City of Pelham, Georgia

Financial Statements

For the Fiscal Year Ended June 30, 2018

CITY OF PELHAM, GEORGIA
For The Fiscal Year Ended June 30, 2018
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Perry L. Henry, LLC

Certified Public Accountant and Consultant

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the City Council
City of Pelham, Georgia

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Pelham, Georgia as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedule – General Fund on page 43-44 and the Pension Plan on page 45-47 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 the 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 Pelham, Georgia, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements and schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of special purpose local option sales tax proceeds is presented for purposes of additional analysis as required by the Official Code of Georgia 48-8-21, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules, and the schedule of expenditures of special purpose local option sales tax proceeds, 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 schedules and the schedule of expenditures of special purpose local option sales tax proceeds, 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 February 21, 2019 on our consideration of the City of Pelham, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part on an audit performed in accordance with *Government Auditing Standards* in considering the City of Pelham, Georgia's internal control over financial reporting and compliance.

Perry L. Henry, LLC

Perry L. Henry, LLC
Bainbridge, Georgia
February 21, 2019

City of Pelham, Georgia
Statement of Net Position
June 30, 2018

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and Equivalents	$ 414,756	$ 658,415	$ 1,073,171	$ 91,623
Restricted assets	143,986	56,380	200,366	-
Receivables	363,675	151,326	515,001	10,522
Due from Other Governmental Agencies	25,056	-	25,056	-
Prepaid Expenses	38,189	7,194	45,383	-
Capital Assets				
Land	541,113	673,651	1,214,764	-
Improvements other than buildings	3,582,318	11,566,542	15,148,860	-
Buildings & Building Improvements	3,469,685	62,343	3,532,028	2,987,731
Machinery and equipment	2,062,492	980,857	3,043,349	13,775
Construction in progress	801,214	205,629	1,006,843	-
Less: Accumulated Depreciation	(3,851,771)	(6,130,871)	(9,982,642)	(884,235)
Total Capital Assets	6,605,051	7,358,151	13,963,202	2,117,271
Total Assets	7,590,713	8,231,466	15,822,179	2,219,416
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows - Pension	200,585	-	200,585	-
Total Deferred Outflows of Resources	200,585	-	200,585	-
LIABILITIES				
Accounts payable and accrued expenses	149,270	122,030	271,300	2,275
Unearned revenues	235,000	-	235,000	-
Long-term liabilities				
Due within one year				
Bonds, capital leases and contracts	231,873	141,032	372,905	102,215
Accrued interest	-	3,725	3,725	-
Due in more than one year				
Bonds, capital leases and contracts	2,300,380	1,797,642	4,098,022	2,054,199
Compensated absences	56,444	6,995	63,439	-
Net Pension Obligation	763,862	-	763,862	-
Total Liabilities	3,736,829	2,071,424	5,808,253	2,158,689
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows - Pension	299,345	-	299,345	-
Total Deferred Inflows of Resources	299,345	-	299,345	-
NET POSITION				
Net investment in capital assets	4,072,798	5,584,913	9,657,711	(39,143)
Restricted for:				
Capital projects	129,426	-	129,426	-
Unrestricted	(447,100)	575,129	128,029	99,870
Total Net Position	$ 3,755,124	$ 6,160,042	$ 9,915,166	$ 60,727

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

City of Pelham, Georgia
Statement of Activities
For the Fiscal Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Unit
Primary Government								
Governmental activities:								
General Government	$ 821,138	$ 727,398	$ -	$ 174,652	$ 80,912	$ -	$ 80,912	
Public Safety	1,451,902	-	-	-	(1,451,902)	-	(1,451,902)	
Public Works	959,670	541,353	-	392,603	(25,714)	-	(25,714)	
Health, Welfare and Sanitation	52,283	57,528	-	-	5,245	-	5,245	
Culture and Recreation	42,697	-	-	-	(42,697)	-	(42,697)	
Housing and development	131,326	14,321	-	7,500	(109,505)	-	(109,505)	
Interest on Long-term debt	127,978	-	-	-	(127,978)	-	(127,978)	
Total governmental activities	3,586,994	1,340,600	-	574,755	(1,671,639)	-	(1,671,639)	
Business-type activities:								
Water	888,624	743,645	-	48,247	-	(96,732)	(96,732)	
Sewer	155,221	656,993	-	-	-	501,772	501,772	
Gas	38,308	390,181	-	-	-	351,873	351,873	
Total business-type activities	1,082,153	1,790,819	-	48,247	-	756,913	756,913	
Total primary government	$ 4,669,147	$ 3,131,419	$ -	$ 623,002	(1,671,639)	756,913	(914,726)	
Component Unit								
Joint Development Authority of Mitchell Co & Pelham	$ 253,734	$ 18,275	$ 204,000	$ -				$ (31,459)
Total component units	$ 253,734	$ 18,275	$ 204,000	$ -				(31,459)
General revenues:								
Taxes:								
Property taxes, levied for general purposes					838,985	-	838,985	-
Franchise taxes					191,869	-	191,869	-
Insurance premium tax					259,065	-	259,065	-
Alcoholic beverage tax					111,938	-	111,938	-
Other taxes					63,437	-	63,437	-
Unrestricted investment earnings					-	701	701	659
Miscellaneous					183,321	132	183,453	1,398
Special item - gain on sale of asset					(783,919)	-	(783,919)	-
Transfers					636,092	(636,092)	-	-
Total general revenues, special items, and transfers					1,500,788	(635,259)	865,529	2,057
Change in net position					(170,851)	121,654	(49,197)	(29,402)
Net position - beginning					3,925,975	6,038,388	9,964,363	90,129
Net position - ending					$ 3,755,124	$ 6,160,042	$ 9,915,166	$ 60,727

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

City of Pelham, Georgia
Balance Sheet
Governmental Funds
June 30, 2018

	General Fund	SPLOST Capital Project Fund	CDBG Housing Rehabilitation Capital Project Fund	CDBG RLF Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	$ 414,235	$ -	$ 510	$ -	$ -	$ 414,745
Taxes receivable, net	82,292	-	-	-	-	82,292
Due from other funds	10	-	-	-	-	10
Receivable from other governments	-	25,056	-	-	-	25,056
Sanitation receivables	46,382	-	-	-	-	46,382
RLF note receivable	-	-	-	235,000	-	235,000
Restricted cash	39,616	104,370	-	-	-	143,986
Total assets	$ 582,535	$ 129,426	$ 510	$ 235,000	$ -	$ 947,471
LIABILITIES						
Accounts payable	$ 118,433	$ -	$ -	$ -	$ -	$ 118,433
Due to other funds	-	-	10	-	-	10
Payable to other governments	6,487	-	-	-	-	6,487
Unearned revenue	-	-	-	235,000	-	235,000
Accrued salaries & wages	15,834	-	-	-	-	15,834
Other payables	8,516	-	-	-	-	8,516
Total liabilities	149,270	-	10	235,000	-	384,280
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue-property taxes	33,985	-	-	-	-	33,985
Total deferred inflows of resources	33,985	-	-	-	-	33,985
FUND BALANCES						
Restricted for:						
Capital Projects	-	129,426	-	-	-	129,426
Community Development Projects	-	-	500	-	-	500
Unassigned	399,280	-	-	-	-	399,280
Total fund balances	399,280	129,426	500	-	-	529,206
Total liabilities, deferred inflows of resources, and fund balances	$ 582,535	$ 129,426	$ 510	$ 235,000	$ -	$ 947,471

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

City of Pelham, Georgia
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2018

Total fund balance, governmental funds	$	529,206
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		6,605,051
Payments for insurance in advance are reported as an expenditure of current financial resources in the period purchased in governmenal activities and therefore are not reported in the funds.		38,189
Pension net position is not a current financial resource and is not recognized at the fund financial reporting level but is reported in the governmental activities of theStatement of Net Position.		(763,862)
Some of the City's taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenue in the funds.		33,997
Deferred Outlows - Pension		200,585
Deferred Inflows - Pension		(299,345)
Some liabilities (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, and Bonds Payable) are not due and payable in the current period and are not included in the fund financial statements, but are included in the government-wide statements.		(2,588,697)
Net Position of Governmental Activities in the Statement of Net Position	$	3,755,124

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

City of Pelham, Georgia
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2018

