CITY OF WARRENTON, GEORGIA

ANNUAL FINANCIAL REPORT

YEAR ENDED DECEMBER 31, 2018

CITY OF WARRENTON, GEORGIA
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2018

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council
City of Warrenton, Georgia

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

(Continued)

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of the City as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual (Budgetary Basis)-General Fund, Schedule of Changes in Net Pension Liability (Asset) and Related Ratios – Retirement Plan, and the Schedule of Contributions – Retirement Plan, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements, Schedule of Community Development Block Grant Project Costs and Source and Application of Funds (Cash Basis), Schedule of USDA Loan/Grant Project Costs and Source and Application of Funds (Cash Basis), and Schedule of Special Purpose Local Option Sales Tax are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, Schedule of Community Development Block Grant Project Costs and Source and Application of Funds (Cash Basis), Schedule of USDA Loan/Grant Project Costs and Source and Application of Funds (Cash Basis), and Schedule of Special Purpose Local Option Sales Tax 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 fund financial statements, Schedule of Community Development Block Grant Project Costs and Source and Application of Funds (Cash Basis), Schedule of USDA Loan/Grant Project Costs and Source and Application of Funds (Cash Basis), and Schedule of Special Purpose Local Option Sales Tax are fairly stated in all material respects in relation to the basic financial statements as a whole.

(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2019 on our consideration of the City of Warrenton, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Barmore Hammond, LLP
Certified Public Accountants

Thomson, Georgia
June 28, 2019

BASIC FINANCIAL STATEMENTS

CITY OF WARRENTON, GEORGIA
STATEMENT OF NET POSITION
DECEMBER 31, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 1,530,735	$ 393,586	$ 1,924,321
Restricted cash and cash equivalents	-	276,246	276,246
Receivables			
Taxes-net	437,129	-	437,129
Accounts-net	17,740	163,194	180,934
Intergovernmental	152,708	-	152,708
Inventory	80,888	-	80,888
Internal balances	595,340	(595,340)	-
Net pension asset	199,147	-	199,147
Capital assets			
Land and other nondepreciable assets	1,271,500	6,640	1,278,140
Depreciable assets, net of accumulated depreciation	1,119,983	16,972,696	18,092,679
Total assets	5,405,170	17,217,022	22,622,192
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension plan	51,893	-	51,893
LIABILITIES			
Accounts payable	161,459	26,505	187,964
Accrued liabilites	3,168	10,517	13,685
Intergovernmental payables	42,787	-	42,787
Customer deposits	-	86,910	86,910
Noncurrent liabilities			
Due within one year	11,182	191,295	202,477
Due in more than one year	-	6,334,171	6,334,171
Total liabilities	218,596	6,649,398	6,867,994
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension plan	49,780	-	49,780
NET POSITION			
Net investment in capital assets	2,245,965	10,453,870	12,699,835
Restricted for:			
General governmnet	213,007	-	213,007
Public works	615,440	-	615,440
Pension benefits	201,260	-	201,260
Debt service	-	276,246	276,246
Unrestricted	1,913,015	(162,492)	1,750,523
Total net position	$ 5,188,687	$ 10,567,624	$ 15,756,311

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

CITY OF WARRENTON, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net Revenue (Expenses) and Changes in Net Position: Primary Government: Governmental Activities	Net Revenue (Expenses) and Changes in Net Position: Primary Government: Business-type Activities	Net Revenue (Expenses) and Changes in Net Position: Primary Government: Total
Primary government							
Governmental activities:							
General government	$ 370,853	$ 35,232	$ 43,586	$ 28,628	$ (263,407)	$ -	$ (263,407)
Public safety	516,072	301,591	-	-	(214,481)	-	(214,481)
Public works	325,124	142,968	-	711,138	528,982	-	528,982
Culture and recreation	64,642	-	-	-	(64,642)	-	(64,642)
Interest on long-term debt	575	-	-	-	(575)	-	(575)
Total governmental activities	1,277,266	479,791	43,586	739,766	(14,123)	-	(14,123)
Business-type activities							
Water Sewer Fund	1,413,250	974,356	-	-	-	(438,894)	(438,894)
Total primary government	$ 2,690,516	$ 1,454,147	$ 43,586	$ 739,766	(14,123)	(438,894)	(453,017)
General revenues							
Property taxes					341,699	-	341,699
Motor vehicle taxes					13,717	-	13,717
Motor vehicle title advalorem taxes					39,657	-	39,657
Mobile home taxes					6,030	-	6,030
Sales taxes					233,749	-	233,749
Franchise taxes					95,458	-	95,458
Insurance premium tax					138,834	-	138,834
Alcoholic beverage taxes					35,020	-	35,020
Intangible taxes					858	-	858
Transfer taxes					631	-	631
Payment in lieu of taxes					10,898	-	10,898
Railroad equipment taxes					1,059	-	1,059
Interest income					4	449	453
Other revenues					22,247	-	22,247
Gain on disposition of assets					-	83,010	83,010
Transfers					(3,446,496)	3,446,496	-
Total general revenues and transfers					(2,506,635)	3,529,955	1,023,320
Change in net position					(2,520,758)	3,091,061	570,303
Net position, beginning of year (as originally reported)					7,801,116	7,476,563	15,277,679
Prior period adjustment					(91,671)	-	(91,671)
Net position, beginning of year (as restated)					7,709,445	7,476,563	15,186,008
Net position, end of year					$ 5,188,687	$ 10,567,624	$ 15,756,311

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

CITY OF WARRENTON, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	General Fund	CDBG Capital Project Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 857,146	$ 80	$ 673,509	$ 1,530,735
Receivables (net of allowance for uncollectibles)				
Taxes	437,129	-	-	437,129
Accounts	17,740	-	-	17,740
Intergovernmental receivables	21,582	73,919	57,207	152,708
Interfund receivables	594,797	-	16,346	611,143
Inventory	80,888	-	-	80,888
Total assets	$ 2,009,282	$ 73,999	$ 747,062	$ 2,830,343
LIABILITIES				
Accounts payable	$ 50,312	$ 107,720	$ 3,427	$ 161,459
Accrued liabilities	3,168	-	-	3,168
Intergovernmental payables	42,787	-	-	42,787
Interfund payables	-	-	15,803	15,803
Total liabilities	96,267	107,720	19,230	223,217
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	100,666	-	-	100,666
FUND BALANCES				
Nonspendable:				
Inventory	80,888	-	-	80,888
Restricted for:				
General government	-	-	213,007	213,007
Public works	-	-	514,825	514,825
Unassigned	1,731,461	(33,721)	-	1,697,740
Total fund balances	1,812,349	(33,721)	727,832	2,506,460
Total liabilities, deferred inflows of resources, and fund balances	$ 2,009,282	$ 73,999	$ 747,062	$ 2,830,343

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

CITY OF WARRENTON, GEORGIA
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2018

Total fund balances - governmental funds	$ 2,506,460
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. These assets consist of:	
Land	728,000
Buildings and improvements	954,869
Machinery and equipment	754,436
Vehicles	473,339
Infrastructure	675,932
Construction in progress	543,500
Accumulated depreciation	(1,738,593)
Total capital assets, net of accumulated depreciation-governmental activities	2,391,483
Some assets are not financial resources and, therefore, are not reported as assets in the governmental funds. These assets consist of:	
Net pension asset	199,147
Deferred outflows of resources are not current assets or financial resources and, therefore, are not reported in the funds. Deferred outflows of resources consist of:	
Deferred outflows related to pension plan	51,893
Some revenues will be collected after year end but are not available soon enough to pay for the current period's expenditures and, therefore, are unavialable in the funds. These revenues consist of:	
Property taxes	100,666
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities consist of:	
Long-term debt	(11,182)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds. Deferred inflows of resources consist of:	
Deferred inflows related to pension plan	(49,780)
Net position of governmental activities	$ 5,188,687

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

CITY OF WARRENTON, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	General Fund	CDBG Capital Project Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	$ 1,040,858	$ -	$ 49,556	$ 1,090,414
Licenses and permits	13,908	-	-	13,908
Intergovernmental	55,545	502,924	236,842	795,311
Charges for services	142,968	-	-	142,968
Fines and forfeitures	301,591	-	-	301,591
Interest income	4	-	-	4
Rents	21,324	-	-	21,324
Other	22,246	-	-	22,246
Total revenues	1,598,444	502,924	286,398	2,387,766
EXPENDITURES				
Current				
General government	337,173	-	1,950	339,123
Public safety	519,107	-	-	519,107
Public works	341,297	-	-	341,297
Culture and recreation	82,880	-	-	82,880
Debt service				
Principal	8,524	-	5,998	14,522
Interest	282	-	293	575
Capital outlay				
General government	-	-	32,883	32,883
Public safety	-	-	8,587	8,587
Public works	-	536,725	146,201	682,926
Total expenditures	1,289,263	536,725	195,912	2,021,900
Excess (deficiency) of revenues over expenditures	309,181	(33,801)	90,486	365,866
OTHER FINANCING USES				
Transfers out	-	-	(28,786)	(28,786)
Total other financing uses	-	-	(28,786)	(28,786)
NET CHANGE IN FUND BALANCES	309,181	(33,801)	61,700	337,080
FUND BALANCES, BEGINNING OF YEAR	1,503,168	80	666,132	2,169,380
FUND BALANCES, END OF YEAR	$ 1,812,349	$ (33,721)	$ 727,832	$ 2,506,460

