Paid on Capital Debt	(52,739)	-	(52,739)
Net Cash Provided (Used) by Capital and Related Financing Activities	(139,638)	-	(139,638)
Cash Flows from Investing Activites:			
Interest on Cash and Investments	106	-	-
Net Increase (Decrease) in Cash and Cash Investments	110,812	3,731	114,437
Cash and Cash Investments, July 1	311,778	8,283	320,061
Cash and Cash Investments, June 30	$ 422,590	$ 12,014	$ 434,604
Reconciliation of Total Cash and Cash Investments:			
Current Assets-Cash and Cash Investments	$ 349,269	$ 12,014	$ 361,283
Restricted Assets-Cash and Cash Investments	73,321	-	73,321
Total Cash and Cash Investments	$ 422,590	$ 12,014	$ 434,604
Reconciliation of Income (loss) from Operations to Net Cash Provided (Used) by Operating Activities:			
Income (loss) from Operations	$ 150,856	$ 3,051	$ 153,907
Adjustments to Reconcile Income (loss) from Operations to Net Cash Provided (Used) by Operating Activities:			
Depreciation	115,060	-	115,060
Change in Assets and Liabilities:			
(Increase) Decrease in Receivables	(9,203)	(1,623)	(10,826)
(Increase) Decrease in Interfund Receivables	-	(9,750)	(9,750)
(Increase) Decrease in Prepaid Insurance	-	-	-
(Increase) Decrease in Deferred Outflows	10,073	396	10,469
Increase (Decrease) in Interfund Payables	21,486	12,344	33,830
Increase (Decrease) in Accounts Payable	(7,566)	274	(7,292)
Increase (Decrease) in Customer Deposits Payable	(5,680)	-	(5,680)
Increase (Decrease) in Deferred Inflows	(14,161)	(565)	(14,726)
Increase (Decrease) in Net Pension Liability	(10,521)	(396)	(10,917)
Net Cash Provided (Used) by Operating Activities	$ 250,344	$ 3,731	$ 254,075

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

TABLE OF CONTENTS

PAGE NO.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES 15

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY 20

NOTE 3: DETAILED NOTES ON ALL FUNDS 20

NOTE 4: CAPITAL ASSETS 21

NOTE 5: INTERFUND BALANCES AND ACTIVITY 23

NOTE 6: LONG-TERM OBLIGATIONS 23

NOTE 7: CONTINGENCIES AND COMMITMENTS 24

NOTE 8: RISK MANAGEMENT 25

NOTE 9: JOINT VENTURE 25

NOTE 10: PROPERTY TAX 26

NOTE 11: PENSION PLAN 26

NOTE 12: SUBSEQUENT EVENTS 29

The accounting methods and procedures adopted by the City of Nahunta, Georgia, conform to generally accepted accounting principles as applied to governmental entities. The following notes to the financial statements are an integral part of the City's Annual Financial Report.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City operates under a council/mayor form of government and provides the following services: public safety, highways and streets, public improvements, and general and administrative services. In addition, the City operates two enterprise funds (water and sewer and sanitation) for the incorporated and immediate surrounding areas.

The financial statements of the City of Nahunta, Georgia have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Generally accepted accounting principles require these financial statements to present the City of Nahunta (the primary government) and its component units. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based on this definition, there are no component units.

B. Basis of Presentation, Measurement Focus, Basis of Accounting

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government (the City). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the *governmental* and *business-type* activities of the City. Governmental activities generally are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and proprietary funds, each displayed in a separate column. All remaining governmental and proprietary funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues and expenses, such as charges for services and cost of services and administration, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating items not meeting these definitions are reported as nonoperating revenues or expenses, and/or result from nonexchange transactions or ancillary activities.

General Fund – General Fund is the main operating fund of the City. The fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Special Revenue Fund – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for a specific purpose. The City currently has no special revenue funds.

Capital Project Fund – Capital Project Funds are used to account for the expenditures related to a specific project. The City maintains one capital project fund: SPLOST fund.

Water & Sewer Fund – The Water and Sewer Fund is used to account for the provision of water and sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water and sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

Sanitation Fund – The Sanitation Fund is used to account for operations of solid waste collection and disposal services. All costs are funded through charges to sanitation customers.

Measurement Focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other Governmental Fund Revenues. Expenditures are recorded when the related fund liabilities incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. Sales taxes collected and held by the state at year-end on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received.