	General Fund	SPLOST Capital Project Fund	CDBG Housing Rehabilitation Capital Project	CDBG RLF Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property Taxes	$ 1,073,145	$ -	$ -	$ -	$ -	$ 1,073,145
Sales and Miscellaneous Taxes	408,406	-	-	-	14,321	422,727
Fees and Fines	663,588	-	-	-	-	663,588
Licenses and Permits	63,004	-	-	-	-	63,004
Intergovernmental	174,652	392,603	7,500	-	-	574,755
Charges for Services	530,039	-	-	-	-	530,039
Contributions and Donations	17,857	-	-	-	-	17,857
Miscellaneous	235,112	-	-	-	-	235,112
Total revenues	3,165,803	392,603	7,500	-	14,321	3,580,227
EXPENDITURES						
Current:						
General Government	912,461	-	-	-	-	912,461
Public Safety	1,618,010	-	-	-	-	1,618,010
Public Works	926,665	-	-	-	-	926,665
Culture and Recreation	137,679	-	-	-	-	137,679
Housing and Development	58,748	51,000	-	-	14,321	124,069
Capital Outlay:						
General Government	49,160	-	7,000	-	-	56,160
Public Safety	119,010	-	-	-	-	119,010
Public Works	137,213	119,926	-	-	-	257,139
Debt Service:						
Principal	218,027	-	-	-	-	218,027
Interest and other charges	101,629	39,472	-	-	-	141,101
Total expenditures	4,278,602	210,398	7,000	-	14,321	4,510,321
Excess (deficiency) of revenues over expenditures	(1,112,799)	182,205	500	-	-	(930,094)
OTHER FINANCING SOURCES (USES)						
Proceeds from debt issuance	25,562	-	-	-	-	25,562
Proceeds from capital leases	211,695	-	-	-	-	211,695
Transfers in	688,870	-	-	-	-	688,870
Transfers out	-	(52,779)	-	-	-	(52,779)
Total other financing sources and uses	926,127	(52,779)	-	-	-	873,348
SPECIAL ITEM						
Proceeds from sale of assets	337,689	-	-	-	-	337,689
Net change in fund balances	151,017	129,426	500	-	-	280,943
Fund balances - beginning	248,263	-	-	-	-	248,263
Fund balances - ending	$ 399,280	$ 129,426	$ 500	$ -	$ -	$ 529,206

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

City of Pelham, Georgia
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2018

Net change in fund balances - total governmental funds:	$	280,943
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the asset's useful life. This results in the following adjustment:		
Capital outlay reported as expenditures		533,125
Depreciation expense during the current fiscal period		(313,435)
Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of the assets. Thus, the change		(1,121,608)
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.		(16,256)
Some capital additions were financed through debt agreements. In governmental funds, a long-term debt agreement is considered a source of financing, but in the Statement of Net Position, the debt is reported as a liability. In the governmental funds, repayment of debt agreements are considered an expense. This amount is the net effect of these differences.		(19,230)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, these are not reported as expenditures in governmental funds:		
Legal Settlement		75,000
Changes in compensated absences		6,496
Change in NPO and Deferred Inflows		417,626
Governmental funds recognize expenditures for insurance using the purchases method. However, the Statement of Activities uses the consumption method and thus only the amount of insurance benefits consumed are recognized.		(13,512)
Change in net position of governmental activities	$	(170,851)

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

City of Pelham, Georgia
Statement of Net Position
Proprietary Funds
Business-type Activities-Enterprise Funds
June 30, 2018

	Enterprise Funds	
	Water, Sewer, & Gas	Total
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 658,422	$ 658,422
Accounts Receivable, net	137,404	137,404
Other receivables	13,922	13,922
Prepaid Expenses	7,194	7,194
Restricted Cash:		
Revenue Bond Covenant Accounts	21,556	21,556
Capital Projects/Outlays	34,824	34,824
Total Current Assets	873,322	873,322
Non-current Assets:		
Capital Assets:		
Land and Improvements	673,651	673,651
Utility System	11,566,542	11,566,542
Construction in Progress	205,629	205,629
Buildings	62,343	62,343
Equipment and Furniture	980,857	980,857
Less Accumulated Depreciation	(6,130,871)	(6,130,871)
Total Non-current Assets	7,358,151	7,358,151
Total Assets	8,231,473	8,231,473
LIABILITIES		
Current Liabilities:		
Accounts Payable	20,518	20,518
Salaries payable	3,585	3,585
Accrued Interest Payable	3,725	3,725
Customer Deposits	94,949	94,949
Other Accrued Expenses	2,979	2,979
Capital lease obligation	34,020	34,020
Bonds, Notes and Loans Payable	107,012	107,012
Total Current Liabilities	266,788	266,788
Non-current Liabilities:		
Compensated Absences	6,995	6,995
Capital lease obligation	131,416	131,416
Bonds, Notes and Loans Payable	1,666,226	1,666,226
Total Non-current Liabilities	1,804,637	1,804,637
Total Liabilities	2,071,425	2,071,425
NET POSITION		
Net investment in capital assets	5,584,913	5,584,913
Unrestricted	575,135	575,135
Total Net Position	$ 6,160,048	$ 6,160,048

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

City of Pelham, Georgia
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Business-type Activities-Enterprise Funds
For the Year Ended June 30, 2018

	Enterprise Funds	
	Water, Sewer, & Gas	Total
OPERATING REVENUES		
Charges for services	$ 1,790,819	$ 1,790,819
Miscellaneous	132	132
Total operating revenues	1,790,951	1,790,951
OPERATING EXPENSES		
Personal services	346,571	346,571
Contractual services	81,331	81,331
Repairs and maintenance	141,130	141,130
Other supplies and expenses	187,492	187,492
Depreciation	262,703	262,703
Total Operating Expenses	1,019,227	1,019,227
Operating income (loss)	771,724	771,724
NON-OPERATING REVENUES (EXPENSES)		
Interest and investment revenue	701	701
Operating grants and contributions	48,247	48,247
Interest expense	(62,924)	(62,924)
Total non-operating revenue (expenses)	(13,976)	(13,976)
Income (loss) before contributions and transfers	757,748	757,748
Transfers in	52,779	52,779
Transfers out	(688,870)	(688,870)
Income (loss) after contributions and transfers	(636,091)	(636,091)
Change in net position	121,657	121,657
Total net position - beginning	6,038,391	6,038,391
Total net position - ending	$ 6,160,048	$ 6,160,048

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

City of Pelham, Georgia
Statement of Cash Flows
Proprietary Funds
Business-type Activities-Enterprise Funds
For the Fiscal Year Ended June 30, 2018

	Water, Sewer & Gas	Total
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	$ 1,802,160	$ 1,802,160
Payments to suppliers	(439,269)	(439,269)
Payments to employees	(346,571)	(346,571)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,016,320	1,016,320
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Change in Due From SPLOST	33,172	33,172
Transfers to/from other funds	(688,870)	(688,870)
NET CASH USED FOR NON-CAPITAL FINANCING ACTIVITIES	(655,698)	(655,698)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Grant proceeds	48,247	48,247
Transfer in from SPLOST	52,779	52,779
Capital Lease Proceeds	73,385	73,385
Loan Proceeds	504,293	504,293
Acquisition and construction of capital assets	(650,380)	(650,380)
Principal payments on debt	(75,590)	(75,590)
Principal payments on revenue bonds	(30,030)	(30,030)
Interest paid	(62,924)	(62,924)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(140,220)	(140,220)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income	701	701
NET CASH PROVIDED FROM INVESTING ACTIVITIES	701	701
NET INCREASE IN CASH AND CASH EQUIVALENTS	221,103	221,103
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	493,699	493,699
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 714,802	$ 714,802

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

City of Pelham, Georgia
Statement of Cash Flows
Proprietary Funds
Business-type Activities-Enterprise Funds
For the Fiscal Year Ended June 30, 2018

	Water, Sewer & Gas	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	$ 771,724	$ 771,724
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	262,703	262,703
(Increase) decrease in current assets		
Accounts receivable	11,209	11,209
Prepaid expenses	2,498	2,498
(Decrease) increase in current liabilities		
Accounts payable	(32,021)	(32,021)
Accrued liabilities	2,100	2,100
Deposits	(1,893)	(1,893)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 1,016,320	$ 1,016,320

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

City of Pelham, Georgia
Statement of Net Position
Component Units
June 30, 2018

	Joint Development Authority of Mitchell Co & Pelham	Totals
	December 31, 2017	Totals
ASSETS		
Cash and Equivalents	$ 91,623	$ 91,623
Notes Receivable	10,522	10,522
Capital Assets		
Buildings & Building Improvements	2,987,731	2,987,731
Machinery and equipment	13,775	13,775
Less: Accumulated Depreciation	(884,235)	(884,235)
Total Capital Assets	2,117,271	2,117,271
Total assets	2,219,416	2,219,416
LIABILITIES		
Accounts payable and accrued expenses	2,275	2,275
Long-term liabilities		
Due within one year		
Bonds, capital leases and contracts	102,215	102,215
Due in more than one year		
Bonds, capital leases and contracts	2,054,199	2,054,199
Total liabilities	2,158,689	2,158,689
NET POSITION		
Net investment in capital assets	(39,143)	(39,143)
Unrestricted	99,870	99,870
Total net position	$ 60,727	$ 60,727

City of Pelham, Georgia
Statement of Activities
Component Units
For the Fiscal Year Ended June 30, 2018

December 31, 2017		Program Revenues		Net (Expenses) Revenues and Changes in Net Position	
Activities:	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Joint Development Authority of Mithcell Co & Pelham	Total
Component units:					
Joint Development Authority of Mitchell Co & Pelham	$ 253,734	$ 18,275	$ 204,000	$ (31,459)	$ (31,459)
Total component units	$ 253,734	$ 18,275	$ 204,000	(31,459)	(31,459)
	General Revenues:				
	Investment			659	659
	Miscellaneous			1,398	1,398
	Total General Revenues			2,057	2,057
	Change in Net Position			(29,402)	(29,402)
	Net position - beginning			90,129	90,129
	Net position - ending			$ 60,727	$ 60,727

Notes to Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The City of Pelham was incorporated September 14, 1881, under the laws of the State of Georgia. The City is a municipal corporation governed by an elected mayor and eight-member council, with its fiscal operations monitored by the City Manager. The City provides a range of municipal services as authorized by its Charter including police and fire protection, public works (streets and waste collection), public improvements, water, sewer and gas services, telecommunication services and general administrative services. The accompanying financial statements present the City's primary government and component units for which the City is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Discretely presented component unit. The Joint Development Authority of Mitchell County and Pelham was established by the Mitchell County Board of Commissioner and Mayor and City Council of Pelham on June 18, 2007. The Authority has five members: three of such members shall be appointed by the Mayor and City Council of the City of Pelham, and two of such members shall be appointed by the Board of Commissioners of Mitchell County to serve a three-year staggered term. Although, this unit is a legally separate entity, it is important because the city has a significant financial interest in this unit. The JDA is fiscal year is December 31.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The City implemented a new reporting model as required by the Governmental Accounting Standards Board beginning July 1, 2003. The implementation of the new reporting model affects the comparability with all prior years' reports.