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

CITY OF WARRENTON, GEORGIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2018

Net change in fund balances - total governmental funds	$ 337,080
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlay are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. For the current year, these amounts were:	
Capital outlays	788,849
Depreciation expense	(49,540)
Capital assets funded through USDA capital project transferred to Water Sewer Fund	(3,417,710)
Excess of depreciation expense and transfers over capital outlays	(2,678,401)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. Changes in these amounts are as follows:	
Unearned revenues decreased by this amount in 2018.	(184,761)
Net change in revenues not providing current financial resources	(184,761)
The issuance of long-term debt (e.g., notes payable, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Transactions related to long-term debt during the year were as follows:	
Principal payments on long-term debt	14,522
Net change in long-term debt	14,522
Some expense reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Net pension asset, deferred inflows and outflows related to pension decreased by this in 2018.	(9,198)
Net change in expenses not requiring the use of current financial resources	(9,198)
Change in net position of governmental activities	$ (2,520,758)

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

CITY OF WARRENTON, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2018

	Business-type Activities-Enterprise Fund Water Sewer Fund
ASSETS	
Current assets	
Cash and cash equivalents	$ 393,586
Accounts receivable-net	163,194
Total current assets	556,780
Noncurrent assets	
Restricted cash and cash equivalents	276,246
Capital assets	
Land and other nondepreciable assets	6,640
Depreciable assets, net of accumulated depreciation	16,972,696
Total capital assets, net of accumulated depreciation	16,979,336
Total noncurrent assets	17,255,582
Total assets	17,812,362
LIABILITIES	
Current liabilities	
Account payable	26,505
Accrued liabilities	10,517
Customer deposits	86,910
Interfund payables	595,340
Current portion of notes payable	60,794
Current portion of revenue bonds payable	130,501
Total current liabilities	910,567
Noncurrent liabilities	
Notes payable	303,481
Revenue bonds payable	6,030,690
Total noncurrent liabilities	6,334,171
Total liabilities	7,244,738
NET POSITION	
Net investment in capital assets	10,453,870
Restricted for debt service	276,246
Unrestricted	(162,492)
Total net position	$ 10,567,624

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

CITY OF WARRENTON, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Business-type Activities-Enterprise Fund
	Water Sewer Fund
OPERATING REVENUES	
Charges for services	$ 974,356
Total operating revenues	974,356
OPERATING EXPENSES	
Personnel services	317,227
Professional fees	85,316
Repairs, maintenance, and supplies	116,513
Chemicals and supplies	59,764
Other purchased services	37,981
Utilities and communications	91,052
Bad debts	49,616
Depreciation	478,067
Total operating expenses	1,235,536
Operating loss	(261,180)
NON-OPERATING REVENUES (EXPENSES)	
Interest income	449
Gain on disposition of capital assets	83,010
Interest expense	(177,714)
Total non-operating revenues (expenses)	(94,255)
Loss before transfers and contributions	(355,435)
TRANSFERS IN	28,786
CAPITAL CONTRIBUTIONS	3,417,710
Change in net position	3,091,061
Net position, beginning of year	7,476,563
Net position, end of year	$ 10,567,624

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

CITY OF WARRENTON, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Business-type Activities-Enterprise Fund Water Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	$ 940,326
Payments to suppliers and others	(413,393)
Payments to employees	(317,227)
Net cash provided by operating activities	209,706
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Advances repaid to other funds	(174,440)
Net cash used by noncapital financing activities	(174,440)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from disposition of capital assets	83,010
Advances repaid from capital projects funds	41,584
Transfers from other funds	28,786
Purchase of capital assets	(18,166)
Principal payments on long-term debt	(194,025)
Interest paid	(173,496)
Net cash used by capital and related financing activities	(232,307)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	449
Net cash provided by investing activities	449
Net increase in cash and cash equivalents	(196,592)
Cash and cash equivalents, beginning of year	866,424
Cash and cash equivalents, end of year	$ 669,832
CASH PER STATEMENT OF NET POSITION	
Cash	$ 393,586
Restricted cash-noncurrent	276,246
	$ 669,832

(Continued)

CITY OF WARRENTON, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Business-type Activities- Enterprise Fund Water Sewer Fund
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating loss	$ (261,180)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	478,067
(Increase) decrease in current assets	
Accounts receivable	6,073
Increase (decrease) in current liabilities	
Accounts payable	(22,767)
Customer deposits	9,513
Total adjustments	470,886
Net cash provided by operating activities	$ 209,706
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES	
Contribution of capital assets from capital projects fund	$ 3,417,710
Total noncash investing, capital, and financing activities	$ 3,417,710

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

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NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Introduction

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

The accompanying summary of the City's more significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report.

B. The Financial Reporting Entity

The City was created on December 8, 1810, and operates under a City Council and Mayor form of government and provides the following services: public safety, public works, culture and recreation, water and sewer utility, and general and administrative services.

As required by generally accepted accounting principles, these financial statements present the City (the primary government), its component units, and other organizations. A component unit is a legally separate organization for which the City is financially accountable. The City is deemed to be financially accountable for an organization if the City appoints a voting majority of the organization's board and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens, on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

The City was not financially accountable for nor did the City exercise significant influence over any other organizations. Accordingly, there are no component units included in the financial statements for the year ended December 31, 2018.

C. Basic Financial Statements

The basic financial statements consist of the following:

Government-wide financial statements
Fund financial statements
Notes to the basic financial statements

Government-wide financial statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the primary government and its component units. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Property taxes, franchise taxes, licenses, interest and special assessments are susceptible to accrual. Sales taxes collected and held by the State at year-end on behalf of the City are also recognized as revenue. Other receipts and taxes become measurable and available when cash is received by the City and are recognized as revenue at that time. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

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

The accounts of the City are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with financial-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The City reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the City. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources include property taxes, charges for services, intergovernmental revenues and investment of idle funds. Primary expenditures are for general administration, public safety, public works, culture and recreation, debt service, and capital asset acquisition.

CDBG Capital Project Fund – This fund was established to account for proceeds from a Community Development Block Grant agreement to provide funding for wastewater improvements and upgrades.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City reports the following major enterprise fund:

Water Sewer Fund – The Water Sewer Fund is used to account for the operations of the City's water sewer utility.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water Sewer Fund are charges to customers for sales and services. Operating expenses for enterprise funds include costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Additionally, the City reports the following other fund types:

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

E. Budgets and Budgetary Data

Annual appropriated budgets are adopted by the Mayor and City Council for the General Fund on a total revenues and total expenditures basis.

The 2018 annual appropriated budget for the City's General Fund was adopted on December 5, 2017. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. Under Georgia law, appropriations lapse at year-end.

The General Fund budget is prepared using the modified accrual basis of accounting on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and character (personnel services, maintenance and operations, capital outlay, debt service) which constitutes the legal level of control. Expenditures may not exceed appropriations at this level. All budget revisions at this level are subject to final review by the City Council. Within these control levels, management may transfer appropriations without Council approval.

Project length budgets are adopted for all capital project funds. Major capital projects are under contract with independent contractors that are exclusively responsible for the progress of the construction projects. Accordingly, budgetary statements are not presented for the City's capital projects funds.

F. Encumbrance Accounting

The City does not utilize encumbrance accounting, under which purchase orders and contracts are recorded in order to reserve that portion of the applicable appropriation.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, Liabilities, and Fund Equity

Cash and Investments

The City‘s cash and equivalents are comprised of cash on hand, demand deposits, and short-term investments purchased with maturities of three months or less.

Nonparticipating interest-earning investment contracts (investments whose value is not affected by interest rates or other market changes), including savings accounts, certificates of deposit, repurchase agreements, money market investments (short-term, highly liquid debt instruments including commercial paper, banker’s acceptances and U. S. Treasury and agency obligations) and participating interest-bearing investment contracts, that have a remaining maturity, at purchase, of one year or less are reported at cost or amortized cost assuming their fair value has not been impacted by changes in the credit worthiness of the issuer or similar factors. All other investments are reported at fair value (the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale).

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The City uses the allowance method for recording bad debts. The allowance for bad debt reserves for amounts owed from customers that have purchased services from the City and is determined by analysis of the year-end receivable balances for those accounts which the City believes will not be collected based on past history.

Estimated unbilled revenues from the Water Sewer Fund are recorded at the end of each fiscal year on a pro rata basis. The estimated amount is based on billings for the month following the close of the fiscal year.

Prepayments

Expenditures for insurance and similar services extending over more than one accounting period are allocated between accounting periods.

Inventories

Inventories of supplies for all governmental funds are recorded at cost using the purchases method, whereby inventories are recorded as expenditures when purchased; however, material amounts of inventories are reported as assets of the respective fund. Inventories of the proprietary funds are recorded at the lower of cost or market on a first-in, first-out basis. There were no material amounts for supply inventories in the City’s governmental funds and proprietary funds for December 31, 2018.