C. Budgets

The City follows these procedures in establishing the budgetary data for the funds reflected in the financial statements:

1. Prior to June 1, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and means of financing them.
2. Public hearings are conducted to obtain taxpayer comments. The City Council approves, by ordinance, total department budget appropriations. Therefore, the level of budgetary responsibility is by department appropriations; however, for reporting purposes, this level has been expended to a functional basis (General Government, Public Safety, etc.)
3. Unused appropriations for all of the above annually budgeted funds lapse at the end of the fiscal year.
4. The Budget amounts shown in the financial statements are the final authorized amount as revised during the year.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund. The budget for the general fund is prepared on the cash and expenditures/encumbrances basis. Revenues are budgeted in the year receipt is expected; and expenditures, which include encumbrances, are budgeted in the year that the applicable purchase orders are expected to be issued. The budget for the Enterprise Fund is adopted under a basis consistent with GAAP, except that depreciation, certain capital expenses, and certain non-operating income and expense items are not considered. Annual appropriated budgets are adopted for the special revenue funds and the debt service fund, if any.

Budgeted amounts are as originally adopted or as amended by the City Council. Individual amendments were not material in relation to the original appropriations, which were adopted.

For the year ended June 30, 2017, an annual budget was adopted for all funds. OCGA 36-81-3(b) requires an annual balanced budget for the general fund, each special revenue fund requires a project-length balanced budget for each capital project fund.

The legal level of budgetary control for the City of Nahunta is at the department level.

The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund presents a comparison of budgetary data to actual results.

D. Cash, Investments and Cash Equivalents

Cash consists of demand deposits held in banks. Any bank deposits in excess of FDIC insured amounts must be secured by an equivalent amount of State of Georgia or U.S. obligations or direct loans to the City. For purposes of the statement of cash flows, cash and cash equivalents include all highly liquid investments with original maturities of three months or less.

Investments are stated at fair value based on quoted market prices.

Georgia law authorizes the City to invest in the following type of obligations:

- Obligations of the State of Georgia or of any other states
- Obligations of the United States Government
- Obligations fully insured or guaranteed by the United States Government or governmental agency
- Prime banker's acceptances
- The State of Georgia local government investment pool (i.e., Georgia Fund I)
- Repurchase agreements
- Obligations of the other political subdivisions of the State of Georgia

State Statutes require all deposits to be collateralized by depository insurance, obligations of the United States or certain obligations guaranteed by the U.S. Government, obligations of the State of Georgia or bonds of public or development authorities, counties, or municipalities of the State of Georgia. The acceptable collateral pledged in the City's name is composed of bonds of U.S. Government agencies and bonds of the State of Georgia and its public authorities, counties, and municipalities.

Any investment or deposit in excess of the Federal Deposit Insurance Corporation (FDIC) insured amount must be secured by 110% of an equivalent amount of State or U.S. Obligations.

E. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and Special Revenue Funds. Encumbrances outstanding at fiscal year-end lapse and must be re-budgeted.

F. Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are reclassified and presented as internal balances.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2017, are recorded as prepaid items at both reporting levels using the consumption method by recording as asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level and equal amount of fund balance is reserved as this amount is not available for general appropriation.

H. Restricted Assets

Restricted assets represent resources segregated as required by bond ordinances, lease agreements and policies of the City.

I. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statement for proprietary funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of one hundred dollars. The City's infrastructure consists of roads, curbs, and gutters, sidewalks, bridges, drainage, traffic signals, and water and sewer lines. Improvements to capital assets are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. Interest incurred during the construction of capital assets utilized by the proprietary funds is capitalized.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

Buildings	25 - 50 Years
Water and Sewer System	30 - 50 Years
Infrastructure	20 - 35 Years
Machinery and Equipment	5 - 10 Years
Improvements	20 Years

J. Accumulated Compensated Absences

It is the City's policy to permit employees to accumulate a limited amount of earned but unused vacation that will be paid to employees upon separation for City's service. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

Accumulated sick pay benefits have not been recorded as a liability because the payment of benefits is contingent upon the future illness of an employee. It is not expected that any unrecorded sick pay benefits will exceed a normal year's accumulation.

In accordance with the provisions of Statement of Governmental Accounting Standards No 16, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

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- Fund balances may be classified as follows:

- Non-spendable – Fund balances are reported as non-spendable 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 enabling legislation adopted by the City Council or through external restriction 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 a motion. The fund balance must result from a specific revenue stream committed for a specific purpose. Only the City Council may modify or rescind the commitment.

- Assigned – Fund balances are reported as assigned when amounts are constrained by the City Council's intent to be used for specific purposes, but are neither restricted nor committed. By motion, only the City Council can authorize an assignment of fund balances. Also, any of the fund balance reported at year end that is included in the subsequent year's budget is reported as assigned.

- 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 a positive unassigned fund balance only in the general fund.

Fund Balance Flow Assumptions – It is the City's policy to consider restricted fund balance to have been used before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, it is the City's policy to use fund balance in the following order:

- Committed
- Assigned
- Unassigned

Net Position – Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, plus any outstanding balances of borrowing not yet expended, but restricted for the acquisition, construction or improvement of those assets. Net position is 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. All remaining net position is reported as unrestricted.

Net Position Flow Assumption - In order to report net position as a restricted net position and an unrestricted net position in the government wide and proprietary fund financial statements, the City has established a flow assumption policy. It is the City's policy to use restricted net position first before using unrestricted net position.