The government–wide financial statements (i.e., the Statement of Net Position and the Statement of Changes in Net Position) report information on all of the non-fiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service. Likewise, the primary government is reported separately from a legally separate component unit for which the primary government is financially accountable.

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

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

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectable within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The government reports the following major governmental funds:

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

The *SPLOST Capital Projects Fund* is the fund used to account for all special local option sales tax revenues as well as the specifically identified projects for which the SPLOST tax was established.

The *CDBG Housing Rehabilitation Capital Project Fund* is the fund used to account for grant award draws and expenditures for capital projects.

The *CDBG RLF Fund* is the fund used to account for grant award draws and expenditures for capital projects.

The government reports the following major proprietary funds:

The *Water*, *Sewer* and *Gas Fund* accounts for the activities of the government's water distribution system, sewage treatment plant, sewage pumping station and collection systems.

Private-sector standards of accounting and financial reporting issued prior to November 30, 1989, generally are followed in both the government-wide and proprietary fund financial statements to

the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government–wide financial statements. Exceptions to this general rule are payments between the government's various funds related to charges resulting from services provided through actual operations. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish operating revenues and expenses from 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 revenue of the proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

D. ASSETS, LIABILITIES AND NET POSITION OR EQUITY

1. Deposits and Investments

State statutes authorize the City and the Authority to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. Government; obligations fully insured or guaranteed by the U.S. Government or by a government agency of the United States; obligations of any corporation of the U.S. Government; prime bankers acceptances; the local government investment pool established by Georgia law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia; and additionally, certificates of deposits, NOW accounts and money market accounts of banks which have deposits insured by the Federal Deposit Insurance Corporation; provided, however, that portion of such investment shall be secured by direct obligations of the State of Georgia or the United States which are of a par value equal to 110 percent of funds on deposit at the institution. For the purpose of the Statement of Cash Flows, the City considers cash on hand, cash in demand deposits and certificates of deposit to be cash equivalents.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government–wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property tax receivable and trade accounts receivable in excess of 90 days plus a percentage of receivable balances less than 90 days comprise the allowance for uncollectibles.

Property taxes are levied as of October 31, 2017 on property values assessed as of January 1, 2017. The billing, representing the current year tax levy, was mailed October 31, 2017. The billings are considered past due 90 days after the billing date and penalties and interest are assessed. The applicable property is subject to lien after the billings are 90 days delinquent.

3. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government–wide and fund financial statements of the proprietary funds. In the fund financial statements governmental funds record items as expenditures when purchased (purchases method) rather than when consumed.

4. Restricted Assets

Portions of the City's assets are subject to restrictions imposed by parties outside the government (such as creditors, grantors, contributors, laws or regulations of other governments). Self-imposed restrictions that can be removed as easily as imposed are not considered restrictions for financial reporting purposes; although, restrictions can be imposed by the City's constitutional provisions or by enabling legislation that are not easily removed. The City would typically use restricted assets first, as appropriate opportunities arise, but reserve the right to selectively defer the use thereof to a future project or replacement equipment acquisition.

5. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities column in the government–wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than $1,000 for vehicles and machinery and more than $5,000 for all other asset types (amount not rounded) 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.

Pursuant to GASB Statement 34, the City is not required to record and depreciate infrastructure assets (e.g. roads, sidewalks, bridges and similar items) acquired before the implementation date became effective. Infrastructure acquired prior to July 1, 2003 has not been recorded for governmental activities. GASB Statement 34 requires the reporting and depreciation of new infrastructure expenditures effective with the beginning of the implementation year (July 1, 2003).

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the general government during the current fiscal year was $141,101. Of these amounts, none were attributable to the cost of capital assets associated with construction projects.

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

Buildings and improvements	40 years
Machinery and equipment	7-10 years
Improvements other than building	20-50 years

6. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government–wide and proprietary fund financial statements. The City's annual leave policy allows an employee to earn and accumulate up to 240 hours. Also, those employees with over ten years of service can accumulate an additional eight hours for each year not to exceed 120 hours, and it will be paid to employees upon separation from City service. In governmental fund types, the cost of vacation benefits is recognized when payments are made to employees. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The General Fund has been used to liquidate compensated absences, unless associated with a specific proprietary fund in prior years.

7. Long-Term Obligations

In the government–wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type Statement of Net Position. 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 deferred charges 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. Premiums received on debt issuances are 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.

8. 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 current assets and current liabilities. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based on primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. 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. The City Council also 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's finance committee or the City's finance director 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 balance 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:

- 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, 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 as described in the fund balance section above. All other net position is reported as unrestricted.

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

9. Deferred Inflows of Resources

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/expenditure) until then. The County does not have any items that qualify for reporting in this category.

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Property taxes of $33,985 is listed as unavailable and is deferred to be recognized as an inflow of resources in the period that the amounts become available.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

Budgets are adopted for the General Fund, Special Revenue and the proprietary funds on an annual basis. The budgets for the General and Special Revenue Funds are adopted on a cash plus 30 days basis, which is not consistent with generally accepted accounting principles. Project-length budgets are adopted for the Capital Projects Fund. Budgets are prepared for the proprietary funds as a management control device; (non-GAAP) hybrid basis of accounting is used in preparing the proprietary fund budgets. All annual appropriations lapse at fiscal year-end.

The budget is prepared and submitted by the City Manager to the administrative committee for their consideration and approval prior to presentation to the full Council for adoption, which is required prior to commencement of the ensuing fiscal year. After the budget requests have been reviewed, a public hearing is held for public comment. After the public hearing, a budget ordinance is adopted by the Mayor and Council. The City's policy for the legal level of budgetary control is at the individual department level. Only the Mayor and Council can amend the annual budget at the department level. Amendments that change the composition within a departmental budget can occur with the authorization of the City Manager.

Original budgeted amounts for the year ended June 30, 2018, were adopted by the City Council on June 17,2017.

III. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

All bank balances of deposits as of the balance sheet date are entirely insured or collateralized with securities held by the City or by its agent in the City's behalf.

Custodial Credit Risk – Deposits. This is the risk that in the event of a bank failure, the City's deposits may not be returned to it. All the City's deposits are covered by a combination of federal depository insurance and securities pledged by financial institutions as collateral to protect the deposits of the City as required under state law. Therefore, the City has no custodial credit risk for its deposits.

B. RECEIVABLES

All trade and property taxes receivables are shown net of allowance for uncollectibles.

The City entered into a reimbursement agreement with James Workman to extend gas lines to his Chicken Houses. Total expense agreement was $67,000. Mr. Workman was to pay $42,000 prior to construction and $458 a month for five years at an interest rate of 3.8%. Payments started March 2016. The receivable on this agreement at June 30, 2018 was $13,922.

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C. CAPITAL ASSETS

Primary Government

Governmental activities:	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, not being depreciated				
Land	$ 541,886	$ -	$ (773)	$ 541,113
Construction in progress	660,536	140,678	-	801,214
Total captial assets not being depreciated	1,202,422	140,678	(773)	1,342,327
Capital assets, being depreciated				
Buildings	4,762,498	143,623	(1,436,436)	3,469,685
Improvements, other than buildings	3,563,238	19,080	-	3,582,318
Machinery and equipment	1,864,944	229,743	(32,195)	2,062,492
Total captial assets, being depreciated	10,190,680	392,446	(1,468,631)	9,114,495
Less accumulated depreciation for				
Buildings	(1,514,842)	(110,797)	320,206	(1,305,433)
Improvements, other than buildings	(1,257,580)	(106,361)	-	(1,363,941)
Machinery and equipment	(1,113,711)	(96,277)	27,591	(1,182,397)
Total accumulated depreciation	(3,886,133)	(313,435)	347,797	(3,851,771)
Total capital assets, being depreciated, net	6,304,547	79,011	(1,120,834)	5,262,724
Governmental activities capital assets, net	$ 7,506,969	$ 219,689	$ (1,121,607)	$ 6,605,051