As of December 31, 2018, the City held land for resale for commercial use with a cost basis of $ 80,888, which also approximates fair value.

Interfund Receivables and Payables

During the course of operations, transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as interfund receivables and payables on the balance sheet of the fund financial statements and as “internal balances” on the Statement of Net Position in the government-wide financials statements. Internal balances are eliminated in the government-wide financial statements.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets - Primary Government

Capital assets, which include land, buildings and improvements, machinery and equipment, infrastructure, and construction in progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets such as vehicles, furniture and equipment are defined as assets with a cost of $1,000 or more. Computers and weapons are considered capital assets regardless of cost. Infrastructure assets include City-owned roads, curbs, sidewalks and drainage. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Infrastructure acquired prior to June 30, 1980 is not reported.

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

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

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	40-50
Furniture and fixtures	5 - 7
Macinery and equipment	5-15
Vehicles	4 - 7
Utility systems	10-75
Infrastructure	25-75

Compensated Absences

It is the City's policy for employees not to accumulate earned but unused vacation and sick pay benefits. These benefits must be used in the year earned.

Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary funds Statement of Net Position in the government-wide financial statements and proprietary funds financial statements.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The City reports employer contributions to its pension plan made subsequent to the Plan's measurement date and other deferred outflows of resources related to its pension plan in this category on the government-wide Statement of Net Position.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City reports unavailable revenue-property taxes in this category on the governmental funds Balance Sheet. In addition, the City reports deferred inflows of resources related to its pension plan in this category on the government-wide Statement of Net Position.

Net Position (Government-Wide Financial Statements)

The City's net position is classified as follows:

Net investment in capital assets: This represents the City's total investment in capital assets, net of debt related to those capital assets.

Restricted: This represents the net amount of assets subject to constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through State statute.

Unrestricted: This represents the net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in any other category of net position.

Fund Balances (Governmental Funds Financial Statements)

The City requires the following actions to be taken for fund balance to be classified as "restricted", "committed", or "assigned":

Restricted - amounts that can be spent only for the specific purposes stipulated by external resource providers (i.e. grants, creditors), constitutionally, or through enabling legislation (i.e. legislation that creates a new revenue source and restricts its use). These restrictions may be changed or lifted only with the consent of the resource providers.

Committed - amounts that can be used only for the specific purpose determined by a formal action of City Council. Such commitments may be changed or lifted only by the City Council taking the same formal action that imposed the constraint originally. The formal action must be taken before year-end, although the amount may not be determined until the subsequent period.

Assigned - amounts intended to be used by the City for specific purposes. In governmental funds other than the General Fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

The City also uses "nonspendable" in its fund financial statements to classify fund balance amounts that are legally or contractually required and cannot be spent, or "unassigned", which represents amounts not included in the other fund balance categories.

The City's policy for the order of expenditure of funds by fund classification is as follows: Future qualifying expenditures will first reduce restricted fund balance, followed by a reduction of unrestricted fund balance starting first with "committed", then "assigned", then "unassigned" as applicable when expenditures are incurred for purposes for which amounts in any of those fund balance classifications could be used.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

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

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

General Fund

Total actual revenues were $ 422,017 more than budgeted amounts, whereas total actual expenditures were $ 112,836 more than appropriated amounts resulting in a net increase in fund balance of $ 309,181.

Expenditures for general government exceeded appropriated amounts by $6,847 primarily as a result in an increase in group health insurance which was funded by the additional revenues noted above.

Expenditures for public safety exceeded appropriated amounts by $ 59,766 primarily as a result in an increase in group health insurance and a large increase in fine related costs. Fine revenue increased $144,891 with the implementation of new technology equipment and software. Fine related expenses increased by $ 43,054 which are based on (and funded by) fine collections.

Expenditures for public works exceeded appropriated amounts by $ 20,571 primarily as a result in an increase in group health insurance and a City Council approved payment of $ 32,885 to purchase a piece of equipment. These additional expenditures were funded by the additional revenues noted above.

Expenditures for culture and recreation exceeded appropriated amounts by $ 25,652 primarily as a result in a City Council approved increase in recreation supplies of $ 17,000 and a City Council approved payment of $20,040 on recreation capital improvements. Recreation revenue increased by $17,325 which, along with the additional revenues noted above, funded these additional expenditures.

The CDBG Capital Project Fund is reporting a decrease in fund balance of $ 33,801. This decrease is expected to be funded with subsequent year grant revenues.

Water Sewer Fund

The Water Sewer Fund is reporting a loss of $ 355,435 before transfers and capital contributions. This loss includes depreciation expense totaling $ 478,067 which is a non cash operating expense. Transfers in totaled $ 28,786 and capital contributions totaled $ 3,417,710, resulting in an overall increase in net position of $ 3,091,061 for the year ended December 31, 2018.

The vast majority of Water Sewer Fund net position is comprised of its net investment in capital assets and restricted funds held for debt service. These components of net position exceed total net position resulting in a deficit balance in unrestricted net position of $ 162,492.

Nonmajor Governmental Funds

The SPLOST 2007-2012 and SPLOST 2012-2017 Capital Project Funds are reporting a decrease in fund balance for the year ended December 31, 2018 totaling $ 29,271 and $47,278, respectively. These decreases are funded with available fund balance.

NOTE 3 – CASH DEPOSITS AND TEMPORARY INVESTMENTS

Statues authorize the City to make direct investments in obligations of the U.S. Government or State of Georgia, obligations fully insured or guaranteed by the U.S. Government, repurchase agreements and certificates of deposit that are secured by direct obligations of the U.S. Government or the State of Georgia.

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned to the City or the City will not be able to recover collateral securities in the possession of an outside party. State statutes require all deposits (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities.

The carrying amount of the City's deposits with financial institutions was $ 2,200,567 and the bank balance was $ 2,259,047 at December 31, 2018. All of the City's deposits were insured or collateralized with an irrevocable standby letter of credit in favor of the City.

Collateralization of the City's deposits as of December 31, 2018 is as follows:

Amount insured by FDIC	$	330,297
Amount collateralized with irrevocable Letter of Credit No. 108829 issued by Federal Home Loan Bank of Atlanta		1,928,750
Total bank balance	$	2,259,047

Investments

The City categorizes its fair value measurements within the fair value hierarchy established by general accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The City's recurring fair value measurements as of December 31, 2018 include its investment in inventory/land (Level 3 inputs).

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. State statutes authorize the City to make direct investments 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 banker's acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivision of the State of Georgia.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City does not invest in certificates of deposit with maturities greater than 365 days from date of purchase.

Custodial credit risk for investments is the risk that, in the event of failure of the counterparty, the City will not be able to recover the fair value of its investments or collateral securities in the possession of an outside party. State statutes require all investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities.

Concentration of credit risk is the risk that the City will place no limit on the amount they invest in any one issuer. At December 31, 2018, no single issue investment exceeded 5% of total investments.

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable are reported net of an allowance for uncollectible accounts on the face of the financial statements. Components of net accounts receivable as of December 31, 2018 are as follows:

	Governmental Activities	Business-type Activities	Total
Accounts receivable-billed and unbilled	$ 37,525	$ 250,194	$ 287,719
Allowance for uncollectible accounts	(19,785)	(87,000)	(106,785)
Accounts receivable-net	$ 17,740	$ 163,194	$ 180,934

NOTE 5 – PROPERTY TAXES

Property taxes were levied on November 20, 2018 and were due on January 18, 2019. Property taxes became a lien on the first day of the levy year. Unpaid property taxes received within 60 days of year-end are recognized and recorded as revenue (considered measurable and available), and property taxes unpaid 60 days after year-end are recorded as unavailable revenue. An allowance is established for uncollectible amounts based on management's estimate.

A summary of the 2018 tax levy follows:

2018 net millage rate	18.75
Taxable digest	$ 21,325,299
Gross tax levy	$ 542,515
Less sales tax rollback	(142,666)
Net property taxes	$ 399,849
Property taxes receivable	$ 342,512
Less allowance for uncollectible amounts	-
Net property taxes receivable	$ 342,512
Unavailable property tax revenue	$ 100,666

NOTE 6 – CAPITAL ASSETS

Governmental capital asset activity for the year-ended December 31, 2018, was as follows:

	(Restated) Balance 12/31/2017	Additions	Deletions/ Transfers	Balance 12/31/2018
Governmental Activities				
Capital assets, not being depreciated				
Land	$ 728,000	$ -	$ -	$ 728,000
Construction in progress	3,311,169	650,041	(3,417,710)	543,500
Total capital assets not being depreciated	4,039,169	650,041	(3,417,710)	1,271,500
Capital assets being depreciated				
Building and improvements	934,829	20,040	-	954,869
Machinery and equipment	674,551	79,885	-	754,436
Vehicles	467,339	6,000	-	473,339
Infrastructure	643,049	32,883	-	675,932
Total capital assets being depreciated	2,719,768	138,808	-	2,858,576
Less accumulated depreciation				
Buildings and improvements	(528,005)	(16,871)	-	(544,876)
Machinery and equipment	(582,992)	(16,122)	-	(599,114)
Vehicles	(454,799)	(4,080)	-	(458,879)
Infrastructure	(123,257)	(12,467)	-	(135,724)
Total accumulated depreciation	(1,689,053)	(49,540)	-	(1,738,593)
Net capital assets being depreciated	1,030,715	89,268	-	1,119,983
Governmental activities capital assets-net	$ 5,069,884	$ 739,309	$ (3,417,710)	$ 2,391,483

The City records all expenditures related to capital projects as construction in progress until the project is completed.