L. Bond Discounts/Issuance Costs

Debt issuance costs include all costs incurred to issue the bonds, including but not limited to insurance costs, financing costs, and related costs. Debt issue costs, except any portion related to prepaid insurance costs, are recognized as an expense in the period incurred. Prepaid insurance costs are reported as an asset and recognized as an expense in a systematic and rational manner over the duration of the related debt. Bond discounts are presented as a reduction of the face amount of bonds payable.

M. Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed by creditors, grantors or laws or regulations of other governments.

N. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then.

In addition to liabilities, the statement of financial position and or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents a acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

O. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers.

Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses section in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Transfers between governmental and business-type activities on the government-wide statement of activities are reported below general revenues as the last item before the change in net positions. Transfers between funds reported in the governmental activities column are eliminated.

P. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Excess of Expenditures over Appropriations

The City had no department(s) with expenditures in excess of appropriations for the fiscal year ended June 30, 2017.

NOTE 3: DETAILED NOTES ON ALL FUNDS

A. Investments

The City maintains separate investment accounts for each fund. The City's investments consist only of Certificates of Deposits which are carried at cost.

Investments	Maturities	Fair Value	
Certificates of Deposit	6.9 months average	$	30,456

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

Credit Risk. State statutes require that all deposits in financial institutions be fully collateralized by U.S Government obligations or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. The City's deposits, including certificates of deposit, were fully insured or collateralized as required by. The City allowed to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) negotiable certificate of deposits issued by any bank or trust company organized under the laws or any state of the United States and (3) any repurchase agreement organized under the laws of any state of the United States having a nationally recognized investment firm rating of A or higher. The City has no investment policy that would further limit its investment choices.

Concentration of Credit Risk. The City places no limit on the amount the City may invest in any one issuer. The City invested only in certificates of deposits.

B. Receivables

Amounts were recorded in the basic financial statements as receivables (amounts due to the City) as follows

Receivables at June 30, 2017 were as follows:

	Taxes	Accounts	Other Governments	Other	Total
Governmental Activities:					
General:	67,313	-	14,478	-	81,791
Total Governmental Activities:	$ 67,313	$ -	$ 14,478	$ -	$ 81,791
Business-Type Activites:					
Water & Sewer:	-	31,311	-	-	31,311
Sanitation:	-	5,526	-	-	5,526
Total Business-Type Activites:	$ -	$ 36,837	$ -	$ -	$ 36,837

NOTE 4: CAPITAL ASSETS

Capital asset activity for governmental funds for the year ended June 30, 2017 was as follows:

	Balance July 1	Increases	Decreases	Balance June 30
Governmental Activities:				
Capital Assets, Not being Depreciated:				
Land	$ 17,500	$ -	$ -	$ 17,500
Construction in Progress	-	-		-
Total Capital Assets, Not being Depreciated	17,500	-	-	17,500
Capital Assets, Being Depreciated:				
Buildings	347,694	-	-	347,694
Equipment	669,886	57,123	-	727,009
Infrastructure	861,169	-	-	861,169
Total Capital Assets, Being Depreciated	1,878,749	57,123	-	1,935,872
Less Accumulated Depreciation:				
Buildings	(198,050)	(10,445)	-	(208,495)
Equipment	(604,672)	(23,415)	-	(628,087)
Infrastructure	(49,001)	(43,058)	-	(92,059)
Total Accumulated Depreciation	(851,723)	(76,918)	-	(928,641)
Total Capital Assets, Being Depreciated, Net	1,027,026	134,041	-	1,007,231
Governmental Activities Capital Assets, Net	$ 1,044,526	$ 134,041	$ -	$ 1,024,731

Depreciation Expense was charged to Governmental Activities and Business-Type Activities as follows:

Depreciation Expense was charged to Governmental Activities as follows:

Governmental Activities:	
General and Administrative	$ 12,428
Public Safety	13,818
Public Works	50,672
Total Depreciation Expense	$ 76,918
Business-Type Activities:	
Water & Sewer	115,059
Total Depreciation Expense	$ 115,059

Capital asset activity for governmental funds for the year ended June 30, 2017 was as follows:

	Balance July 1	Increases	Decreases	Balance June 30
Business-Typel Activities:				
Capital Assets, Not being Depreciated:				
Land	$ 88,450	$ -	$ -	$ 88,450
Construction in Progress	55,761	-	(55,761)	-
Total Capital Assets, Not being Depreciated	144,211	-	(55,761)	88,450
Capital Assets, Being Depreciated:				
Buildings	45,953	-	-	45,953
Equipment	632,122	-	-	632,122
Infrastructure	3,658,619	-	-	3,658,619
Water Tower Improvements	293,110	125,384	-	418,494
Total Capital Assets, Being Depreciated	4,629,804	125,384	-	4,755,188
Less Accumulated Depreciation:				
Buildings	(21,891)	(1,313)	-	(23,204)
Equipment	(622,118)	(2,776)	-	(624,894)
Infrastructure	(1,934,688)	(75,390)	-	(2,010,078)
Water Tower Improvements	(31,217)	(35,580)	-	(66,797)
Total Accumulated Depreciation	(2,609,914)	(115,059)	-	(2,724,973)
Total Capital Assets, Being Depreciated, Net	2,019,890	240,443	-	2,030,215
Business-Type Activities Capital Assets, Net	$ 2,164,101	$ 240,443	$ (55,761)	$ 2,118,665

NOTE 5: INTERFUND BALANCES AND ACTIVITY

There were no transfers between funds during the year.