Business-type activities	Beginning Balance	Increase	Decrease	Transfer	Ending Balance
Capital assets, not being depreciated					
Land	$ 673,651	$ -	$ -	$ -	$ 673,651
Construction in progress	140,890	86,752	-	(22,013)	205,629
Total captial assets not being depreciated	814,541	86,752	-	(22,013)	879,280
Capital assets, being depreciated					
Buildings	62,343	-	-	-	62,343
Improvements, other than buildings	11,566,542	-	-	-	11,566,542
Machinery and equipment	395,216	563,628	-	22,013	980,857
Total captial assets, being depreciated	12,024,101	563,628	-	22,013	12,609,742
Less accumulated depreciation for					
Buildings	(40,123)	(1,125)	-	-	(41,248)
Improvements, other than buildings	(5,628,427)	(224,556)	-	-	(5,852,983)
Machinery and equipment	(199,618)	(37,022)	-	-	(236,640)
Total accumulated depreciation	(5,868,168)	(262,703)	-	-	(6,130,871)
Total capital assets, being depreciated, net	6,155,933	300,925	-	22,013	6,478,871
Business-type activities capital assets, net	$ 6,970,474	$ 387,677	$ -	$ -	$ 7,358,151

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

Governmenal activities:		
General government	$	52,330
Public safety		92,678
Public works		90,659
Health and welfare		52,283
Culture and recreation		25,485
Total depreciation expense-governmental activities	$	313,435
Business-type activities:		
Water	$	178,337
Sewer		79,076
Gas		5,290
Total depreciation expense-business-type activities	$	262,703

Depreciation expense of $58,478 for Governmental and $13,984 for Business-type for assets acquired through capital leases for the year ended June 30, 2018 is included in current year depreciation expense.

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-type Activities
Leased Assets:		
Buildings	$ 397,665	$ 172,509
Less: accumulated depreciation	(35,778)	(25,353)
Total	$ 361,887	$ 147,156

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D. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2018, is as follows:

Due to/from other funds:

	Interfund Receivable (Due From)	Interfund Payable (Due To)
Governmental Funds		
General Fund	$ 10	$ -
CDBG 17	-	10
Sub-total Governmental Funds	10	10
Totals	$ 10	$ 10

Governmenal fund receivables-Major Funds	$ 10
Governmenal fund payables-Major Funds	(10)
Internal balances - Statement of Net Position	$ -

Due to/from balances are for starting a checkbook for CDBG.

Interfund transfers:

	Transfer In				
Transfer Out	**General Fund**	**CDBG RLF Fund**	**Major - Enterprise Funds - Jail**	**Major Enterprise-Water, Sewer and Gas**	**Total**
SPLOST Capital Projects Fund	$ -	$ -	$ -	$ 52,779	$ 52,779
Major - Enterprise Funds - Water, Sewer and Gas	688,870	-	-	-	688,870
Totals	$ 688,870	$ -	$ -	$ 52,779	$ 741,649

Transfers from the SPLOST Fund in the amount of $52,779 were for capital expenditures moved to the Water, Sewer & Gas Fund.

All other transfers were for normal general operating purposes.

E. LONG-TERM DEBT

Operating Leases

The City leases equipment under noncancelable leases and has a total of three operating leases at June 30, 2018.

The City of Pelham, GA has two operating lease with John Deere for a 2016 John Deere 310SL Backhoe Loader to be used in Highways & Streets Department and a 2017 John Deere 324E Skid Steer to be used in the Water, Sewer & Gas Departments. Total cost for leases were $12,897 for the year ended June 30, 2018.

The City of Pelham, GA has one operating lease with Balboa Capital for Police Cameras to be used in Police Department. Total cost for lease was $5,814 for the year ended June 30, 2018.

The future minimum lease payments for these leases are as follows:

Year Ending June 30	Backhoe	Skid Steer	Cameras
2019	$ 7,021	$ 5,013	$ 10,832
2020	7,021	5,013	10,832
2021	7,021	5,013	10,832
2022	-	1,670	10,832
2023	-	-	5,417
	$ 21,063	$ 16,709	$ 48,745

Capital Leases

Governmental Activities

The City entered into a lease on October 20, 2016 with Ford Credit. The lease is secured by three F250's with an original balance of $78,483. At June 30, 2018, the balance of the lease outstanding was $46,027.

The City entered into a lease on March 28, 2017 with BB&T. The lease is secured by four Dodge Chargers with an original balance of $140,000. At June 30, 2018, the balance of the lease outstanding was $107,414.

The City entered into a lease on August 29, 2017 with John Deere. The lease is secured by a Mowing Tractor with an original balance of $40,720. At June 30, 2018, the balance of the lease outstanding was $40,720.

The City entered into a lease on March 29, 2018 with BB&T. The lease is secured by Lighting with an original balance of $115,975. At June 30, 2018, the balance of the lease outstanding was $112,520.

The City entered into a lease on April 12, 2018 with BB&T. The lease is secured by a Dodge Ram 2500 with an original balance of $29,615. At June 30, 2018, the balance of the lease outstanding was $28,734.

The City entered into a lease on June 28, 2018 with John Deere. The lease is secured by three John Deere 960M ZTrak mowers with an original balance of $25,365. At June 30, 2018, the balance of the lease outstanding was $18,604.

Capital Lease debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest
2019	$ 92,702	$ 14,803
2020	93,663	10,127
2021	72,899	6,054
2022	61,993	2,932
2023	32,762	642
	$ 354,019	$ 34,558

Business-type Activities

The City entered into a lease on October 20, 2016 with Ford Credit. The lease is secured by two F250's with an original balance of $54,050. At June 30, 2018, the balance of the lease outstanding was $31,698.

The City entered into a lease on August 2, 2016 with Bancorp. The lease is secured by a John Deere Backhoe Loader with an original balance of $74,895. At June 30, 2018, the balance of the lease outstanding was $62,534.

The City entered into a lease on April 12, 2018 with BB&T. The lease is secured by a (2) Dodge Ram 1500s and a John Deere Gator with an original balance of $73,385. At June 30, 2018, the balance of the lease outstanding was $71,204.

Year Ending June 30	Principal	Interest
2019	$ 34,020	$ 5,790
2020	35,584	4,227
2021	25,765	2,794
2022	56,619	1,254
2023	13,448	289
	$ 165,436	$ 14,354

Revenue Bonds

Governmental Activities

On May 5, 2016, the City issued $2,240,000 of 2016A and 2016B Series Revenue Bonds for the purpose of consolidating debt. The City had to pay issuance cost of $54,827 which has been fully expensed in accordance with GASB 65.

Bonds will bear interest as set forth below:

Year Ending June 30	Principal	Interest
2019	$ 105,000	$ 121,906
2020	115,000	115,738
2021	99,032	108,981
2022	104,851	103,106
2023	111,011	96,938
2024-2028	660,890	379,819
2029-2033	879,216	161,562
	$ 2,075,000	$ 1,088,050

Business-type Activities

The government also issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. The proceeds of the 1993A and 1993B Water and Sewer Revenue Bonds were used for the purpose of expanding the Water and Sewer system to provide additional services to new customers.

Revenue bonds outstanding at year-end are as follows:

$1,025,000 Water and Sewer Revenue Bonds, series 1993A, due in annual installments of varying amounts from January 11, 1994, through January 11, 2033, interest at 5%.	$ 620,070
$100,000 Water and Sewer Revenue Bonds, series 1993B, due in annual installments of varying amounts from January 11, 1994, through January 11, 2033, interest at 5%.	60,500
Total Revenue Bonds	$ 680,570

Revenue bond debt service requirements to maturity are as follows:

Year ending June 30,	Principal	Interest
2019	$ 31,537	$ 34,029
2020	33,113	32,452
2021	34,769	30,796
2022	36,507	29,058
2023	38,333	27,232
2024-2028	222,404	105,421
2029-2033	283,907	43,975
Totals	$ 680,570	$ 302,963

Notes Payable

Governmental Activities

The City entered into a note on May 18, 2016 with Ford Credit. The note is secured by a 2015 F150 with an original balance of $33,217. At June 30, 2018, the balance of the lease outstanding was $16,050.

The City entered into a note on November 10, 2015 with Family Bank. The note is secured by the (4) Dodge Chargers with an original balance of $147,300. This note was refinanced and consolidated with a short term note on December 8, 2017.

The City refinanced and consolidated two loans on December 8, 2017 with Family Bank. The note is secured by (5) Dodge Chargers with a new original balance of $89,368. At June 30, 2018, the balance of the note outstanding was $78,530.

The City entered into a note on June 27, 2016 with Curley's & Associates, Inc. The note was to purchase property with a value of $76,629 in exchange for a note payable and property tax forgiveness. The original note balance of $33,654 was secured at 0% interest with payments to start July 2016 at $1,000 monthly. At June 30, 2018, the balance of the note outstanding was $8,654.

Notes payable debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest
2019	$ 34,171	$ 3,496
2020	25,145	2,331
2021	18,554	1,417
2022	18,601	674
2023	6,763	60
	$ 103,234	$ 7,978

Business-type Activities

The City established a note on January 31, 2003 with the Georgia Environmental Facilities Authority for $462,640 bearing interest at 0%. The debt was used for the construction of a water

tank. Seventy-eight quarterly payments of $5,931 are due beginning July 1, 2005. At June 30, 2018, the balance of the note outstanding was $154,214.