The USDA wastewater treatment capital project was completed and placed in service in 2018. Accordingly, the USDA project costs (and various equipment), totaling $ 3,417,710 were transferred from the USDA Capital Project Fund to the Water Sewer Enterprise Fund.

Prior Period Adjustment-Overstatement of Construction in Progress

The City has determined that construction in progress was overstated by $ 91,671 as of December 31, 2017. The amount reported above for construction in progress as of December 31, 2017 has been restated to correct the overstatement. The correction resulted in a decrease in net position as of December 31, 2017 totaling $ 91,671, which is reported as a prior period adjustment on the Statement of Activities.

(Continued)

NOTE 6 – CAPITAL ASSETS (continued)

Depreciation expense was charged to governmental functions as follows:

General government	$ 22,533
Public safety	8,493
Public works	16,712
Culture and recreation	1,802
	$ 49,540

Business-type capital asset activity for the year ended December 31, 2018, was as follows:

	Balance 12/31/2017	Additions	Deletions/ Transfers	Balance 12/31/2018
Business-type Activities				
Capital assets, not being depreciated				
Land and easements	$ 6,640	$ -	$ -	$ 6,640
Construction in progress	3,753,050	3,414,000	(7,167,050)	-
Total capital assets not being depreciated	3,759,690	3,414,000	(7,167,050)	6,640
Capital assets, being depreciated				
Buildings and improvements	25,333	-	-	25,333
Machinery and equipment	713,897	21,876	(24,250)	711,523
Vehicles	123,726	-	-	123,726
Utility systems	15,371,695	7,167,050	-	22,538,745
Total capital assets being depreciated	16,234,651	7,188,926	(24,250)	23,399,327
Less accumulated depreciation				
Buildings	(6,792)	(633)	-	(7,425)
Machinery and equipment	(493,750)	(30,174)	24,250	(499,674)
Vehicles	(123,725)	-	-	(123,725)
Utility systems	(5,348,547)	(447,260)	-	(5,795,807)
Total accumulated depreciation	(5,972,814)	(478,067)	24,250	(6,426,631)
Net capital assets being depreciated	10,261,837	6,710,859	-	16,972,696
Business-type activities capital assets-net	$ 14,021,527	$ 10,124,859	$ (7,167,050)	$ 16,979,336

Depreciation expense on capital assets of the business-type activities was $ 478,067 for the year ended December 31, 2018.

In June of 2018, GASB issued GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for reporting periods beginning after December 15, 2019, with early application encouraged. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

The City elected to implement the provisions of GASB Statement No. 89 as of January 1, 2018. Accordingly, no interest expense was capitalized during the year ended December 31, 2018.

(Continued)

NOTE 6 – CAPITAL ASSETS (continued)

Disposition of Capital Assets

During 2018 a major generator at the City's water-sewer plant was struck by lightning and was destroyed. The original cost of the generator, and accumulated depreciation thereon, was $ 24,250. Insurance proceeds totaled $ 83,010 resulting in a gain on disposition of same amount. The City replaced the generator in February 2019 at a cost of $ 82,010.

NOTE 7 – CONTINGENT LIABILITIES

Federal and State Grants

In the normal course of operations, the City receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

Litigation

The City is subject to possible legal actions in the nature of claims for damages to persons and property, civil rights violations, and other similar types of actions arising in the course of normal City operations. In the opinion of City management, after consultation with legal counsel, the ultimate outcome of these possible legal actions will not have a material impact on the financial position of the City.

NOTE 8 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

Due from/to other funds

Receivable Fund	Payable Fund	Amount
General Fund	Water Sewer Fund	$ 594,797
SPLOST 2007-2012 Fund	USDA Capital Project Fund	15,803
SPLOST 2007-2012 Fund	Water Sewer Fund	543
		$ 611,143

The Water Sewer Fund bills and collects charges for sanitation services and remits the collections to the General Fund. In addition, the General Fund pays various operating expenses of the Water Sewer Fund when cash flows of the Water Sewer Fund are not sufficient. The $ 594,797 due to the General Fund represents the cumulative balance of unremitted sanitation fees and other amounts provided to fund Water Sewer operations.

The SPLOST 2007-2012 Capital Project Fund and Water Sewer Fund provided interim funding to begin construction on the wastewater treatment plant project. These amounts, totaling $ 15,803, are expected to be reimbursed by the USDA Capital Project Fund at the final settlement of the project.

The Water Sewer Fund received a $ 4,317 overpayment from the USDA Capital Project Fund that was due to the SPLOST 2007-2012 Capital Project Fund and paid a $ 3,774 debt service payment normally paid by the SPLOST 2007-2012 Capital Project Fund.

(Continued)

NOTE 8 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

Interfund transfers

Transfers In	Transfers Out	Amount
Water Sewer Fund	SPLOST 2007-2012 Fund	$ 14,393
Water Sewer Fund	SPLOST 2012-2017 Fund	14,393
		$ 28,786

The SPLOST 2007-2012 Capital Project Fund and SPLOST 2012-2017 Capital Project Fund each provided funding for one-quarter of the Water Sewer Fund annual water tank maintenance contract. Total funding transferred to the Water Sewer Fund totaled $ 28,786 for the year ended December 31, 2018.

NOTE 9 – NET POSITION

Net position of the government-wide and proprietary fund financial statements represent the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Reported amounts for net investment in capital assets and restricted net position as of December 31, 2018 are as follows:

	Governmental Activities	Business-type Activities
Net investment in capital assets		
Primary government	$ 2,391,483	$ 16,979,336
Less construction payables	(134,336)	-
Less capital leases payable	(11,182)	-
Less notes payable	-	(364,275)
Less revenue bonds payable	-	(6,161,191)
Total net investment in capital assets	$ 2,245,965	$ 10,453,870
Restricted for:		
General Government		
TSPLOST Fund	$ 212,969	
LMIG Fund	38	
Total general government	$ 213,007	
Public works		
USDA Capital Project Fund	$ 102	
SPLOST Capital Project Funds (3)	514,723	
CDBG Capital Project Fund	100,615	
Total public works	$ 615,440	
Pension benefits	$ 201,260	
Total pension benefits	$ 201,260	
Debt service		$ 276,246
Total debt service		$ 276,246

NOTE 10 – RELATED ORGANIZATIONS

CSRA Regional Commission

Under Georgia law, the City, in conjunction with other cities and counties in the Central Savannah River Area, is a member of the Central Savannah River Area Regional Commission (RC) and is required to pay annual dues thereto. During the year ended December 31, 2018, the City paid $ 1,937 in such dues. Membership in a RC is required by OCGA Section 50-8-34 that provides for the organizational structure of the RC in Georgia. The RC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of the RC. Separate financial statements may be obtained from:

CSRA Regional Commission
3023 River Watch Parkway, Suite A
Augusta, GA 30907

Housing Authority

The Housing Authority of the City of Warrenton, Georgia is considered a related organization based upon the criteria in GASB Statement No. 14. The Housing Authority is a legally separate entity having a board composed of members appointed originally by the City. The City is not able to impose its will upon the Housing Authority and a financial benefit/burden relationship does not exist between them. Therefore, based upon the criteria, the Housing Authority of the City of Warrenton, Georgia is a related organization and not a component unit.

Downtown Development Authority

The Warrenton Downtown Development Authority is considered a related organization based upon the criteria in GASB Statement No. 14. The Downtown Development Authority is a legally separate entity having a board composed of members appointed originally by the City. The City is not able to impose its will upon the Downtown Development Authority and a financial benefit/burden relationship does not exist between them. Therefore, based upon the criteria, the Warrenton Downtown Development Authority is a related organization and not a component unit.

NOTE 11 – LONG-TERM DEBT

The following is a summary of long-term debt transactions for the year ended December 31, 2018:

	Balance 12/31/2017	Additions	Deletions/ Transfers	Balance 12/31/2018
Governmental Activities				
Capital lease, JD Financial	$ 25,704	$ -	$ (14,522)	$ 11,182
Total debt-governmental activities	$ 25,704	$ -	$ (14,522)	$ 11,182
Business -type Activities				
Notes payable	$ 426,896	$ -	$ (62,621)	$ 364,275
Revenue bonds payable	6,292,595	-	(131,404)	6,161,191
Total debt-business-type activities	$ 6,719,491	$ -	$ (194,025)	$ 6,525,466

(Continued)

NOTE 11 – LONG-TERM DEBT (Continued)

The following summarizes long-term debt outstanding at December 31, 2018:

	Original Principal	Interest Rate	Final Maturity	Outstanding Balance	Amount Due Within One Year
Governmental Activities					
Capital lease, JD Financial	$ 56,969	4.000%	2019	$ 11,182	$ 11,182
Total-governmental activities	$ 56,969			$ 11,182	$ 11,182
Business-type Activities					
Note payable, GEFA 96-L69WS	$ 316,214	5.280%	2019	$ 20,829	$ 20,829
Note payable, GEFA CWSRF 09-056	600,000	3.000%	2026	343,446	39,965
Bonds payable, USDA 1989 Series	605,000	5.000%	2028	253,000	23,000
Bonds payable, USDA 2010 Series	2,541,000	4.000%	2050	2,278,756	36,990
Bonds payable, USDA 2016 Series	3,784,000	1.625%	2056	3,629,435	70,511
Total-business-type activities	$ 7,846,214			$ 6,525,466	$ 191,295

Capital Lease Obligation

JD Financial – The City entered into an intergovernmental agreement with Warren County, Georgia (the "County") to lease equipment from JD Financial. The agreement stipulates that the City and County are each liable for one-half (1/2) of the lease obligation and expenses to maintain the equipment. Terms of the lease require 48 monthly payments of $ 1,258, including principal and interest at 4.00%. The initial payment was due October 14, 2015 with the final payment being due September 14, 2019. The lease is collateralized with the equipment.