The following interfund balances existed at June 30, 2017:

Governmental Activities:	Receivable	(Payable)
Due from Water and Sewer Fund	$ 135,421	$ -
Due from Sanitation Fund	50,596	-
Due to Sanitation Fund	-	9,750
Business-Type Activites:		
Water and Sewer Fund:		
Due to General Fund	-	135,421
Due to Sanitation Fund	-	55,829
Sanitation Fund:		
Due to Water and Sewer Fund	55,829	-
Due to General Fund	-	50,596
Due from Splost Fund	9,750	-
Total	$ 251,596	$ 251,596

The interfund balances represent reimbursable expenses paid by the General Fund for other funds. The Water & Sewer and Sanitation Funds currently write checks only to reimburse the General Fund. The balances result from time lag between the dates that transactions recorded in the accounting system and payments between funds are made. The City plans to work to repay all interfund balances within one year.

NOTE 6: LONG-TERM OBLIGATIONS

A. Governmental Activities Debt

Capital Leases:

The City periodically enters into various lease agreements as lessee to finance various equipment. These leases qualify as capital leases for accounting purposes and therefore, are recorded at the present value of the future minimum lease payments as of the date of their inception.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2017 are as follows:

Year Ending 30-Jun	Lease Payments Due Each Year
2018	5,388
2019	5,388
2020	5,388
2021	5,388
2022	5,320
Totals Minimum Payments	$ 26,872
Less: Amounts Representing Interest	(2,172.00)
Present Value of Minimum Payments	$ 24,700

B. Business-Type Activity Debt

Bonds Payable:

Previously, the Water & Sewer Fund had debt outstanding consisting of the Series 1989A and 1989B Revenue Bonds. The 1989A Series was originally issued for $498,000 and the 1989B Series was originally issued for $327,000. Both bonds were issued for construction of a water and sewer system. On October 25, 2012, the City issued the City of Nahunta Water and Sewer Refunding Revenue Bond, Series 2012 in the amount of $671,000. The proceeds from this issuance were used to pay off the Series 1989A a Series 1989B Revenue Bonds. The Series 2012 Bonds bear an interest rate of 3.62% and are to be repaid in 144 monthly installments of $5,834.52. The final installment is due and payable on November 1, 2024.

Debt service requirements on the above bonds are as follows:

Year Ending 30-Jun	Principal Due Each Year	Interest Due	Total Payment
2018	54,708	15,306	70,014
2019	56,750	13,264	70,014
2020	58,868	11,146	70,014
2021	61,066	8,949	70,015
2022	63,345	6,669	70,014
2023	65,709	4,305	70,014
2024	68,162	1,852	70,014
2025	13,198	69	13,267
Totals	$ 441,806	$ 61,560	$ 503,366

C. Long-term Liability Activity

Long-term liability for the year ended June 30, 2017 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Capital Leases	$ -	$ 24,700	$ -	$ 24,700	$ 4,626
Compensated Absences	6,303	-	-	6,303	-
Total	$ 6,303	$ 24,700	$ -	$ 31,003	$ 4,626
Business-Type Activities:					
Revenue Bonds - SunTrust	494,546	-	52,740	441,806	54,708
Total	$ 494,546	$ -	$ 52,740	$ 441,806	$ 54,708

NOTE 7: CONTINGENCIES AND COMMITMENTS

A. Grants

The City receives grant funds, principally from the U.S. Government for various programs. Expenditures from these grants are subject to audit and the City is contingently liable to refund amounts received in excess of allowable expenditures.

B. Litigation

The City is, from time to time, defendant in various lawsuits. The City records liabilities resulting from claims and legal actions only when they become probable and measurable. No additional accrual or disclosure of these lawsuits is required for the current period.

NOTE 8: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined the Georgia Interlocal Risk Management Agency (GIRMA). This membership allows the City to share liability, crime, motor vehicle, and property damage risks.

Chapter 85 of title 36 of the Official Code of Georgia Annotated authorizes Georgia municipalities to form interlocal risk management agencies. The Georgia Interlocal Risk Management Agency (GIRMA) is a municipal interlocal risk management agency to function as an unincorporated nonprofit instrumentality of its member municipalities – GIRMA establishes and administers one or more group self-insurance funds and a risk management services to prevent or lessen the incidence and severity of casualty and property losses occurring in the operation of municipal government. GIRMA is to defend and protect in accordance with the member government contact and related coverage descriptions any member of GIRMA against liability or loss.