The City established a note on July 31, 2008 with the Georgia Environmental Facilities Authority for an amount up to $949,240 bearing interest at 4.10%. The debt was used for the build of an additional sprayfield. Two-hundred and forty-five monthly payments of $3,881 are due beginning May 1, 2010. At June 30, 2018, the balance of the note outstanding was $436,082.

The City established a note on March 27, 2018 with the Georgia Environmental Facilities Authority for an amount up to $504,293 bearing interest at .89%. The debt was used for the replacement of water meters. Two-hundred and forty-five monthly payments of $2,283 are due beginning June 1, 2018. At June 30, 2018, the balance of the note outstanding was $502,372.

Notes payable debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest
2019	$ 75,475	$ 22,224
2020	76,857	20,842
2021	78,291	19,408
2022	79,777	17,922
2023	81,317	16,382
2024-2028	348,705	56,755
2029-2033	217,687	20,226
2034-2038	134,559	3,080
	$ 1,092,668	$ 176,839

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities					
Capital leases payable	$ 198,331	$ 211,695	$ (56,007)	$ 354,019	$ 92,702
Revenue bonds	2,175,000	-	(100,000)	2,075,000	105,000
Notes payable	139,691	25,562	(62,019)	103,234	34,171
Compensated absences	62,940	34,628	(41,124)	56,444	-
Total long-term liabilties- Governmental Activities	$ 2,575,962	$ 271,885	$ (259,150)	$ 2,588,697	$ 231,873
Business-type activities					
Capital leases payable	$ 113,929	$ 73,385	$ (21,878)	$ 165,436	$ 34,020
Revenue bonds	710,600	-	(30,030)	680,570	31,537
Notes payable	642,088	504,293	(53,713)	1,092,668	75,475
Compensated absences	7,617	4,098	(4,720)	6,995	-
Total long-term liabilties- Business-type Activities	$ 1,474,234	$ 581,776	$ (110,341)	$ 1,945,669	$ 141,032

F. SHORT-TERM DEBT

Governmental Activities

Changes in Short-term Liabilities

The City entered into a note on November 28, 2017 with Family Bank. The note is secured by a Dodge Charger with an original balance of $25,362. This note was refinanced and consolidated with a long term note on December 8, 2017.

Short-term liability activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities				
Short-term	$ -	$ 25,362	$ 25,362	$ -
Total short-term liabilities- Governmental Activities	$ -	$ 25,362	$ 25,362	$ -

G. RESTRICTED ASSETS

General Fund. Specific general funds are required to be segregated as to use and are therefore identified as restricted assets.

The City of Pelham, Georgia's General Fund Revenue Bond ordinance requires the establishment of a Sinking Fund to provide for the accumulation of resources to retire the General Fund Revenue Bonds. The funding for the retirement of the bonds is provided partially from the 2012 and 2018 SPLOST Referendum's and from operations. The balance in the Sinking Fund at June 30, 2018 is $0.

Liabilities payable from restricted assets:

Current portion of bonds payable	$ 105,000
Interest payable	121,906
Total liabilities payable from restricted assets	$ 226,906

Enterprise Funds. Specific enterprise funds are required to be segregated as to use and are therefore identified as restricted assets.

The City of Pelham, Georgia's Water and Sewer Revenue Bond ordinance requires the establishment of a Sinking Fund to provide for the accumulation of resources to retire the Water and Sewer Revenue Bonds. The funding for the retirement of the bonds is provided from the operations of the Water and Sewer operations. The balance in the Sinking Fund at June 30, 2018 is $21,556.

Liabilities payable from restricted assets:	
Current portion of bonds payable	$ 31,537
Interest payable	34,029
Total liabilities payable from restricted assets	$ 65,566

IV. SPECIAL ITEM – SALE OF CAPITAL ASSETS

During the fiscal year ended June 30, 2018, the City sold capital assets, which are transactions the City considers infrequent in occurrence. The City has reported these transactions as special items in the government-wide financial statements as required by GASB 34, paragraph 56.

The transactions consisted of the disposition of a 2010 Dodge Charger, Land on Harmony Rd, 1994 Truck, 1995 Chevrolet S-10, 2000 Ford Crown Victoria, 2003 Ford Crown Victoria, Van, 2006 Ford Crown Victoria and Jail Pods.

V. OTHER INFORMATION

A. 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, for which the City carries commercial insurance. The basis for estimating the liabilities for unpaid claims is "IBNR" established by an actuary.

The City has not compiled a record of the claims paid up to the applicable deductible for the prior or current fiscal year. The City is aware of one claim, which the City could be liable for which was outstanding and unpaid at June 30, 2018. The City has entered into a settlement agreement pending the final approval by the Court, which is resulting in a relatively small payment above the coverage amount in addition to the deductible and attorney fee. No provisions have been made in the financial statements for the year ended June 30, 2018 for any estimate of potential unpaid claims.

The City incurred a judgement of $75,000 due payable in the current year in three installments of $25,000 each. The reconciliation of the current year's activity is as follows:

Beginning balance	$ 75,000
Payments on Claims	(75,000)
Ending Balance	$ -

B. CONTINGENT LIABILITIES

Grants:

The City participates in Federal and State-assisted grant programs. These programs are subject to program compliance audits by the grantor or its representative. The amount, if any, of

expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Litigation:

The City Attorney represented that there is no pending or threatened litigation against the City, and additionally, there are no unasserted claims or assessments.

Intergovernmental Agreement:

On July 1, 2007, the City entered into an agreement with Mitchell County and The Joint Development Authority of Mitchell County and Pelham upon which the City pledged an annual sum not to exceed the equivalent of 2.5 mills of the ad valorem tax levied by Pelham on the real property within its boundaries with said payment or payments to be made only if the income generated by the operation of the Hand Trading Company Building by the JDA is not sufficient to service the debt secured by the Hand Trading Company Building property. The original amount of this note was 2 million dollars and revenues were not sufficient to make the payments for the 2018 fiscal year.

C. JOINT VENTURES

Southwest Georgia Regional Commission. The City of Pelham, in conjunction with cities and counties in the fourteen (14) county Southwest Georgia area, is a member of the Southwest Georgia Regional Commission (RC). Membership in an RC is automatic for each municipality and county in the state. The Official Code of Georgia Section 50-8-34 (Georgia Planning Act of 1989) provides for the organizational structure of the RCs. Each county and municipality in the state is required by law to pay minimum annual dues to the RC. The RC Board membership includes the chief elected official of each county and the chief elected official of each municipality. The County Board members and 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 non-public Board member from a county.

The Georgia Planning Act of 1989 (O.C.G.A. 50-8-34) defines RCs as “public agencies and instrumentalities of their members.” Georgia laws also provide that the member governments are liable for any debts or obligations of an RC beyond its resources. (O.C.G.A. 50-8-39)

Separate financial statements may be obtained: Southwest Georgia Regional Commission, P.O. Box 346, 30 West Broad Street, Camilla, Georgia 31730-0346.

D. RELATED ORGANIZATIONS

The City’s officials are also responsible for appointing the members of the boards of other organizations; however, the City’s accountability for the organizations does not extend beyond making appointments. The City Council appoints board members to the Housing Authority and the Library Board.

E. PENSION PLAN

Plan Description. The City contributes to the Georgia Municipal Employees Benefit System (GMEBS), an agent multiple employer public retirement system that acts as a common investment and administrative agent for cities, counties, authorities and agencies in the State of Georgia. The plan is also a defined benefit plan. Regular, full-time employees who work at least 30 hours per week may participate in the plan after completion of one year of continuous service. Normal retirement age is 65, provided the employee has at least 5 years of credited service. Early retirement is permitted between ages 55 and 65 provided the employee has at least 10 years of credited service. City employees who retire at or after normal retirement age with ten years of credited service are entitled to an annual retirement benefit payable for life. The monthly benefit is determined by first calculating the employee's average monthly earnings from the consecutive 5-year period prior to retirement in which earnings are the highest. The sum of 1% of the average monthly earnings which are less than or equal to the amount for covered compensation for the employee's year of birth and 1.75% of average monthly earnings in excess of the covered compensation is multiplied by the number of years of credited service at retirement age to calculate the dollar value of the monthly retirement benefit.

Also, the pension plan provides for death benefits and disability benefits. These benefit provisions and all other requirements are established by state statute and City ordinance obligations to contribute are established by Council resolutions; amendments to the plan must also be authorized by resolution of the Council. Employees are not required to contribute to the plan. The Georgia Municipal Benefits System issues a publicly available financial report, which may be obtained by contacting The Burgess Building in Atlanta, Georgia.

The funding policy for the plan is to contribute an amount equal to the recommended contribution each year. The recommended contribution meets the guidelines for calculating an annual required contribution set forth in Paragraphs 9-10 of Statement No. 27. These contributions are determined under the entry age normal actuarial cost method and the asset valuation method for developing the actuarial value of assets. The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 1981 and current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods, if applicable, are closed for this plan year.

Net Investment Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The difference between the resulting rate and the rate on the ongoing basis is a margin for adverse deviation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of March 31, 2017 (see the discussion of the pension plan's investment policy) are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	45.00%	6.71%
International equity	20.00%	7.71%
Real estate	10.00%	5.21%
Global fixed income	5.00%	3.36%
Domestic fixed income	20.00%	2.11%
Cash	0.00%	
Total	100.00%	

Rate of Return: 7.50% On-going basis, based on long-term expected rate of return on pension plan investments.