The future minimum lease obligation and the net present value of these minimum lease payments as of December 31, 2018, are as follows:

Year ending December 31,	Governmental Activities
2019	$ 11,322
Total minimum lease payments	11,322
Less amount representing interest	(140)
Present value of minimum lease payments	$ 11,182

Total cost of capital assets acquired under capital lease was $ 56,969. Amortization expense, related thereto and included in depreciation expense, totaled $ 3,798 for the year and accumulated depreciation thereon totaled $ 15,192 as of December 31, 2018.

(Continued)

NOTE 11 – LONG-TERM DEBT (Continued)

Notes Payable

GEFA 96-L69WS – The City issued a note payable to the Georgia Environmental Finance Authority (GEFA) for construction of water system improvements in the original amount of $ 316,214. Repayment terms require monthly payments of $ 2,135, including principal and interest at 5.28%. Final payment on this loan is due October 2019. The note is secured with the City's full faith and credit and revenue-raising power (including its taxing power).

GEFA CWSRF 09-056 – The City issued a note payable to the Georgia Environmental Finance Authority (GEFA) for construction of water system improvements in the original amount of $ 600,000. Repayment terms require monthly payments of $ 4,143, including principal and interest at 3.00%. Final payment on this loan is due September 2026. The note is secured with the City's full faith and credit and revenue-raising power (including its taxing power).

Annual requirements to fully amortize the outstanding notes payable as of December 31, 2018 are as follows:

	Business-type Activities		
Year ending December 31,	Principal	Interest	Total
2019	$ 60,794	$ 10,263	$ 71,057
2020	41,181	8,541	49,722
2021	42,433	7,289	49,722
2022	43,724	5,998	49,722
2023	45,054	4,668	49,722
2024 thru 2026	131,089	5,645	136,734
	$ 364,275	$ 42,404	$ 406,679

Revenue Bonds Payable

Series 1989 Bonds – On January 31, 1989 the City issued Series 1989 Bonds for financing water and sewer improvements. The principal issue was $ 605,000 with a stated interest rate of 5.00% per annum. Terms of the issue call for annual payments averaging $ 35,805 per year, including principal and interest. The final payment is due January 2028. The bonds are redeemable at par.

Series 2010 Bonds – On July 26, 2010 the City issued Series 2010 Bonds for financing water and sewer improvements. The principal issue was $ 2,541,000 with a stated interest rate of 4.00% per annum. Terms of the issue call for a maximum of 480 equal monthly payments of $ 10,622, including principal and interest. The final payment is due July 2050. The bonds are redeemable at par.

Series 2016 Bonds – On September 8, 2016 the City issued Series 2016 Bonds for refinancing an interim construction loan from F&M Bank and financing the construction of wastewater treatment facilities. The principal issue was $ 3,784,000 with a stated interest rate of 1.625% per annum. Terms of the issue call for a maximum of 480 equal monthly payments of $ 10,747, including principal and interest. The final payment is due September 2056. The bonds are redeemable at par.

(Continued)

NOTE 11 – LONG-TERM DEBT (Continued)

Annual requirements to fully amortize the bonds outstanding as of December 31, 2018 are as follows:

	Business-type Activities		
Year ending December 31,	Principal	Interest	Total
2019	$ 130,501	$ 161,577	$ 292,078
2020	134,162	157,766	291,928
2021	137,904	153,824	291,728
2022	141,728	149,750	291,478
2023	146,639	145,539	292,178
2024 thru 2028	767,089	658,351	1,425,440
2029 thru 2033	727,648	554,491	1,282,139
2034 thru 2038	830,001	452,139	1,282,140
2039 thru 2043	950,028	332,112	1,282,140
2044 thru 2048	1,091,218	199,729	1,290,947
2049 thru 2053	771,238	57,356	828,594
2054 thru 2057	333,035	7,418	340,453
	$ 6,161,191	$ 3,030,052	$ 9,191,243

Bond Covenants

The Series 1989, 2010, and 2016 Bonds (the "Bonds") are held by the USDA Rural Development and are secured by liens on the revenues of the Water Sewer Fund and are expected to be paid with resources of the Water Sewer Fund. The bond resolution requires several funds and accounts to facilitate the operation of the System and provide for servicing the bond obligations.

Revenue Fund – The Revenue Fund is used as the depository for all revenues derived from the ownership and operation of the System. Costs of operating, maintaining, and repairing the System are paid from the Revenue Fund. Operating costs include salaries and wages, employee benefits and other compensation, the payment of contractual obligations incurred pertaining to the operation of the System, costs of material and supplies, cost of purchasing water, rentals of leased property, real or personal, insurance premiums, audit fees, and such other charges for the purpose of operating, maintaining and repairing the System in accordance with sound business practices. The net revenues remaining in the Revenue Fund after payment of operating costs, which do not include a provision for depreciation, interest, and amortization, are pledged to the payment of principal and interest on the Bonds.

Reserve Fund – The City is to maintain a special trust fund apart from all other funds of the City designated the "Reserve Fund". Commencing in the month of the first payment date and continuing from month to month thereafter the City is to deposit into the Reserve Fund an amount equal to ten percent (10%) of the principal and interest payment due on each Series. Such monthly payments are to continue until there is established and maintained a debt service reserve equal to the highest principal and interest payments coming due for the bonds outstanding in any bond year. Moneys in the Reserve Fund shall be used solely to pay the principal and interest on the Bonds falling due in any year in which a default would occur absent this reserve.

Short-Lived Assets Reserve Fund – The City is to maintain a special trust fund designated the "Short-Lived Assets Reserve Fund". Beginning on the anniversary of the first payment date for the Series 2016 Bonds, and continuing annually thereafter, the City is to deposit an annual sum of $ 20,960 into the Short-Lived Assets Reserve Fund until a balance of $ 314,400 has been accumulated. Funds held in this fund are to be used solely to replace equipment and other short-lived assets of the System. Payments to this fund will recommence should withdrawals cause the balance to fall below $ 314,400. Deposits required to be made to the Short-Lived Assets Reserve Fund for the year ended December 31, 2018 totaled $ 41,920.

(Continued)

NOTE 11 – LONG-TERM DEBT (Continued)

Renewal and Extension Fund – The Series 1989 Bonds established a "Renewal and Extension Fund" into which excess funds would be deposited until a balance of $ 25,000 was accumulated. The Series 2016 Bonds amended the Renewal and Extension Fund requirements to allow the City to determine, at its discretion, an amount that is reasonable and prudent to retain in the Revenue Fund and to determine an amount that is reasonable and prudent to retain in the Renewal and Extension Fund. No discretionary amounts to be retained in the Revenue Fund or Renewal and Extension Fund have been established as of December 31, 2018.

Funds held in the Renewal and Extension Fund, if any, can only be used for the purpose of meeting an emergency having a major effect upon the System caused by some extraordinary occurrence or making replacements, additions, extensions and improvements to the System deemed by the City to be reasonable and in the best interest of the City and the holders of the Bonds.

The maximum balance to be funded, the required balance as of December 31, 2018, and the amount restricted as of December 31, 2018 for the Reserve Funds are as follows:

Funds to be Maintained	Maximum Balance to be Funded	Required Balance 12/31/2018	Amount Restricted 12/31/2018
Reserve Funds			
Series 1989	$ 36,500	$ 36,500	
Series 2010	127,464	107,262	
Series 2016	128,964	29,025	
Total reserve funds	292,928	172,787	
Short-Lived Assets Reserve Fund	314,400	41,920	
Renewal and Extension Fund	Discretionary	-	
Total	$ 607,328	$ 214,707	$ 276,246

Water Sewer Rate Covenants

Covenants in the GEFA and USDA agreements require that the City maintain a schedule of rates, tolls, fees and charges sufficient to produce net revenues to meet certain debt service requirements. The stipulated fixed charges coverage ratio for GEFA is 1.05 of the annual debt service requirement for all outstanding long-term debt of the Water Sewer Fund. The ratio for USDA is 1.20 of the annual debt service requirement for Rural Utility System (RUS) debt outstanding. Failure to adopt adequate rates can result in legal action compelling the City to revise its rates to meet the requirements of these covenants.