The City must participate at all times in at least one fund which is established by GIRMA. Other responsibilities of the City are as follows:

- To pay all contributions, assessments or other sums due to GIRMA at such times and in such amounts as shall be established by GIRMA.
- To select a person to serve as a Member representative.
- To allow GIRMA and its agent's reasonable access to all facilities of the City and all records, including but not limited to financial records, which relate to the purposes of GIRMA.
- To allows attorneys appointed by GIRMA 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 fund or funds established by GIRMA.
- To assist and cooperate in the defense and settlement of claims against the City.
- To furnish full cooperation to GIRMA's attorney's, claims adjustors, Service Company, and any agent, employee, officer or independent contractor of GIRMA relating to the purposes of GIRMA.
- To furnish GIRMA such budget, operating and underwriting information as may be requested.
- To report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in GIRMA or any fund established by GIRMA being required to pay claim for loss or injuries to municipal property or injuries to persons or property when such loss or injury is within the scope of the protection of a fund or funds in which the City participates.

The City of Nahunta retains the first $1,000 of each risk of loss in the form of a deductible. The City files all claims with GIRMA. GIRMA bills the City for any risk of loss up to $1,000 deductible.

The City of Nahunta is also a member of the Worker's Compensation Self Insurance Fund. The City is obligated to pay all contributions and assessments as prescribed by the pool, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the fund, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the fund being required to pay any claim of loss. The City is also to allow the pool's agents and attorneys to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection covered by the fund. The fund is to defend, in instituted against them on account of injuries or death within the preview of the Worker's Compensation Law of Georgia, or on the basis of employer's liability, including suits or other proceedings alleging such injuries and demanding or compensation therefore, although such suits, other proceedings, allegations or demands be wholly groundless, false or fraudulent. The fund is to pay all costs taxed against members in any legal proceeding defended by the members, all interest accruing after entry of the judgement, and all expenses incurred for the investigation, negotiation or defense.

NOTE 9: JOINT VENTURE

The City of Nahunta, Georgia, in conjunction with cities and counties in the eight (8) county Southeast Georgia area are members of the Southern Georgia Regional Commission (SGRC). Membership in an SGRC is automatic for municipalities and counties in the state. The official code of Georgia Section 50-8-34 (Georgia Planning Act of 1989) provides for the organizational structure of the SGRCs. Each county and municipality in the state is required by law to pay the minimum annual dues to the SGRC. The SGRC Board membership includes the chief elected official of each county and the chief elected official of each municipality. The county board members and the municipal board members from the same county elect one member of the Board who is a resident (but not an elected or appointed official or employee of the County or municipality) to serve as the nonpublic Board member from a County.

The Georgia Planning Act of 1989 (O.C.G.A 50-8-39.1) defines SGRC's as "public agencies and instrumentalities of their members". Georgia law also provides that the member governments are liable for any debts or obligations of an SGRC beyond its resources. (O.C.G.A. 50-8-39.1) The financial statements of the SGRC can be obtained from the SGRC board.

The Housing Authority of the City of Nahunta is considered a related organization based upon the criteria of the GASB Statement 10. The Housing Authority is a legally separate entity having a board composed of members appointed originally by the City of Nahunta. The City is not able to impose its will upon the Housing Authority and a financial benefit/burden relationship does not exist between them. Therefore, based upon the criteria above, the Housing Authority is a related organization.

At year-end, there were no receivables or payables between the City and this organization.

NOTE 10: PROPERTY TAX

Property taxes are assessed and attached as an enforceable lien on property as of January 1. The City levies property taxes each year. The due date for these taxes is January 20th. The City's property taxes are billed and collected by the Brantley County Tax Commissioner and remitted to the City monthly. City property tax revenues are recognized when levied to the extent that they result in current receivables. An allowance for uncollectible taxes is established for delinquent taxes to the extent that their collectability is improbable.

NOTE 11: PENSION AND EMPLOYEES BENEFIT PLAN

City employees are covered under the provisions of the Social Security act.

Peace Officers Annuity and Benefit Fund

The Police Chief and policemen are covered under separate pension plans which require that certain sums from fines or bonds forfeited be remitted to the pension plans before the payment of any costs or other claims.

Plan Description

The City of Nahunta, Georgia maintains a multiple-employer, defined benefit pension plan (Public Employees Retirement System) which covers all of its employees and elected officials, and participants in the statewide local government retirement system, a multiple-employer, public employee pension plan which covers substantially all of the City's employees. The City of Nahunta Retirement Plan is administered by the Georgia Municipal Employee Benefit System (GMEBS). GMEBS is an agent multiple employer defined benefit plan.