Significant actuarial assumptions. The total pension liability was determined by an actuarial valuation as of January 1, 2018, using the following actuarial assumptions, applied to all prior periods included in the measurement:

The significant actuarial assumptions used in the current valuation, as of January 1, 2018 are:

Net Investment Rate of Return	7.50 % per year
Projected Salary Increases	2.75 % plus service based merit increases
Cost of living adjustment	2.75%

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females. The RP-2000 mortality tables were determined to contain sufficient provision appropriate to reasonable 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.

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Net Pension Liability. The components of the net pension liability of participating entities were as follows:

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at September 30, 2016 *	$ 3,783,826	$ 2,825,400	$ 958,426
Changes for the year:			
Service Cost	52,377	-	52,377
Interest	284,104	-	284,104
Difference Between expected and actual expenses	125,419	-	125,419
Employer Contributions	-	169,966	(169,966)
Employee Contributions	-	-	-
Net Investment Income	-	421,651	(421,651)
Benefit Payments	(235,935)	(235,935)	-
Administrative Expense	-	(15,856)	15,856
Other Changes	(80,703)	-	(80,703)
Net Changes	145,262	339,826	(194,564)
Balances at September 30, 2017 **	$ 3,929,088	$ 3,165,226	$ 763,862

*Entry Age Normal liabilities calculated using ages and service amounts as of January 1, 2017 are used to measure TPL as of September 30, 2016. The balances as of September 30, 2016 constitute measurements of the NPL for the fiscal year ending June 30, 2017.

**Entry Age Normal liabilities calculated using ages and service amounts as of January 1, 2018 are used to measure TPL as of September 30, 2017. The balances as of September 30, 2017 constitute measurements of the NPL for the fiscal year ending June 30, 2018.

Discount Rate. The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on 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 7.50%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

Sensitivity of the Net Pension Liability to Changes in the Discount Rate	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
	$ 1,252,710	$ 763,862	$ 355,747

Pension Expense and Deferred Outflows of Resources and Deferred Inflow of Resources Related to Pensions

Pension expense for the year ended June 30, 2018

Service Cost	$	52,377
Interest on TPL		284,104
Employee contributions		-
Administrative cost		15,856
Expected return on assets		(215,798)
Expensed portion of current year period differences between expected and actual expenrience in TPL		31,354
Expensed portion of current year period assumption change		(20,175)
Current year plan changes		-
Expensed portion of current year period differences between projected and actual investment earnings		(41,169)
Current year recognition of deferred inflows and outflows established in prior years		(354,209)
Total expense	$	(247,660)

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

Projected recognition of deferred outflows/(inflows)

	Year Established	Outstanding Balance at July 1, 2017	Amount Recognized During FYE June 30, 2018	Outstanding Balance at June 30, 2018
Fiscal Year Outflows				
Investment	2016	$ 101,025	$ 33,675	$ 67,350
Demographic	2017	58,755	19,585	39,170
Demographic	2018	125,419	31,354	94,065
Total Outflows		$ 285,199	$ 84,614	$ 200,585
Fiscal Year Inflows				
Demographic	2015	$ (46,943)	$ (46,943)	$ -
Investment	2015	(41,226)	(20,613)	(20,613)
Change	2015	(232,508)	(232,508)	-
Demographic	2016	(89,565)	(89,565)	-
Investment	2017	(71,360)	(17,840)	(53,520)
Investment	2018	(205,853)	(41,169)	(164,684)
Change	2018	(80,703)	(20,175)	(60,528)
Total Inflows		$ (768,158)	$ (468,813)	$ (299,345)

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Deferred Outflows/(Inflows) Recognized in Future Years

	2019	2020	2021	2022	2023
Fiscal Year Outflows					
Investment	$ 33,675	$ 33,675	$ -	$ -	$ -
Demographic	19,585	19,585	-	-	-
Demographic	31,355	31,355	31,355	-	-
Total Outflows	$ 84,615	$ 84,615	$ 31,355	$ -	$ -
Fiscal Year Inflows					
Demographic	$ -	$ -	$ -	$ -	$ -
Investment	(20,613)	-	-	-	-
Assumption Change	-	-	-	-	-
Demographic	-	-	-	-	-
Investment	(17,840)	(17,840)	(17,840)	-	-
Investment	(41,171)	(41,171)	(41,171)	(41,171)	-
Assumption Change	(20,176)	(20,176)	(20,176)	-	-
Total Inflows	$ (99,800)	$ (79,187)	$ (79,187)	$ (41,171)	$ -

The following chart shows historical funding information on the basis used for determining contribution requirements. This funding information is based on the actuarial value of assets and the actuarial accrued liability, which includes projected increases in salaries not reflected on the previous measurements of funding status. If the chart were based on the market value of assets instead of the actuarial value of assets, the funded ratios would differ.

Funding History

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/(Surplus) AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll* [(b) - (a)] / (c)
3/1/2009	$ 2,336,934	$ 3,203,776	$ 866,842	72.94%	$ 1,262,370	68.67%
1/1/2010	2,936,641	3,044,428	107,787	96.46%	1,309,991	8.23%
1/1/2011	2,999,550	3,305,975	306,425	90.73%	1,422,615	21.54%
1/1/2012	2,849,749	3,454,230	604,481	82.50%	1,384,487	43.66%
1/1/2013	2,844,847	3,568,311	723,464	79.73%	1,282,033	56.43%
1/1/2014	2,958,336	3,675,520	717,184	80.49%	1,165,752	61.52%
1/1/2015	2,939,206	3,509,569	570,363	83.75%	1,252,459	45.54%
1/1/2016	2,902,541	3,328,935	426,394	87.19%	731,207	58.31%
1/1/2017	3,017,875	3,471,175	453,300	86.94%	871,718	52.00%
1/1/2018	3,166,610	3,594,514	427,904	88.10%	1,075,865	39.77%

** Not less than zero*

Table of Plan Coverage as of Valuation Date

	For Valuation as of		
Category	**January 1, 2018**	**January 1, 2017**	**Change From Prior Year**
Active participants in valuation			
Number of employees	34	28	21.4%
Number of elected officials	8	5	60.0%
Average age	47.3	45.1	N/A
Average service	8.4	9.7	N/A
Total valuation payroll	$ 1,075,865	$ 871,718	23.4%
Average valuation payroll	31,643	31,133	1.6%
Account balances	N/A	N/A	N/A
Total active vested participants	18	15	20.0%
Vested terminated participants	20	19	5.3%
Retired participants			
Number in pay status	35	34	2.9%
Average age	74.5	73.9	N/A
Average monthly benefit	$ 469	$ 458	2.4%
Disabled participants			
Number in pay status	1	2	-50.0%
Average age	58.0	59.0	N/A
Average monthly benefit	$ 283	$ 364	-22.3%
Beneficiaries	9	9	0.0%

Participant Population: 2009-2018

Year Ended	Active Participants	Vested Terminated Participants	Retired Participants and Beneficiaries	Ratio of Non-Actives to Actives
03/01/2009	55	16	39	1.00
01/01/2010	57	15	41	0.98
01/01/2011	63	14	40	0.86
01/01/2012	62	14	42	0.90
01/01/2013	60	14	43	0.95
01/01/2014	51	13	46	1.16
01/01/2015	45	15	45	1.33
01/01/2016	49	16	43	1.20
01/01'2017	29	18	42	2.07
01/01/2018	33	19	45	1.94

F. HOTEL/MOTEL LODGING TAX

The City of Pelham has levied a 5% lodging tax. A summary of the transactions for the year ending June 30, 2018 follows:

Lodging tax receipts	$ 14,321
Disbursement to promote tourism and economic development.	(5,728)
Disbursement for other purposes	(8,593)
Balance of lodging tax funds on hand at end of the year	$ -

The city expended 40% of these taxes received during the year to promote tourism and economic development within the city. The other 60% was used for other purposes.

G. FUND EQUITY

Fund Balances:

- ***Unassigned*** – The following fund balances are unassigned:

General Fund	
Fund Balance	$ 399,280
Total	$ 399,280

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VI. COMPONENT UNIT-JOINT DEVELOPMENT AUTHORITY OF MITCHELL COUNTY AND PELHAM

A. REPORTING ENTITY

The Joint Development Authority of Mitchell County and Pelham was established by the Mitchell County Board of Commissioner and Mayor and City Council of Pelham on June 18, 2007. The Authority has five members: three of such members shall be appointed by the Mayor and City Council of the City of Pelham, and two of such members shall be appointed by the Board of Commissioners of Mitchell County to serve a three-year staggered term. Although, this unit is a legally separate entity, it is important because the city has a significant financial interest in this unit. The JDA is fiscal year is December 31.

The Authority is presented in the City's financial statements as a discretely presented component unit. Financial statements may be obtained at the offices of the City of Pelham, Georgia.