The computation of the required ratios for the year ended December 31, 2018 are as follows:

		Computed Ratio	Required Ratio
GEFA Fixed Charges Coverage Ratio			
Income available for fixed charges	300,347	0.82	1.05
Fixed charges (all long-term debt)	367,293		
USDA Fixed Charges Coverage Ratio			
Income available for fixed charges	300,347	1.03	1.20
Fixed charges (RUS bonds payable)	292,139		

NOTE 12 – RISK MANAGEMENT

The City is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The City manages its business risks through commercial insurance coverage. The risks borne by the City are general liability, surety, and workers compensation.

The City has joined together with other municipalities in the state as a member of the Georgia Municipal Association (GMA) Self-Insured Workmen's Compensation Fund (the "Fund"). The City is obligated to pay all contributions and assessments as prescribed by the Fund, to cooperate with the Fund's agents and attorneys, to follow loss reduction policies established by the Fund, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the Fund being required to pay any claim of loss. The City is also to allow the Fund's agents and attorneys to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of the loss protection furnished by the Fund.

The Fund is to defend and protect the members of the Fund against liability or loss as prescribed in the member governments' contracts and in accordance with the workers' compensation laws of Georgia. The Fund is to pay all costs assessed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

The general liability aggregate limit is $ 3,000,000, with a personal injury limit of $ 1,000,000. The employee blanket bond is $ 10,000. Workers compensation coverage is $ 100,000 for bodily injury for each occurrence, with a policy limit of $ 1,000,000. The workers compensation coverage is a participant in the Georgia Municipal Association Risk Pool, where in the City shares in the risk of any pro-rata losses incurred by the Pool.

During the year ended December 31, 2018, the City paid no material claims. The City is not aware of any claims that the City is liable for (up to the $ 1,000 deductible) which were outstanding and unpaid at December 31, 2018. No provision has been made in the December 31, 2018 financial statements for any estimate of potential unpaid claims.

NOTE 13 – RETIREMENT PLAN

Plan Description

The City of Warrenton Retirement Plan (the "Plan"), is a defined benefit pension plan affiliated with the Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association (GMA). Contributions made by the City are pooled with contributions made by other members of GMEBS for investment purposes; the City does not own any securities on its own. There are no employer or related party securities or loans included in plan assets. The GMA issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained by writing to Georgia Municipal Association, The Burgess Building, 201 Pryor Street, SW, Atlanta, GA 30303, or by calling (404) 688-0472.

The City originally established the Plan October 1, 1970. On January 1, 2003 the City executed an agreement adopting the GMEBS Master Plan and Joint Trust Agreement (the "Adoption Agreement"). The Adoption Agreement establishes the types of benefits available under the Plan and the City's obligation to contribute to the Plan. The City has the right to amend any or all elections in the Adoption Agreement. The amendment must be approved by GMEBS, cannot reduce any previously accrued benefits of the participants or beneficiaries, cannot authorize or permit any part of the Trust Fund to be diverted to any purpose other than for the exclusive benefit of participants and their beneficiaries, and cannot deprive any participant or beneficiary of any rights or benefits irrevocably vested under the Plan.

(Continued)

NOTE 13 – RETIREMENT PLAN (Continued)

GMEBS can amend the Master Plan or the elective provisions of the Adoption Agreement in its sole discretion as Trustee of the Plan. Any amendment by GMEBS must be approved by the City as the adopting employer. The City cannot amend the Master Plan or the Joint Trust Agreement.

Benefits Provided

As provided by State law, benefit provisions for participants in GMEBS are established by the respective employers. As authorized by City Council, the Plan provides pension benefits and death and disability benefits for plan members and beneficiaries. All full-time employees of the City, excluding elected officials, working at least thirty hours per week, are eligible to participate immediately. Benefits are fully vested after ten years of service. Normal retirement age is 65 with a minimum of five years of service, and early retirement is age 55 with a minimum of ten years total credited service. Monthly benefits are based on (a) the average annual earnings paid to a participant during any consecutive five year period preceding actual date of retirement in which the earnings were highest and (b) total years of service.

As of July 1, 2018, the last valuation date, there were 45 participants consisting of the following:

Retired participants and beneficiaries currently receiving benefits	21
Terminated vested participants entitled to but not yet receiving benefits	4
Active participants-vested	16
Active participants-not vested	4
Total number of participants	45

Contributions

The Plan is subject to minimum funding standards of the Public Retirement Systems Standards Law (Georgia Code Section 47-20-10). GMEBS has adopted an actuarial funding policy that requires a different funding level than the estimated minimum annual contribution to minimize fluctuations in annual contribution amounts and to accumulate sufficient funds to secure benefits under the Plan. If the City contributes the recommended contribution developed under the actuarial funding policy each year, the Plan will meet applicable State funding standards. Employees do not contribute to the Plan.

For 2018, the City's contribution to the Plan totaled $ 10,261, or 2.03% of covered-employee payroll. This contribution was equal to the recommended annual contribution determined as part of the July 1, 2017 actuarial valuation.

Net Pension Liability (Asset)

Effective January 1, 2015, the City implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No.* 68, which significantly changed the City's accounting for pension amounts. The information disclosed below is presented in accordance with these new standards.

The City's net pension liability (asset) was measured as of March 31, 2018.

(Continued)

NOTE 13 – RETIREMENT PLAN (Continued)

Actuarial Assumptions. The total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of July 1, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

Net investment rate of return	7.50%, on going basis, based on long-term expected rate of return on pension plan investments
Projected salary increases	2.75%, plus service based merit increases
Inflation	2.75%
Cost of living adjustments	0.00%

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

Mortality rates for the July 1, 2018 valuation 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 long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of March 31, 2018 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%	0.00%
Total	100.00%	

* Rates shown are net of the 2.75% assumed rate of inflation

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

(Continued)

NOTE 13 – RETIREMENT PLAN (Continued)

Changes in the Net Pension Liability (Asset) of the City. The changes in the components of the net pension liability (asset) of the City for the year ended December 31, 2018 were as follows:

	Total Pension Liability (TPL) (a)	Fiduciary Net Position (FNP) (b)	Net Pension Asset (NPL) (a) - (b)
Balances at March 31, 2017	$ 813,096	$ 1,018,659	$ (205,563)
Changes for the year:			
Service cost	16,807	-	16,807
Interest	61,248	-	61,248
Differences between expected and actual experience	41,084	-	41,084
Contributions-employer	-	10,139	(10,139)
Net investment income	-	124,911	(124,911)
Benefit payments, including refunds of employee contributions	(45,609)	(45,609)	-
Administrative expense	-	(10,044)	10,044
Other	12,283	-	12,283
Net changes	85,813	79,397	6,416
Balances at March 31, 2018	$ 898,909	$ 1,098,056	$ (199,147)

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's Net Pension Liability (Asset)	$ (96,680)	$ (199,147)	$ (286,449)

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of March 31, 2018 and the current sharing pattern of costs between employer and employee.

Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the separately issued GMEBS financial report.

(Continued)

NOTE 13 – RETIREMENT PLAN (Continued)

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

For the year ended December 31, 2018, the City recognized pension expense of $ 19,463. The City reported the following deferred outflows of resources and deferred inflows of resources related to pensions as of December 31, 2018:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made subsequent to the measurement date	$ 7,700	$ -
Difference between expected and actual experience	34,980	(10,046)
Changes of assumptions	9,213	-
Net difference between projected and actual earnings on pension plan investments	-	(39,734)
Total	$ 51,893	$ (49,780)

Contributions made subsequent to the measurement date totaling $ 7,700 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability (asset) in the year ending December 31, 2019. Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Year Ending December 31,				
	2019	2020	2021	2022	Total
Fiscal Year Outflows					
Demographic	$ 14,438	$ 10,271	$ 10,271	$ -	$ 34,980
Assumption change	3,071	3,071	3,071	-	9,213
Total	17,509	13,342	13,342	-	44,193
Fiscal Year Inflows					
Demographic	$ (5,023)	$ (5,023)	$ -	$ -	$ (10,046)
Investment	(7,648)	(4,021)	(18,519)	(9,546)	(39,734)
Total	$ (12,671)	$ (9,044)	$ (18,519)	$ (9,546)	$ (49,780)

Changes in Methods and Assumptions

Amounts reported for the fiscal year ending in 2018 and later reflect the following assumption changes based on an actuarial study conducted September 2017:

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

Benefit Changes

There were no benefit changes from the prior valuation.

NOTE 14 – COMMITMENTS AND SUBSEQUENT EVENTS

Commitments

The City was awarded a Community Development Block Grant in November 2017 totaling $ 750,000. Proceeds from this grant and additional funding to be provided by the City, totaling $ 76,274 will be used to fund additional improvements to the City's water sewer system. Total cost of the project is estimated to be $ 826,274 of which $ 543,600 was expended as of December 31, 2018. Remaining costs to complete the project are expected to be $ 282,674.