Benefit provisions and all other requirements are established by state statute and local ordinance. The City has the right to establish and amend the benefit provisions of the plan. These amendments become effective once approved by the Board of Trustees of GMEBS. The Georgia Municipal Employees Benefit System issues a stand-alone financial report and a copy of this report can be obtained from the Georgia Municipal Association, 201 Pryor Street, S.W., Atlanta, Georgia 30303.

Employees are not obligated to make contributions to the pension plan. The City's contribution obligation consists of three parts 1) normal cost, i.e. plan benefits and administration expenses, 2) amortization of un-funded actuarial accrued liability, and 3) interest assumed from valuation date to the date contributions are paid.

Effective January 1, 2015, the Plan was amended to provide for immediate participation for full-time employees. This change has no impact on service credited under the Plan and has no impact on benefits. The plan defines a full-time employee as one working at least 30 hours per week. Employees are fully vested after 10 years of service. Retirement benefits are 1.75% of final average earnings times years of credited service. Final average earnings are an average of the 5 highest consecutive years' earnings. Normal retirement is age 65 with 5 years of credited service.

Early retirement with reduced benefits is permitted between the ages 55 and 70 with 10 years of credited service.

Membership of the plan consisted of the following at January 1, 2017, the date of the latest actuarial valuation:

Retirees and Beneficiaries Currently Receiving Benefits	4
Terminated and Vested Participants Not Receiving Benefits	6
Active Vested Participants	5
Nonvested Participants	2
Total Participants	17

The contributions from the City of Nahunta, Georgia to the plan are determined under the projected unit credit actuarial cost method. The period and related method for amortizing the initial unfunded actuarial accrued liability is 30 years from 1996 and the current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods as a level dollar amount.

These amortization periods, if applicable are open for this plan year. The method used to determine the actuarial value of assets is to roll forward prior year's actuarial value with contributions, disbursements, and expected return on investments, plus 10% of the amount that market value of assets exceeds expected actuarial value of assets. The recommended contribution for the City of Nahunta, Georgia for the actuarial period ended January 1, 2017 was $14,170 which is 6.56% of covered payroll.

Plan Disclosures
Effective July 1, 2013, the Plan implemented the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25,* which significantly changed the disclosures required related to the Plan. The information presented below is presented in accordance with this new standard

Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to the Plan
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 long-term perspective. Calculations are based on the plan in effect as of January 1, 2017.

For the year ended June 30, 2017, the City recognized pension expense of $4,922. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or methods, and plan benefits.

The following schedule reconciles the differences between the beginning and ending net pension liability for the year ended June 30, 2017:

	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
Balances at September 30, 2015	$ 384,998	$ 339,410	$ 45,588
Changes for The Year:			
Service Cost	7,514	-	7,514
Interest	28,976	-	28,976
Difference between Expected and Actual Experience	12,003	-	-
Contributions - Employer	-	9,078	(9,078)
Contributions - Employee	-	-	-
Net Investment Income	-	37,146	(37,146)
Benefit Payments, Including Refunds of Employee Contributions	(22,222)	(22,222)	-
Administrative Expense	-	(2,050)	2,050
Other Changes	-	-	-
Net Changes	26,271	21,952	4,319
Balances at September 30, 2016	$ 411,269	$ 361,362	$ 49,907

At June 30, 2017, 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
Pension Contributions Subsequent to Measurement Date	$ 6,419	$ -
Difference between Actual and Expected Experience	24,972	(33,800)
Changes in Assumptions	-	(1,514)
Net Difference between Projected and Actual Earnings on Plan Investments	-	(803)
Total	$ 31,391	$ (36,117)

$6,419 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2018	$ -	$ (7,900)
2019	$ -	$ (7,900)
2020	$ 4,540	$ -
2021	$ 115	$ -
2022	$ -	$ -
Thereafter	$ -	$ -

Net Pension Liability

The three components of the net pension liability of the City at June 30, 2017 were as follows:

Total Pension Liability	$	411,269
Plan Fiduciary Net Position		361,362
City's Net Pension Liability	$	49,907
Plan Fiduciary Net Position as a Percentage of The Total Pension Liability		87.87%

Actuarial assumptions

The required schedule of changes in the City's net pension liability and related ratios immediately follow the notes to the financial statements and present multiyear trend information about whether the value of Plan assets is increasing or decreasing over time relative to the total pension liability.

The total pension liability was determined by an actuarial valuation as of June 30, 2017. The following actuarial assumptions applied to all periods included in the measurement:

Inflation	3.25%
Projected Salary	3.25%
Investment Rate of Return	7.75%

Mortality rates were based upon the RP-2000 Mortality Table, which contained sex-distinct and disabled rates.

Changes in Assumptions
As a result of the new administrative fee structure approved by the Board, the administrative expense assumption was updated for fiscal years beginning in 2016.