B. CAPITAL ASSETS

Governmental activities:	Balance	Increase	Decrease	Balance
Capital assets, being depreciated				
Buildings & Building Improvements	$ 2,987,731	$ -	$ -	$ 2,987,731
Machinery and equipment	13,775	-	-	13,775
Total captial assets, being depreciated	3,001,506	-	-	3,001,506
Less accumulated depreciation for				
Buildings & Building Improvements	(742,638)	(134,317)	-	(876,955)
Machinery and equipment	(5,902)	(1,378)	-	(7,280)
Total accumulated depreciation	(748,540)	(135,695)	-	(884,235)
Total capital assets, being depreciated, net	2,252,966	(135,695)	-	2,117,271
Governmental activities capital assets, net	$ 2,252,966	$ (135,695)	$ -	$ 2,117,271

Buildings are depreciated over 40 years.

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C. LONG-TERM DEBT

The Authority established a note November 21, 2007 with Pelham Banking Company for $2,200,000 bearing interest at 6.0%. The debt was used to fund the renovation improvements on the Hand Trading Co building. The Authority is to make 46 semi-annual payments of $89,427 due beginning December 2007. At December 31, 2017 the balance of the note outstanding was $1,552,214.

The Authority established a note December 1, 2007 with One Georgia for $500,000 bearing interest at 0%. The debt was used to fund the renovation improvements on the Hand Trading Co building. The Authority is to make 80 quarterly payments of $6,414 due beginning December 2007. This note was modified on August 22, 2012.

The Authority modified a note on August 22, 2012 with One Georgia for $461,842 bearing interest at 0%. The Authority is to make 112 quarterly payments of $4,124 due beginning October 1, 2013. At December 31, 2017, the balance of the note outstanding was $369,200.

The Authority established a note November 2007 with The City of Pelham, GA for $235,000. The debt was used to fund the renovation improvements on the Hand Trading Co building. The Authority is to make 46 semi-annual payments of $89,427 due beginning December 2007. At December 31, 2017, the balance of the note outstanding was $235,000.

Notes payable debt service requirements to maturity are as follows:

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2017 are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Component Unit					
Pelham Banking Company	$ 1,632,929	$ -	$ (80,715)	$ 1,552,214	$ 85,720
One Georgia	386,000	-	(16,800)	369,200	16,495
City of Pelham, Georgia	235,000	-	-	235,000	-
Total long-term liabilties-Governmental Activities	$ 2,253,929	$ -	$ (97,515)	$ 2,156,414	$ 102,215

Year Ending June 30,	Principal	Interest
2018	$ 337,213	$ 93,133
2019	107,358	87,990
2020	112,810	82,538
2021	118,589	76,759
2022	124,715	70,633
2023-2027	729,122	247,616
2028-2032	504,822	46,574
2033-2037	82,472	-
2038-2040	39,313	-
	$ 2,156,414	$ 705,243

Required Supplementary Information

City of Pelham, Georgia
Budgetary Basis Comparision Schedule
General Fund
For the Fiscal Year Ended June 30, 2018

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
REVENUES				
Taxes				
Property	$ 866,500	$ 879,000	$ 879,067	$ 67
Franchise	191,750	191,865	191,869	4
Alcoholic Beverage	100,000	111,900	111,938	38
Insurance Premium	224,000	259,000	259,065	65
Intangible	3,000	4,200	4,273	73
Financial Institution	13,500	11,450	11,452	2
Sales and Miscellaneous Taxes	-	23,800	23,887	87
Fees and Fines	600,000	663,500	663,588	88
Licenses and Permits	58,500	63,000	63,004	4
Intergovernmental	-	174,600	174,652	52
Charges for Services	540,000	530,025	530,039	14
Contributions & Donations from Private Sources	-	17,800	17,857	57
Miscellaneous	130,800	235,100	235,112	12
TOTAL REVENUES	2,728,050	3,165,240	3,165,803	563
EXPENDITURES				
General Government				
Legislative	57,988	66,513	66,510	3
Financial	763,680	1,027,410	1,027,407	3
Buildings	-	45,575	45,570	5
Total General Government	821,668	1,139,498	1,139,487	11
Public Safety				
Police	1,041,375	1,356,360	1,356,355	5
Fire	358,940	454,450	454,442	8
Total Public Safety	1,400,315	1,810,810	1,810,797	13
Public Works				
Highway and Streets	604,760	675,460	675,451	9
Solid Waste Collection	320,000	391,420	391,413	7
Maintenance and Shop	-	22,975	22,970	5
Total Public Works	924,760	1,089,855	1,089,834	21
Culture and Recreation				
Recreation	-	141,725	141,720	5
Parks	-	12,000	12,000	-
Total Culture and Recreation	-	153,725	153,720	5
Housing and Development				
Code Enforcement	-	7,450	7,442	8
Economic Development and Assistance	-	51,310	51,306	4
Total Housing and Development	-	58,760	58,748	12
TOTAL EXPENDITURES - ALL DEPARTMENTS	3,146,743	4,252,648	4,252,586	62
Net Excess before Transfers	(418,693)	(1,087,408)	(1,086,783)	625
OTHER FINANCING SOURCES (USES)				
Proceeds from capital leases	-	211,690	211,695	5
Proceeds from debt issuance	-	25,560	25,562	2
Transfers In	-	701,620	701,625	5
Transfers (Out)	-	(12,760)	(12,755)	5
TOTAL OTHER FINANCING SOURCES (USES)	-	926,110	926,127	17
SPECIAL ITEMS				
Proceeds from sale of capital assets	-	337,689	337,689	-
Total Special Items'	-	337,689	337,689	-
Net Excess (Deficit)	(418,693)	176,391	177,033	642
Fund balances - beginning of the year (GAAP basis)	248,263	248,263	248,263	-
Fund balances - end of the year (budgetary basis)	$ (170,430)	$ 424,654	425,296	$ 642
Adjustment for basis differences			(26,016)	
Fund balances - end of the year GAAP Basis			$ 399,280	

Note A - Explanation of Differences between Revenues, Expenditures and Other Financing Sources (Uses) for Budgetary Funds on a Budgetary Basis and GAAP General Fund on a GAAP Basis

Financial Statements General Fund:	General Fund
Revenues	
Actual amounts (budgetary basis) "revenues" from the budgetary comparison schedule	$ 3,165,803
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances-general fund	$ 3,165,803
Expenditures	
Actual amounts (budgetary basis) "expenditures" from the budgetary comparison schedules	$ 4,252,586
Adjustments:	
The City budgets for expenditures on the cash plus 30 days basis of accounting rather than all accounts payables that would be recognized using the modified accrual basis of accounting.	10,182
The county budgets for salaries when paid rather than accruing amounts owed. (retirement)	15,834
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances-general fund	$ 4,278,602
Other financing sources	
Actual amounts (budgetary basis) "other financing sources and uses" from the budgetary comparison schedule	$ 926,127
Total other financing sources and uses as reported on the statement of revenues, expenditures, and changes in fund balance - general fund.	$ 926,127

City of Pelham, Georgia
Required Supplementary Information - Pension Plan
June 30, 2018

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

	2018	2017	2016	2015
Service cost	$ 52,377	$ 43,686	$ 93,496	$ 112,780
Interest	284,104	271,475	280,881	288,316
Differerences between expected and actual experience	125,419	78,341	(268,694)	(187,773)
Changes of assumption	(80,703)	-	-	(930,031)
Changes in benefit terms	-	-	-	(70,126)
Benefit payments, including refunds of employee contributions	(235,935)	(225,164)	(228,938)	(234,396)
Net change in total pension liability	145,262	168,338	(123,255)	(1,021,230)
Total Pension Liability as of beginning	3,783,826	3,615,488	3,738,743	4,759,973
Total Pension Liability as of ending (a)	$ 3,929,088	$ 3,783,826	$ 3,615,488	$ 3,738,743
Employer contributions	$ 169,966	$ 150,000	$ 15,800	$ 18,974
Net investment income	421,651	289,059	40,345	305,522
Benefit payments, including refunds of employer contributions	(235,935)	(225,164)	(228,938)	(234,396)
Administrative expense	(15,856)	(9,772)	(11,364)	(9,403)
Other	-	-	-	-
Net Change in fiduciary net position	339,826	204,123	(184,157)	80,697
Plan fiduciary net position - beginning	2,825,400	2,621,277	2,805,434	2,724,737
Plan fiduciary net position - ending (b)	3,165,226	2,825,400	2,621,277	2,805,434
Net Pension Liability - ending: (a)-(b)	$ 763,862	$ 958,426	$ 994,211	$ 933,309
Plan's fiduciary net position as a percentage of the total pension liability	80.56%	74.67%	72.50%	75.04%
Covered-employee payroll	$ 1,075,865	$ 871,718	$ 731,207	$ 1,252,459
Net pension liability as a percentage of covered-employee payroll	71.0%	110.0%	136.0%	74.5%

Note: This schedule will present 10 year of information once the data is available.

City of Pelham, Georgia
Required Supplementary Information - Pension Plan
June 30, 2018

SCHEDULE OF CONTRIBUTIONS

	2018	2017	2016	2015
Actuarially determined contribution	--*	$ 134,235	$ 183,915	$ 195,053
Contributions in relation to the actuarially determined contribution	--*	135,235	** 150,000	15,800
Contribution deficiency (excess)	--*	-	33,915	179,253
Covered-employee payroll	--*	871,718	*** 731,207	1,252,459
Contributions as a percentage of covered-employee payroll	--*	15.40%	20.51%	1.26%

* 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 date collected as of August 31, 2016 for the 2017 actuarial valuation.