Subsequent Events

In preparing the financial statements, the City has evaluated events and transactions for potential recognition or disclosure through June 28, 2019.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WARRENTON, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE-BUDGET (BUDGETARY BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Over (Under)
REVENUES				
Taxes	$ 820,464	$ 820,464	$ 1,040,858	$ 220,394
Licenses and permits	13,500	13,500	13,908	408
Intergovernmental	11,815	11,815	55,545	43,730
Charges for services	147,240	147,240	142,968	(4,272)
Fines and forfeitures	156,700	156,700	301,591	144,891
Interest income	-	-	4	4
Rents	25,208	25,208	21,324	(3,884)
Other	1,500	1,500	22,246	20,746
Total revenues	1,176,427	1,176,427	1,598,444	422,017
EXPENDITURES				
Current				
General government	330,326	330,326	337,173	6,847
Public safety	459,341	459,341	519,107	59,766
Public works	329,532	329,532	350,103	20,571
Culture and recreation	57,228	57,228	82,880	25,652
Total expenditures	1,176,427	1,176,427	1,289,263	112,836
Excess of revenues over expenditures	-	-	309,181	309,181
Change in fund balance	$ -	$ -	309,181	$ 309,181
FUND BALANCE				
Beginning of year			1,503,168	
End of year			$ 1,812,349	

CITY OF WARRENTON, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
RETIREMENT PLAN

	2018	2017	2016	2015
Total Pension Liability				
Service cost	$ 16,807	$ 15,649	$ 15,853	$ 15,572
Interest	61,248	60,442	56,990	53,852
Differences between expected and actual experience	41,084	(20,090)	16,666	16,075
Benefit payments, including refunds of employee contributions	(45,609)	(45,598)	(44,336)	(1,245)
Other	12,283	-	-	(43,197)
Net change in total pension liability	85,813	10,403	45,173	41,057
Total pension liability, beginning	813,096	802,693	757,520	716,463
Total pension liability, ending (a)	898,909	813,096	802,693	757,520
Plan Fiduciary Net Position				
Contributions-employer	10,139	9,989	8,343	8,090
Net investment income	124,911	116,554	2,463	89,463
Benefit payments, including refunds of employee contributions	(45,609)	(45,598)	(44,336)	(43,197)
Administrative expenses	(10,044)	(10,271)	(7,234)	(7,005)
Net change in fiduciary net position	79,397	70,674	(40,764)	47,351
Plan fiduciary net position, beginning	1,018,659	947,985	988,749	941,398
Plan fiduciary net position, ending (b)	1,098,056	1,018,659	947,985	988,749
Net pension liability (asset), ending (a)-(b)	$ (199,147)	$ (205,563)	$ (145,292)	$ (231,229)
Plan's fiduciary net position as a percentage of the total pension liability (asset)	122.15%	125.28%	118.10%	130.52%
Covered employee payroll	$ 504,792	$ 507,503	$ 474,258	$ 487,455
Net pension liability (asset) as a percentage of covered payroll	-39.45%	-40.50%	-30.64%	-47.44%

Notes to the Schedule:

(1) Historical information prior to the implementation of GASB Statement Nos. 67/68 is not required. The schedule will present 10 years of information as it is accumulated.

CITY OF WARRENTON, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
RETIREMENT PLAN

	2018	2017	2016	2015
Actuarially determined contribution	$ 10,261	$ 10,097	$ 9,953	$ 7,807
Contributions in relation to the actuarially determined contribution	10,261	10,097	9,953	7,807
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered employee payroll	$ 504,792	$ 507,503	$ 474,258	$ 487,455
Contributions as a percentage of covered employee payroll	2.03%	1.99%	2.10%	1.60%

Notes to the Schedule:

(1) Actuarial Assumptions:

Valuation Date	July 1, 2018
Cost Method	Projected Unit Credit
Asset Valuation Method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at the end of the year. The actuarial value is adjusted if necessary, to be within 20% of market value.
Assumed Rate of Return	7.50%
Projected Salary Increases	2.75%
Cost of Living Adjustments	0.00%
Amortization Method	Closed level dollar for remaining unfunded liability
Remaining Amortization Period	N/A

(2) Historical information prior to the implementation of GASB Statement Nos. 67/68 is not required. The schedule will present 10 years of information as it is accumulated.

COMBINING FUND STATEMENTS

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NONMAJOR GOVERNMENTAL FUNDS

CAPITAL PROJECTS FUNDS

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

SPLOST 2007-2012 Fund - This fund was established to account for proceeds from the Special Purpose Local Option Sales Tax to provide funding for road and capital outlay projects.

SPLOST 2012-2017 Fund - This fund was established to account for proceeds from the Special Purpose Local Option Sales Tax to provide funding for road and capital outlay projects.

SPLOST 2017-2022 Fund - This fund was established to account for proceeds from the Special Purpose Local Option Sales Tax to provide funding for road and capital outlay projects.

T-SPLOST Fund - This fund was established to account for proceeds from the Transportation Investment Act special purpose local option sales tax to provide funding for road and street maintenance, paving, and other related costs.

LMIG Fund - This fund was established to account for grant proceeds from the State DOT for the funding of road and street paving.

USDA Fund - This fund was established to account for proceeds from a USDA grant/loan to be used for improvements to the water-sewer system.

CITY OF WARRENTON, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	Capital Project Funds						Total Nonmajor Governmental Funds
	SPLOST 2007-2012 Fund	SPLOST 2012-2017 Fund	SPLOST 2017-2022 Fund	T-SPLOST Fund	LMIG Fund	USDA Fund	
ASSETS							
Cash and cash equivalents	$ 12,556	$ 336,866	$ 116,589	$ 207,358	$ 38	$ 102	$ 673,509
Intergovernmental receivables	-	-	32,366	9,038	-	15,803	57,207
Interfund receivables	16,346	-	-	-	-	-	16,346
Total assets	$ 28,902	$ 336,866	$ 148,955	$ 216,396	$ 38	$ 15,905	$ 747,062
LIABILITIES							
Accounts payable	$ -	$ -	$ -	$ 3,427	$ -	$ -	$ 3,427
Interfund payable	-	-	-	-	-	15,803	15,803
Total liabilities	-	-	-	3,427	-	15,803	19,230
FUND BALANCES							
Restricted for:							
General government	-	-	-	212,969	38	-	213,007
Public works	28,902	336,866	148,955	-	-	102	514,825
Total fund balances	28,902	336,866	148,955	212,969	38	102	727,832
Total liabilities and fund balances	$ 28,902	$ 336,866	$ 148,955	$ 216,396	$ 38	$ 15,905	$ 747,062

CITY OF WARRENTON, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Capital Project Funds						Total Nonmajor Governmental Funds
	SPLOST 2007-2012 Fund	SPLOST 2012-2017 Fund	SPLOST 2017-2022 Fund	T-SPLOST Fund	LMIG Fund	USDA Fund	
REVENUES							
Taxes	$ -	$ -	$ -	$ 49,556	$ -	$ -	$ 49,556
Intergovernmental	-	-	94,898	-	28,628	113,316	236,842
Total revenues	-	-	94,898	49,556	28,628	113,316	286,398
EXPENDITURES							
Current							
General government	-	-	-	1,950	-	-	1,950
Debt Service							
Principal	5,998	-	-	-	-	-	5,998
Interest	293	-	-	-	-	-	293
Capital outlay							
General government	-	-	-	4,255	28,628	-	32,883
Public safety	8,587	-	-	-	-	-	8,587
Public works	-	32,885	-	-	-	113,316	146,201
Total expenditures	14,878	32,885	-	6,205	28,628	113,316	195,912
Excess (deficiency) of revenues over (under) expenditures	(14,878)	(32,885)	94,898	43,351	-	-	90,486
OTHER FINANCING USES							
Transfers out	(14,393)	(14,393)	-	-	-	-	(28,786)
Total other financing uses	(14,393)	(14,393)	-	-	-	-	(28,786)
NET CHANGE IN FUND BALANCES	(29,271)	(47,278)	94,898	43,351	-	-	61,700
FUND BALANCES, BEGINNING OF YEAR	58,173	384,144	54,057	169,618	38	102	666,132
FUND BALANCES, END OF YEAR	$ 28,902	$ 336,866	$ 148,955	$ 212,969	$ 38	$ 102	$ 727,832

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OTHER SUPPLEMENTARY INFORMATION

CITY OF WARRENTON, GEORGIA
SCHEDULE OF COMMUNITY DEVELOPMENT BLOCK GRANT
PROJECT COSTS AND SOURCE AND APPLICATION OF FUNDS (CASH BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2018

Program Activity	Latest Approved Budget CDBG Funds	Accumulated Expenditures To Date CDBG Funds	Accumulated Expenditures To Date Other Funds	Grand Total Expenditures To Date	Questioned Costs (Explain)
Project Costs					
Grant Number 16p-x-149-2-5966					
Construction-sewer facilities	$ 579,770	$ 349,331	$ -	$ 349,331	none
Engineering design and inspection	69,400	62,950	-	62,950	none
Contingenices	55,830	-	-	-	none
Grant administration	45,000	21,250	2,350	23,600	none
	$ 750,000	$ 433,530	$ 2,350	$ 435,880	
Source of other funds: local match					

Source and Application of Funds	
Grant Number 16p-x-149-2-5966	
Total program year 2017 funds allocated to recipient	$ 750,000
Less total program year 2017 funds drawn by recipient	433,530
Funds still available from program year 2017 resources	$ 316,470
Total program year 2017 funds drawn and received by recipient	$ 433,530
Less funds applied and expended to program year 2017 costs	433,530
Total program year 2017 funds held by recipient	$ -

Notes to the Schedule:

(1) The Schedule of Community Development Block Grants Project Costs and Source and Application of Funds is presented on the cash basis of accounting. Therefore, some amounts reported in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements which are presented on the accrual/modified accrual basis of accounting.