Discount Rate
The discount rates used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that the employer contributions will be made equal to the actuarial determined contribution rate. Based on this assumption, the 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 Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the 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% lower (6.75%), or 1% higher (8.75%) than the current rate:

	1% Decrease 6.75%	Current Rate 7.75%	1% Increase 8.75%
City's Net Pension Liability	$ 107,401	$ 49,907	$ 1,902

NOTE 12: SUBSEQUENT EVENTS

Management has evaluated events and transactions subsequent to the balance sheet date through February 24, 2020 (the date the financial statements were available to be issued) for potential recognition or disclosure in the financial statements. Management has not identified any events that require adjustments or disclosure in the financial statements that were issued on February 24, 2020

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NAHUNTA, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		GAAP/Budget	Variance with Final Budget
	Original	Final	Basis	Positive (Negative)
REVENUES:				
Taxes	$ 540,483	$ 540,483	$ 597,273	$ 56,790
License & Permits	35,000	35,000	21,833	(13,167)
Intergovernmental Revenues	18,000	18,000	76,099	58,099
Charges for Services	100	100	1,622	1,522
Fines & Forfeitures	85,275	85,275	40,725	(44,550)
Other Revenues	131,600	131,600	-	(131,600)
Total Revenues	810,458	810,458	737,552	(72,906)
EXPENDITURES:				
Current:				
General Government	328,129	328,129	327,680	449
Judicial	30,403	30,403	18,843	11,560
Public Safety	170,289	170,289	111,080	59,209
Public Works	281,637	281,637	267,196	14,441
Total Expenditures	810,458	810,458	724,799	85,659
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	12,753	12,753
OTHER FINANCING SOURCES (USES):				
Proceeds from Long-Term Debt	-	-	24,700	24,700
Transfers Out	-	-	-	-
Total Other Financing Sources(Uses)	-	-	24,700	24,700
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ -	$ -	37,453	$ 37,453
Fund Balances - Beginning			358,199	
Fund Balances - Ending			$ 395,652	

CITY OF NAHUNTA, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
AND THE RELATED RATIOS
JUNE 30, 2017

	2015	2016	2017
Total Pension Liability			
Service Costs	$ 6,695	$ 7,062	$ 7,514
Interest on Total Pension Liability	32,226	25,772	28,976
Differences between Expected and Actual Experience	(84,501)	30,736	12,003
Benefit Payments, including Refunds of Employee Contributions	(45,618)	(22,223)	(22,222)
Other	(3,784)	-	-
Net change in total pension liability	(94,982)	41,347	26,271
Total Pension Liability - Beginning	438,633	343,651	384,998
Total Pension Liability - Ending	$ 343,651	$ 384,998	$ 411,269
Plan Fiduciary Net Position			
Contributions - Employer	$ 23,280	$ 15,386	$ 9,078
Contrbutions - Employee	-	-	-
Net Investment Income	37,078	4,206	37,146
Benefit Payments	(45,618)	(22,223)	(22,222)
Administrative Expense	(1,825)	(2,205)	(2,050)
Net Change in Fiduciary Net Position	12,915	(4,836)	21,952
Plan Fiduciary Net Position - Beginning	331,331	344,246	339,410
Plan Fiduciary Net Position - Ending	$ 344,246	$ 339,410	$ 361,362
City's Net Pension Liability	$ (595)	$ 45,588	$ 49,907
Plan Fiduciary Net Position as a Percentage of The Total Pension Liability	100.17%	88.16%	87.87%
Covered Employee Payroll	$ 191,597	$ 186,683	$ 212,447
City's Net Pension Liability as a Percentage of Covered Employee Payroll	-0.31%	24.42%	23.49%

*** Fiscal year 2015 was the first year of implementation, therefore only three years are shown.**

CITY OF NAHUNTA, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
JUNE 30, 2017

	2015	2016	2017 **
Actuarially Determined Contribution	$ 17,907	$ 7,824	$ -
Contributions in Relation to The Actuarially Determined Contributions	17,907	7,824	-
Contribution Deficiency (Excess)	$ -	$ -	$ -
Covered Employee Payroll	$ 191,597	$ 186,683	$ -
Contributions as a Percentage of Covered Employee Payroll	9.35%	4.19%	0.00%

Notes to the Schedule:

Valuation Date:

The actuarially determined contribution rate was determined as of January 1, 2017, with an interest adjustment to the fiscal year. Contributions in relation to this actuarially determined contribution rate will be reported for the fiscal year ending June 30, 2017.