City of Pelham, Georgia
Required Supplementary Information - Pension Plan
June 30, 2018

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 determined contribution rate will be reported for the fiscal year ending June 30, 2019.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Closed level dollar for remaining unfunded liability
Remaining Amortization Period	Remaining amortization period varies for the bases, with a net effective amortization period of 10 years
Asset Valuation Method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at 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	2.75%
Retirement Age	
age 65-69	60%
70 and over	100%
Mortality	RP-2000-Combined

Supplementary Information

Combining Fund Statements and Schedules

City of Pelham, Georgia
Non-Major Special Revenue Funds
Combining Balance Sheet
June 30, 2018

	Hotel/Motel Tax Fund	Totals
ASSETS		
Intergovernmental receivable	$ -	$ -
Notes receivable	-	-
TOTAL ASSETS	$ -	$ -
LIABILITIES AND FUND BALANCE		
Deferred revenue	$ -	$ -
TOTAL LIABILITIES	-	-
FUND BALANCES		
Restricted for:		
Community Development Projects	-	-
TOTAL LIABILITES AND FUND BALANCE	$ -	$ -

City of Pelham, Georgia
Non-Major Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2018

	Hotel/Motel Tax Fund	Totals
REVENUES		
Hotel/Motel Tax	$ 14,321	$ 14,321
TOTAL REVENUES	14,321	14,321
EXPENDITURES		
Capital Outlay		
Housing and Development	14,321	14,321
TOTAL EXPENDITURES	14,321	14,321
Excess (Deficiency) of revenues over Expenditures before transfers	-	-
Net Change in Fund Balance	-	-
Fund Balance - Beginning of Year	-	-
Fund Balance - End of Year	$ -	$ -

City of Pelham, Georgia
Budgetary Comparision Schedule
Hotel/Motel - Non-Major Special Revenue Fund
For the Fiscal Year Ended June 30, 2018

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget- Positive (Negative)
REVENUES				
Hotel/Motel Tax	$ 13,500	$ 13,500	$ 14,321	$ 821
TOTAL REVENUES	13,500	13,500	14,321	821
EXPENDITURES				
Housing and Development				
Economic Development and Assistance	20,000	20,000	14,321	5,679
Total Housing and Development	20,000	20,000	14,321	5,679
TOTAL EXPENDITURES - ALL DEPARTMENTS	20,000	20,000	14,321	5,679
Net Excess	$ (6,500)	$ (6,500)	$ -	$ 6,500

State Reporting Requirements

City of Pelham, Georgia
Schedule of Special Purpose
Local Option Sales Tax
June 30, 2018

Project	Original Estimated Cost	Current Estimated Cost	Prior Year	Current Year	Total	Estimated Percentage Of Completion
2012						
Hand Trading Co Building	$ 70,000	$ 313,219	$ 262,219	$ 51,000	$ 313,219	100.00%
General Obligation Debt incurred with the sanitary sewer rehabiliation, sanitary sewer improvements, construction of a mental health facility and the purchase of a fire truck.	1,246,000	841,634	802,162	39,472	841,634	100.00%
Sewer Improvements	454,357	343,791	291,012	52,779	343,791	100.00%
Roads & Bridges	636,000	640,182	520,256	119,926	640,182	100.00%
TOTAL	$ 2,406,357	$ 2,138,826	$ 1,875,649	$ 263,177	$ 2,138,826	100.00%

City of Pelham, Georgia
Schedule of Special Purpose
Local Option Sales Tax
June 30, 2018

Project	Original Estimated Cost	Current Estimated Cost	Prior Year	Current Year	Total	Estimated Percentage Of Completion
2018						
Park & Recreational facilities construction and/or improvements	$ 154,000	$ 154,000	$ -	$ -	$ -	0.00%
Police vehicles and/or equipment	140,000	140,000	-	-	-	0.00%
Public Works and Water/Gas/Sewer vehicles and/or equipment	60,000	60,000	-	-	-	0.00%
Water & Sanitations Systems construction and/or improvements	120,000	120,000	-	-	-	0.00%
Retirement of general obligation debt for water and sewer improvements and Hand Trading Company Building	1,476,000	1,476,000	-	-	-	0.00%
Construction, maintenance, and improvement of city roads, streets, and bridges	382,030	382,030	-	-	-	0.00%
TOTAL	$ 2,332,030	$ 2,332,030	$ -	$ -	$ -	0.00%

City of Pelham, Georgia
Community Development Block Grant
Source and Application of Funds Schedule
June 30, 2018

	Grant #15p-x-101-2-5873
Total Program Year 2018 funds allocated to recipient	$ 500,000
Less: Total Program Year 2017 funds drawn down by recipient	(13,000)
Less: Total Program Year 2018 funds drawn down by recipient	(48,247)
Funds still available from Program Year 2018 Resources	$ 438,753
Total Program Year 2018 funds held at beginning of year	$ -
Total Program Year 2017 funds drawn down and received by recipient	13,000
Total Program Year 2018 funds drawn down and received by recipient	48,247
Less: Funds applied and expended to Program Year 2017 costs	(13,000)
Less: Funds applied and expended to Program Year 2018 costs	(48,247)
TOTAL PROGRAM YEAR 2018 FUNDS HELD BY RECIPIENT	$ -

City of Pelham, Georgia
Community Development Block Grant
Budget to Actual Funds Schedule
June 30, 2018

		Grant #15p-x-101-2-5873				
	Activity Number	Latest Approved Budget CDBG Funds	Current Period Expenditures	Prior Period Expenditures	Grand Total Expenditures to Date	Questioned Costs
	P-03J-02	$ 470,000	$ 39,247	$ -	$ 39,247	$ -
	A-21A-00	30,000	9,000	13,000	22,000	-
TOTAL		$ 500,000	$ 48,247	$ 13,000	$ 61,247	$ -

City of Pelham, Georgia
Community Development Block Grant
Source and Application of Funds Schedule
June 30, 2018

	Grant #17h-x-101-2-5951
Total Program Year 2018 funds allocated to recipient	$ 725,773
Less: Total Program Year 2018 funds drawn down by recipient	(7,500)
Funds still available from Program Year 2018 Resources	$ 718,273
Total Program Year 2018 funds held at beginning of year	$ -
Total Program Year 2018 funds drawn down and received by recipient	7,500
Less: Funds applied and expended to Program Year 2018 costs	(7,000)
TOTAL PROGRAM YEAR 2018 FUNDS HELD BY RECIPIENT	$ 500

City of Pelham, Georgia
Community Development Block Grant
Budget to Actual Funds Schedule
June 30, 2018

		Grant #17h-x-101-2-5951				
	Activity Number	Latest Approved Budget CDBG Funds	Current Period Expenditures	Prior Period Expenditures	Grand Total Expenditures to Date	Questioned Costs
	H-001-01	$ 8,000	$ -	$ -	$ -	$ -
	H-004-00	8,170	-	-	-	-
	H-14A-01	276,691	-	-	-	-
	H-14A-02	337,137	-	-	-	-
	C-022-00	45,000	-	-	-	-
	A-21A-00	50,775	7,000	-	7,000	-
TOTAL		$ 725,773	$ 7,000	$ -	$ 7,000	$ -

Governmental Auditing Standards Requirements

Perry L. Henry, LLC

Certified Public Accountant and Consultant

Perry L. Henry, CPA, CGFM, CFS

Members

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Georgia Society of Certified Public Accountants

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

Honorable Mayor and Members of
the City Council
City of Pelham, Georgia

We have audited, in accordance with audit 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 aggregate business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Pelham, Georgia as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Colquitt's basic financial statements, and have issued our report dated thereon February 21, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Pelham, 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 Pelham, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Pelham, 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, 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as item 2012-1 and 2018-1 that we consider to be a significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Pelham, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

City of Pelham's Response to Findings

City of Pelham, Georgia's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses*. The* City of Pelham, 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.

Perry L. Henry, LLC

Perry L. Henry, LLC
Bainbridge, Georgia
February 21, 2019

2012-1

Condition: The City does not have adequate separation of duties in various functions of the City.

Criteria: Internal control is a process designed to provide reasonable assurance about your objectives with regard to reliability of:

(1) financial reporting,
(2) effectiveness and efficiency of operations, and
(3) Compliance with applicable laws and regulations.

Cause: There is an insufficient number of staff to properly segregate functions of all transaction cycles.

Effect: The City will be exposed to increased risk that the financial statements could be materially misstated whether by error or intentionally and not be detected in a timely manner.

Recommendation: The City should monitor the control environment and continue to strengthen controls where cost effective.

Management's Response: Management agrees. A corrective action plan will be issued under a separate cover.

2018-1

Condition:

Audit work revealed that several bank accounts were not properly reconciled in a timely manner.

Criteria:

All bank accounts should be reconciled correctly every month.

Cause:

Unknown but software conversion was likely a contributing factor.

Effect:

A material error or misappropriation of assets could go undetected in a timely basis.

Recommendation:

Bank reconciliations specifically including “other adjustments” should be carefully monitored to verify they are correct and ultimately clear the bank.

Management’s Response:

Management agrees and needed changes will be implements before the 2019 year-end.