CITY OF WARRENTON, GEORGIA
SCHEDULE OF USDA LOAN/GRANT PROJECT COSTS AND
SOURCE AND APPLICATION OF FUNDS (CASH BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2018

Program Activity	Latest Approved Budget USDA Funds	Accumulated Expenditures To Date USDA Funds	Accumulated Expenditures To Date Other Funds	Grand Total Expenditures To Date	Questioned Costs (Explain)
Project Costs					
Loan/Grant Number 11-049-0605447423					
Development	$ 5,933,145	$ 6,335,951	$ 18,823	$ 6,354,774	none
Legal services	65,000	37,460	-	37,460	none
Architectural engineering and planning	730,815	667,771	41,449	709,220	none
Interim interest	80,000	52,885	(3,092)	49,793	none
Equipment	5,000	131,088	-	131,088	none
Contingencies	562,565	-	-	-	none
	$ 7,376,525	$ 7,225,155	$ 57,180	$ 7,282,335	
Source of other funds: local match					

Source and Application of Funds	
Loan/Grant Number 11-049-0605447423	
Total program year 2011 funds allocated to recipient	$ 7,376,525
Less total program year 2011 funds drawn by recipient	7,225,155
Funds still available from program year 2011 resources	$ 151,370
Total program year 2011 funds drawn and received by recipient	$ 7,225,155
Less funds applied and expended to program year 2011 costs	7,225,155
Total program year 2011 funds held by recipient	$ -

Notes to the Schedule:

(1) The Schedule of USDA Loan/Grant Project Costs and Source and Application of Funds is presented on the cash basis of accounting. Therefore, some amounts reported in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements which are presented on the accrual/modified accrual basis of accounting.

CITY OF WARRENTON, GEORGIA
SCHEDULE OF SPECIAL PURPOSE LOCAL OPTION SALES TAX
FOR THE YEAR ENDED DECEMBER 31, 2018

Projects:	Original Estimated Cost	Prior Years	Current Year	Total To Date	Estimated Percentage Of Completion
SPLOST 2007 - 2012					
Water improvements	$ 275,195	$ 197,618	$ 14,393	$ 212,011	77.04%
Roads, streets, and bridges	30,241	59,464	6,290	65,754	217.43%
Public safety facilities	36,416	50,601	8,587	59,188	162.53%
	$ 341,852	$ 307,683	$ 29,270	$ 336,953	
SPLOST 2012 - 2017					
Water sewer projects	$ 374,400	$ 1,472	$ 14,393	$ 15,865	4.24%
Roads, streets, and bridges	28,800	12,580	32,885	45,465	157.86%
Public safety facilities	54,400	7,500	-	7,500	13.79%
	$ 457,600	$ 21,552	$ 47,278	$ 68,830	
SPLOST 2017 - 2022					
Water sewer projects	$ 374,400	$ -	$ -	$ -	0.00%
Roads, streets, and bridges	11,520	-	-	-	0.00%
Emergency services projects	70,720	-	-	-	0.00%
Inert landfill/solid waste	230,400	-	-	-	0.00%
	$ 687,040	$ -	$ -	$ -	

COMPLIANCE SECTION

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

To the Mayor and City Council
City of Warrenton, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Warrenton, Georgia (the "City") as of and for the year ended December 31, 2018 and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 28, 2019.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that 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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2018-001 and 2018-002 that we consider to be a significant deficiencies.

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2018-002.

City of Warrenton, Georgia's Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The City'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 result 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.

Barmore Hammond, LLP
Certified Public Accountants

Thomson, Georgia
June 28, 2019

CITY OF WARRENTON, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2018

SECTION I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:				Unmodified
Internal control over financial reporting:				
Material weakness(es) identified?		Yes	X	No
Significant deficiency(ies) identified?	X	Yes		No
Noncompliance material to financial statements noted?	X	Yes		No

SECTION II. FINANCIAL STATEMENT FINDINGS

ITEM 2018-001: SERVICE REVENUE BILLINGS, RECEIVABLES, AND COLLECTIONS

Condition: All transactions related to service revenues are not being properly posted to the accounting records.

Criteria: All transactions related to service revenues should be properly recorded in the general ledger.

Cause: The utility billing software and general ledger software are not integrated thereby requiring that amounts billed, amounts collected, and other related adjustments to service revenues be manually entered into the general ledger. Policies and procedures are not in place that require the reconciliation of amounts posted to the general ledger to the underlying reports generated by the utility billing software.

Effect: Transactions originating in the utility billing software and manually posted to the general ledger were not accurate and all transactions recorded in the utility billing software were not properly posted to the general ledger.

Recommendation: We recommend that the City consider integrating its utility billing software with the general ledger software and eliminate the manual entry of billing transactions. In addition, management should establish policies and procedures to insure that all service revenue transactions are properly recorded in the general ledger.

Views of Responsible Officials and Planned Corrective Actions: Management hired a new utility billing clerk in 2018 and authorized her to review processes and procedures utilized to record utility billing transactions. The City has consulted with its software provider to determine the requirements and steps necessary to integrate the utility billing software with the general ledger. Integration of the software systems is in the early implementation stage as the report date.

ITEM 2018-002: GEFA AND USDA WATER SEWER RATE COVENANTS NOT MET

Condition: The fixed charges coverage ratio of 1.05 stipulated in the GEFA loan agreement and the ratio of net revenues to debt service requirement of 1.20 stipulated in the 2016 Bond Ordinance were not met for the year ended December 31, 2018.

Criteria: The City is to maintain a schedule of rates, tolls, fees and charges for the services, facilities and commodities furnished by the Water Sewer System sufficient to produce net revenues at least equal to 1.05 of the GEFA debt service requirements and 1.20 for the USDA debt service requirements.

SECTION II. FINANCIAL STATEMENT FINDINGS (Continued)

Cause: The schedule of rates, tolls, fees and charges for services were not sufficient to produce net revenues equal to the required ratios.

Effect: The required ratios were not met for the year ended December 31, 2018 and the City was not in compliance with its rate covenants.

Recommendation: We recommend that the City review its water sewer rates to determine if they are adequate to fund operation of the System and meet its debt service requirements. In addition, the City should review expenses being charged to the System to insure they are proper.

Views of Responsible Officials and Planned Corrective Actions: Management concurs with the auditor's finding that the rate covenants were not met in the current year. Management has consulted with its engineer regarding the City's current rate structure, expected cost of operating and maintaining the System, and other factors that could impact the net revenues of the System. The City Council approved a rate increase of 5.5% on January 31, 2019 based on engineer recommendations. Management plans to review rates on a periodic basis and adjust them accordingly.

CITY OF WARRENTON, GEORGIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2018

ITEM 2017-001: UNRECORDED SERVICE REVENUES

Condition: The City's utility billing software and general ledger accounting software are not integrated. The utility bills are generated in the utility billing program and billed amounts are manually entered into the general ledger package.

Recommendation: We recommend that the City consider integrating its utility billing module with its general ledger software and eliminate the manual entry of billing transactions. In addition, management should establish policies and procedures to insure that all monthly billings are properly recorded in the general ledger.

Current Status: .Integration of the software systems is in the early implementation stage as the report date.

ITEM 2017-002: GEFA AND USDA WATER SEWER RATE COVENANTS NOT MET

Condition: The fixed charges coverage ratio of 1.05 stipulated in the GEFA loan agreement and the ratio of net revenues to debt service requirement of 1.20 stipulated in the 2016 Bond Ordinance were not met for the year ended December 31, 2017.

Recommendation: We recommended that the City review its water sewer rates to determine if they are adequate to fund operation of the System and meet its debt service requirements. In addition, the City should review expenses being charged to the System to insure they are proper.

Current Status: Management has consulted with its engineer regarding the City's current rate structure, expected cost of operating and maintaining the System, and other factors that could impact the net revenues of the System. The City Council approved a rate increase of 5.5% on January 31, 2019 based on engineer recommendations.

ITEM 2017-003: SUBMISSION OF DATA COLLECTION FORM AND REPORTING PACKAGE TO THE FEDERAL AUDIT CLEARINGHOUSE

Condition: The data collection form and the reporting package was not submitted to the Federal Audit Clearinghouse (the "FAC") by the statutory due date. The 2016 reporting package was due to the FAC by September 30, 2017.

Recommendation: We recommended that policies and procedures be implemented to insure that future reporting packages are submitted to the FAC on a timely basis.

Current Status: The data collection form and the reporting package, for the year ended December 31, 2017, was submitted to the Federal Audit Clearinghouse by the statutory due date of September 30, 2018. Management will insure that future reporting packages, when applicable, are timely submitted.