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: N/A

Asset Valuation Method:

Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 20% of market value

Actuarial Assumptions:

Net Investment Rate of Return:	7.75%
Projected Salary Increases:	3.25% plus service based merit increased
Cost of Living Adjustments:	0.00%
Retirement Age:	65 with early retirement permitted between ages 55 to 65
Mortality:	RP-2000 Healthy Mortality Table and Disabled Retiree Mortality Table

* **Fiscal year 2015 was the first year implementation, therefore only three years are shown.**

** **2017 Information will be determined after fiscal year end and will be included in the 2018 valuation report.**

SPECIAL REPORTS SECTION

Section I	Reporting on Compliance and on Internal Controls over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *GOVERNMENT AUDITING STANDARDS*
	Schedule of Findings and Questioned Costs
Section II	Schedule of Projects Constructed with Special Purpose Local Option Sales Tax Proceeds

HURST & HURST CPAs
Certified Public Accountants • Small Business Advisors

221 SELLERS STREET, DOUGLAS, GEORGIA 31533
PHONE: (912) 384-3322
ROBB.HURST@HURSTANDHURST.COM
WWW.HURSTANDHURST.COM

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 City Council
City of Nahunta, Georgia

We were engaged to audit, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of the City of Nahunta, Georgia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Nahunta, Georgia's basic financial statements and have issued our report thereon dated February 24, 2020. Our report disclaims an opinion on such financial statements because insufficient records were available to perform necessary procedures regarding revenues and expenditures of the City.

Internal Control over Financial Reporting

In connection with our engagement to audit the financial statements of the City of Nahunta, Georgia, we considered the City of Nahunta, 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 Nahunta, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Nahunta, Georgia's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2017-1 & 2017-2 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2017-3 to be significant deficiencies.

Compliance and Other Matters

In connection with our engagement to audit the financial statements of the City of Nahunta, Georgia, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, if the scope of our work had been sufficient to enable us to express opinions on the basic financial statements, instances of noncompliance or other matters may have been identified and reported herein.

City of Nahunta, Georgia's Response to Findings

City of Nahunta, Georgia's response to the findings identified in our engagement is described in the accompanying schedule of findings and questioned costs. City of Nahunta, Georgia's response was not subjected to the auditing procedures applied in the engagement to audit 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 engagement to perform an audit 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.

Hurst & Hurst

Hurst and Hurst CPAs

Douglas, Georgia
February 24, 2020

City of Nahunta, Georgia
Schedule of Findings and Questioned Costs
June 30, 2017

Section I – Summary of Audit Results

Type of report issued on statements:	Disclaimer
Internal control over financial reporting:	
Material weaknesses identified?	Yes
Significant deficiencies identified not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Section II – Financial Statement Findings:

Summary Schedule of Current Year Audit Findings:

2017-1 Failure to Perform Timely Bank Reconciliations

Criteria: Sound accounting policies require the timely reporting and reconciliation of all banking transactions.

Condition: The performance of bank reconciliations was not performed in a timely manner.

Effect: The City underwent a period of more than two years without the assurances or internal controls provided by the performance of timely bank reconciliations.

Recommendation: We recommend that the entity take the necessary steps to perform a bank reconciliation on every bank account for each statement period in a timely manner, preferably within the subsequent statement period, as applicable.

Management Response: We concur with the recommendation and have already implemented the above recommendation whereby we have outsourced our record keeping processes, including the timely performance of our bank reconciliation processes, to an experienced third party.

2017-2 Failure to Maintain Adequate Record Keeping

Criteria: Sound accounting policies require the proper retention of all supporting documentation relating to financial information.

Condition: The City was unable to provide supporting documentation for several audit areas. The most significant being expenditures.

Effect: The City was unable to provide proper documentation supporting financial amounts recorded in their general ledger.

Recommendation: We recommend the City develop and implement policies whereby the retention of all necessary information supporting balances reported in the financial records is retained for a reasonable duration of time.

Management Response: We agree with the above recommendation and have already implemented procedures designed to ensure all necessary financial documentation is retained in accordance with necessary requirements.

2017-3 Lack of Complete Segregation of Duties

Criteria: An effective internal control system requires the complete segregation of conflicting job duties of accounting personnel.

Condition: Due to the limited resources of the entity, there is an insufficient number of employees performing accounting functions to achieve complete segregation of duties.

Effect: Lack of complete segregation of duties can result in misappropriation of funds that might not be detected though other internal control procedures and is also amplified by the lack of other internal controls.

Recommendation: Additional personnel should be hired or procedures should be implemented requiring the segregation of accounting personnel duties.

Management's Response: We concur with the recommendation and have already implemented the above recommendation whereby we have outsourced our record keeping processes to a knowledgeable third party. While we have not achieved complete segregation of duties through this action, we feel as though our actions achieve the greatest segregation reasonably attainable for an entity of our size.

CITY OF NAHUNTA, GEORGIA
SCHEDULE OF SPECIAL PURPOSE LOCAL OPTION SALES TAX
FOR THE YEAR ENDED JUNE 30, 2017

Project	Original Estimated Cost	Prior Years	Current Years	Total	Estimate Percentage of Completion
Road, Street, & Bridge Projects	$ 337,500	$ 423,880	$ 12,978	$ 436,858	129.44%
Total	$ 337,500	$ 423,880	$ 12,978	$ 436,858	129.44%